



MFIC Montenegro Foreign Investors Council

2021



Promoting Investment,
Building The Future



BOKA PLACE

A WORLD OF EXCITEMENT AND CONVIVIAL SOUL



A glittering village infused with unexpected discovery and salt-kissed air, Porto Montenegro seduces people from all corners of the globe. The new gateway to this splendour is a vibrant and eclectic urban enclave of opportunity, friendship and verve.

LIVE A LIFE OF VITALITY AND EASE

Porto Montenegro's newest neighbourhood is alive with activity, a friendly spirit and transformative wellness at its core. A collection of spaces to eat, shop, stay and recharge, this is home to a diverse community founded on a desire to connect and to share. Boka Place welcomes, energises, comforts and inspires - it is open for all to enjoy. Designed to offer the best in urban-living, this is a dynamic hub where modern lifestyles thrive - a concept that enriches the whole waterfront experience at Porto Montenegro.

URBAN-INSPIRED LIVING IN A NATURAL SETTING

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Uniquely designed to support in-house wellness activities

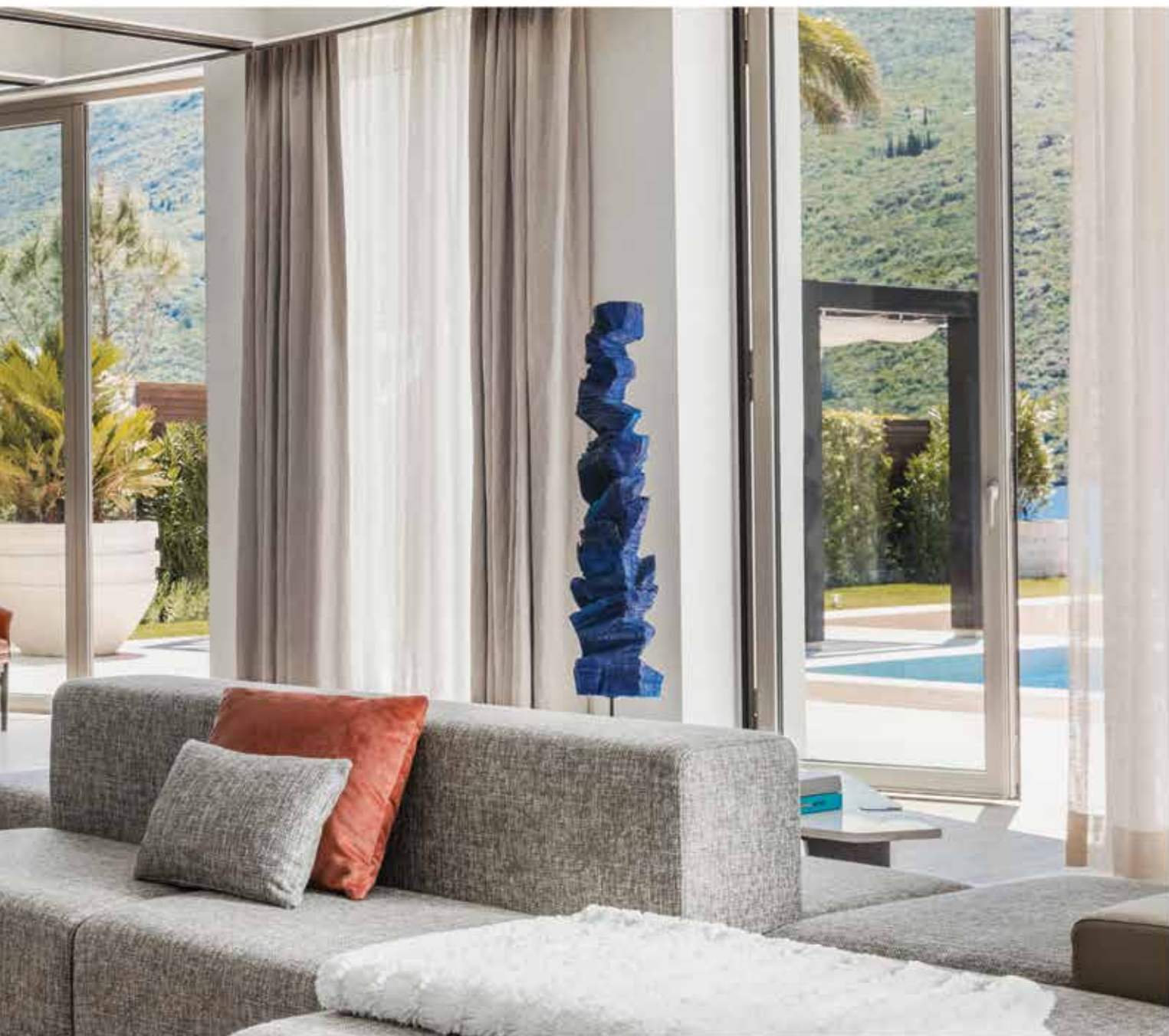
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standing still drives recession

A HEALTHY ECONOMY STARTS WITH YOURSELF

EKONOMIK ACCOUNTANTS DOO, 3 consecutive times awarded in the TOP-100 Best Companies in Montenegro and the largest accounting firm in the country, underlines the importance of an assertive and balanced investment approach in the current market for further growth. It is crucial for the development of the local economy and a recipe for success. Investing in the right industries or projects will pay off, standing still drives recession.

Who, what, when, where, why and how. Those are the urgent questions to be answered by the local and foreign investors that want to succeed in the current market. The passive ones will remain on the sideline watching the active ones to take the present low hanging fruits. The impact of COVID-19 had been devastating on the economy. Trust, transparency and predictability are usually evident for making sound investment decisions, but what if those are not at hand at first glance? Crunch the numbers, take calculated risks and challenge the alternatives. Execute with precision and outperform the market that is frequently off-balance.

Fact is that Montenegro is on the rise already for some time, becoming a well bespoke country around the world, matching itself with the worlds renowned destinations. An emerging place to invest, a gem in Europe with the most fantastic nature, kind people, most attractive tax climate and plenty of space to develop new businesses. The prices in (non)food sectors, challenged global logistics, cost of commodities, construction costs, cost of living, local buying power, political reforms, EU integration, tax reforms, new legislations, the list is endless and creates a ton of valid concerns and simultaneously a busload full of opportunities.

Our advice is to create and maintain an assertive, balanced investment strategy and become part of a healthy, emerging and potentially fast growing economy.

“There is plenty of space in Montenegro to develop new businesses.”

It Takes Two To Feed The Growth

The crisis represents an opportunity for Montenegro to try to build more a resilient, inclusive and green post-pandemic recovery. The government is open to proposals that will help us achieve our goals and fulfil all criteria for us to become a membership of the EU in 2024 and bring prosperity to our citizenry

Montenegro's economy was hit harder by the pandemic than any other European country, yet today is again riding higher than any of its counterparts. While the culprit and the saviour are one and the same: tourism. The real key to success lies in cooperation between the Montenegrin Government, the Central Bank of Montenegro and the international financial community, as well social partners, non-governmental organisations and citizens.

By posting good business results, members of the Montenegrin Foreign Investors' Council (MFIC) contributed to the economy rebounding, by keeping up with their investments and offering their knowhow and experience to the government.

The situation looks much better today, with the rebound in economic activity having also pushed government revenues. Thanks to that positive streak, coupled with careful fiscal ma-

management, the fiscal deficit is today much less worrisome than it was back in 2020, when it stood at 11 per cent of GDP. The government is determined to continue with its fiscal prudence policy, while at the same time creating measures that must help businesses and workers overcome the harsh situation.

Yet, if these good results are to be sustained, Montenegro has to reinvent its economy. That is to say, while the tourism will remain one of the best sources of economic growth, other sources



The government is determined to continue with its fiscal prudence policy, while at the same time creating measures that must help businesses and workers overcome the harsh situation

have to be found as well. We need to ensure a resilient, inclusive and green post-pandemic recovery.

One of the ways to achieve that is through reforms that can ultimately lead to macroeconomic stability and new economic opportunities and job creation for the private sector. This is even more important given that the labour market hasn't yet recovered as fast as the economy.

As such, news about a new investment is also news that promises job creation. In that respect, we both value the determination of existing investors to continue investing in Montenegro and welcome new domestic and international businesses. We have to send a strong joint message that Montenegrin tourism, along with other branches, is as attractive as it was prior to the crisis.

We believe strongly in the future and push for rapid digitalisation and innovation as sources of new growth. We welcome the views of MFIC members and their

experience in the sector.

And it is in that respect that we acknowledge the need to accelerate reforms and demonstrate our commitment to the rule of law and the fight against corruption and red tape.

This government fosters dialogue and is ready to listen to proposals that will lead to the prosperity of our economy and society. In the MFIC, the government certainly has an interlocutor that's devoted to carving the route to a sustainable growth path.

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Focused On Future Growth

CHRISTOPH SCHOEN, MFIC President (Executive Director of Addiko Bank)



We believe that the Montenegrin economy will continue to be strongly influenced by investments in the coming years, and that the Government will have a positive impact on the development of economic activities by implementing measures to consolidate public finances, optimise public administration and implement measures recommended by the White Book

Over the course of two years, Montenegro has endured a strong economic decline and an almost equally strong economic recovery. We spoke with MFIC President and Addiko Bank Executive Director Christoph

Schoen about the pandemic's impact on foreign investors operating in Montenegro and the Montenegrin economy in general. And as our interlocutor notes, "what's even more important is that we focused on the future steps that have to be taken if the economy is

to rebound and accelerate growth. Like many other businesses throughout the globe, our companies have strongly felt the negative effects of the crisis."

However, says Schoen, despite the adjustment of operations, MFIC members continued

GOAL

I believe that it won't only be important for us to expand our business, but also for the small Montenegrin economy that is recovering from the crisis

TOURISM

Through its active participation in the recently formed Working Group for Tourism, MFIC will exert every effort to create the conditions for more efficient business in the tourism sector

DIGITALISATION

Innovation and digitalisation in all areas are key components of economic development. All our members have leaders and experts who can primarily assist the public administration

their planned investment cycle for the 2020-2022 period, totalling 1.5 billion euros.

Despite the great difficulties caused by the COVID-19 pandemic continuing, as well as the pronounced problems in the connectivity of the destination (especially by air), the complete absence of visitors from certain areas (such as Russia and much of Western Europe), MFIC member companies operating in the tourism sector nonetheless recorded excellent results in all sectors. "We can therefore state with certainty that, in financial terms, 2021 was a successful year for our members. We are sure that this is the result of large investments in infrastructure and facilities in resorts, such as Porto Montenegro, Portonovi and Luštica Bay in previous years, but also the constant improvement of all services and products available within these projects," concludes our interlocutor.

In your opinion, to what extent has the Montenegrin government managed to cope with such challenges and keep the country on the trajectory of reforms?

-The Government, in cooperation with the Central Bank of Montenegro, took appropriate and timely measures to support the business community and private individuals, in order to ease the impact of the crisis. From this perspective, I think it's fair to say that the crisis was managed very well from the side of the Government of Montenegro and the Central Bank.

We are very active interlocutors and partners of the Government in the field of improving the business environment. I would like to remind your readers that MFIC participates in the work of the Competitiveness Council, as the main advisory body in the field of business environment improvement, and that - as a very active member in the previous period - we were focused on ensuring the implementation of White Book recommendations submitted by our members, as well as those that emerged through the work of our committees.

Reforms of the business environment in Montenegro during the coronavirus pandemic must be implemented more efficiently, in order to create a favourable business climate and enable the entire Montenegrin economy to develop and recover faster. On the other hand, the Council recognised the importance of the success of the tourist season, so we have exerted additional efforts to help organise the vaccination process within Montenegro through numerous activities. We believe that

The Government, in cooperation with the Central Bank of Montenegro, implemented appropriate and timely measures to support the business community and private individuals

the appropriate response from the state and the tourism industry has enabled Montenegro to achieve good results from the tourist season.

The global experience is that, in the pandemic, those who entered the digital transformation on time could do their best to adapt. How ready was Montenegro for such a challenge?

-Digital transformation in the ICT industry around the world, and even in our country, more than in any other industry, is a constant journey and a driver of change, because innovative products and customer services are constantly being delivered and created. In addition, the situation with the coronavirus pandemic indicated that information and communication technologies represent a milestone for modernisation and the potential for the further development of all sectors in Montenegro.

Transformation requires a strategy that, like any strategy, looks at the goals, the current situation and ways to move forward on this journey

in a way that makes sense and connects all the necessary elements. The basic precondition for the successful implementation of digital transformation in our country, of course, is an adequate legal framework that enables the application of the advanced solutions that are applied in the developed world. It is therefore important that the Government pays special attention to this area in the coming period. It is very important that the Government has also recognised the importance of these processes, so it started drafting the Digital Transformation Strategy, the preparation of which includes a representative of the Montenegrin Foreign Investors' Council. We see this as a great opportunity for Montenegro, because it provides the opportunity for small and smart systems to solve problems in their functioning in the foreseeable future and to create a chance to become competitive at the international level.

I would also like to mention that this year's edition of the White Book contains recommendations pertaining to part of the proposed measures aimed at improving the digital transformation process, through the terminalisation of public administration via the introduction of electronic payments in the business system of public institutions in Montenegro, communication with public institutions, exchanges of data on the National Identification Number and the implementation of regulatory and technological preconditions that are required to support E2E internet sales of basic banking products.

If we look at the Ease of Doing Business Index in Montenegro, what does it tell us about changes in the business environment?

-The Ease of Doing Business Index for 2020 is 6.4 (on a scale of 1 to 10, with 1 representing the worst score and 10 the best). The result for 2020 shows a significant decline compared to 2019, which was considered a record in several segments, but also a decline compared to 2017 and 2018, when the index rating stood at 6.5. Such a significant decline in the index, by 0.5 points, has not been recorded previously, but the

► decline was to be expected given that 2020 was marked by the coronavirus pandemic, which had a very negative impact on the country's economy, especially the tourism sector.

When it comes to 2020, there was an evident decline in all individual indices, which is certainly understandable given the large decline in the overall index. In this regard, the largest index in total for the year, alongside the significant decline, belongs to the telecommunications and ICT sector. Compared to 2019, the tourism sector recorded the largest decline, by as much as 0.8 points, while banking/finance fell by 0.6 points, the transport/logistics and production/energy sectors recorded a decline of 0.3 points, while trade sustained the smallest decline compared to the previous year, falling by 0.2 points.

MFIC members representing the tourism sector gave their sector a rating of 5.3, which is down 1.7 points compared to 2019 and 0.8 points compared to all members of the Council. These are also the biggest negative differences in assessments and represent an important indicator of the problems that emerged in the tourism sector during 2020.

The President of the European Commission recently said that Montenegro has made the most progress on the path to membership in the Union and that Brussels encourages the country's authorities to implement further reforms. To what extent has Montenegro managed to maintain the pace of European integration under these difficult conditions?

-If we look at the last EC Report for Montenegro for 2021, Montenegro has not made progress in the area of "Justice", under Chapter 23, during the past year. Horizontally, only "limited progress" has been made in as many as 30 chapters, while "good progress" has been achieved in only two chapters – "Public Procurement" and "Food Safety, Veterinary and Phytosanitary Supervision" – and there has been no progress in the domain of "Traffic".

The average assessment of progress for Montenegro this year is the lowest of the last six years and amounts to 3.03. For comparison, the average assessment of this progress in 2015 was 3.15, and in 2020 it stood at 3.18. On the



Further attention should be paid to implementing reform processes in the sectors analysed in the White Book that our members rated as low, such as the labour market and employment, real estate development, taxation/contributions, corporate governance and the rule of law

other hand, the average readiness assessment, which includes an assessment of the overall situation in the areas covered by individual chapters, is the highest to date, amounting to 3.11 points.

Further attention should be paid to implementing reform processes in the sectors analysed in the White Book that our members rated as low (labour market and employment, real estate development, taxation/contributions, corporate governance, rule of law) in order to improve the business environment, attract foreign investment and create condi-

tions to improve the economic standing of all Montenegrin citizens.

In which reform areas does the MFIC have expertise that could assist the government at this specific time?

-Innovation and digitalisation in all areas are key components of economic development. I believe that we can join forces in this area, because all our members have leaders and experts who can primarily assist the public administration.

It is through the initiative sent to the Competitiveness Council, and with the support of the Ministry of Finance and the Secretariat of the Competitiveness Council, that we are working intensively on the implementation of defined proposals for eliminating barriers to the development of e-services in the banking and telecommunications services sectors. The interdepartmental working group, composed of representatives of MFIC, the Ministry of Finance, the Central Bank of Montenegro, the Interior Ministry, the Tax Administration, the Police Administration and the Association of Banks, together with MFIC member companies, prepared an Action Plan with established dynamics for implementing recommendations. Of a total of nine activities, two have already been implemented, while the realisation of the others is underway.

How would you assess the quality of cooperation between the business community and the government from the perspective of MFIC, especially in the working groups that include your members?

-It is of the utmost importance that all business associations in Montenegro cooperate not only with each other, but also foster strong and timely communication and cooperation with the Government, and the situation with the coronavirus pandemic required a joint response and synergistic action.

MFIC traditionally has good cooperation with all other business associations in Montenegro. There are many potential areas and ideas for cooperation, and we recognise the launch of the Digital Coalition, in cooperation with the Government and business associations, as a significant initiative.



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Economic Diversification Is Our Imperative

JAKOV MILATOVIĆ, Montenegrin Minister for Economic Development



The Montenegrin economy is awaited by full recovery in the following period, on the basis of the government's strong reform processes, new investments, economic diversification and improving living standards

Could it be said that Montenegro has returned to a sustainable economic growth path? Over the previous eleven months, according to the assessment of Montenegrin Economic Development Minister Jakov Milatović, knowledge and will proved to be the main trump cards of the Government's efforts to raise the downed economy to its feet and rebuild it. "It was a great challenge for the country to recover after recording a 15.3% decline in the economy, the

largest decline in its history and the largest in Europe," explains our interlocutor.

He says that, at the moment the government changed, the new government encountered macroeconomic instability and poor public finances, while the crisis additionally highlighted all the structural problems of the Montenegrin economy, such as long-term unemployment, high income inequality and import dependence.

"It was essential to make correct and timely decisions, and to take action on multiple fronts,

i.e., on the consolidation of public finances, the stabilisation of the epidemiological situation and support to our citizens and businesses in combating the negative economic consequences, while simultaneously dedicating ourselves to structural reforms," says Milatović.

"A series of timely decisions were taken with the aim of prompting the recovery of tourism, starting with the opening of borders to the other countries of the Western Balkans, promoting Montenegro on the regional and international

SUCCESS

We can today talk about the stabilisation of public finances, the recovery of economic activity, the preservation of the substance of tourism and Montenegro's return to the path of sustainable economic growth

markets, adopting health protocols, mass vaccination of the population and establishing a new national airline, all of which resulted in a season that exceeded expectations and also deserves the most credit for the general recovery of the economy. According to data from the Central Bank of Montenegro, revenues of 700 million euros were recorded in the first nine months of the year – with which the annual plan was exceeded,” says the minister in summary.

All of the aforementioned has led to an extraordinary recovery of economic activity in Montenegro, which is expected to total 12% at the annual level. “This result particularly pleases me, because - on the one hand - it illustrates our intention and seriousness in building an economically stronger Montenegro, while - on the other hand - we have exceeded expectations and the speed of economic recovery projected by the IMF in December 2020 and amounting to four per cent. Our result is as much as three times higher than their prediction,” concludes Milatović.

How would you evaluate the results of support provided to the economy? Will the Government decide to continue these measures and, if so, who will they be intended for primarily?

- The COVID crisis dealt a heavy blow to economies worldwide and all governments had to act promptly in order to accelerate the recovery of their economies. At the end of January 2021, the Government of Montenegro adopted a package of measures for the first quarter totalling 163 million euros and, at the end of April, a package of measures for the second quarter totalling 166 million euros, which created the preconditions for the recovery of the economy and support for the liquidity of enterprises and the preservation of jobs, and in particular enabled the tourism and hospitality sector to readily await the start of the tourist season. It is important to note that, when adopting these measures, we primarily listened to the needs of

VISION

We want young people to realise their dreams here, and not far from their homeland, and the ‘Europe Now!’ plan represents only the first step towards the realisation of this vision

businesses and were in constant communication with their representatives, which ensured that we introduced high-quality measures that satisfied businesses.

Moreover, I would also like to emphasise the importance of the ‘Europe Now!’ project and the Government's economic recovery programme, which has measures that introduce a new economic development model grounded in greater social equality, a reduced tax burden on labour, the struggle to combat the grey economy and the promotion of innovation, digitalisation and the green economy.

In your opinion, will the measures resulting from this programme be sufficient to mitigate the impact of the crisis that occurred during the pandemic?

- The COVID-19 pandemic has led to the loss of some jobs, but also entire enterprises. Nevertheless, the majority of businesses succeeded in adapting their operations to the situation on the market and, with the help of government measures, maintain their company's business.

The Government of Montenegro will continue to monitor events at the Steelworks in continuity, and we will certainly do everything in the bounds of the legal frameworks to protect workers and their rights

The major reform project of systemic proportions that is “Europe Now!”, which is expected to be implemented at the beginning of next year, implies increasing the minimum monthly income from 250 to 450 euros, while increasing the average from the current 530 to 700 euros. This project also implies a significant reduction in the tax burden on labour, the introduction of fairer forms of taxation and a strong fight against the grey economy, especially on the labour market. These measures received unanimous support at the Social Council and also received

DIGITALISATION

Digital transformation should enable the achieving of cutting-edge technological standards, the development of e-infrastructure and the applying of innovative ICT solutions at the state level

positive assessments and a green light from our European partners.

Are there some ways in which this crisis will be easier than the previous, 2008, one? On what does that depend?

- Today's crisis appears to be significantly more serious than the previous one, a claim that's also supported by relevant international institutions. A special problem today is represented by supply chain disruptions, and world market prices are rising as a consequence of that, which represents an additional factor aggravating recovery. However, Montenegro has a significantly better position today than it had during last year, when the country was forecast to recover very slowly. According to projections, this year's growth rate will exceed 13%. Additional confidence is also provided by the forecasts of the European Commission, according to which Montenegro will reach its 2019 GDP level in 2022 and will be Europe's fastest growing economy. Offsetting a GDP decline of more than 15% in just two years would be an incredible success. We should

also recall that it took significantly longer to recover after 2009's six per cent drop in GDP.

The crisis has shown that diversification is an imperative for Montenegro. What does this mean in practical terms when it comes to the strategy for attracting foreign investment in sectors other than tourism?

- Economic diversification will definitely be an imperative for the further development of Montenegro, with a special focus to be placed

► on the development of sectors that better resist external circumstances. There will definitely be a focus on the ICT sector, which recorded high growth during the pandemic, energy – with the aim of improving energy efficiency and the use of renewable energy sources to achieve sustainable development – agriculture, wood processing and the processing industry as a whole, as a sector that's very important to the overall economic development of the country, but also to the creation of conditions for balanced regional development.

What kinds of innovative capacities does Montenegro have at its disposal and where is the country's market niche when it comes to digital transformation and inclusion in the 4.0 economy?

- When it comes to the global competitiveness index, i.e., Innovation Capacities, and according to the statistics of the World Economic Forum, Montenegro is recording progress.

At the strategic level, we've opted for the EU's "recipe" of strategic planning, better known as smart specialisation. Four development niches have been identified through the Strategy and relate to sustainable agriculture and the food value chain, energy and sustainable environment, sustainable and health tourism and ICT, as a horizontal priority that serves in the function of developing the previous three (vertical) priorities.

What are the key instruments that the government intends to utilise to encourage innovation at the level of companies and start-ups?

- In recognising the importance of innovation to the overall economic development of Montenegro, the Government adopted its Innovation Programme 2021-2024, with which it created programming foundations for financing innovative programmes and projects in the coming period.

The goal of the Innovation Programme is to present all relevant innovation support programmes planned for the coming period in one place, which will enable the innovation community to more easily recognise all instruments that will be made available and directed towards the entire innovation development cycle: from initial idea to com-



We are convinced that we will succeed in overcoming this crisis much faster than expected, and that the benefits of this growth will be much more fairly distributed and will benefit all citizens of Montenegro

mercialisation and market entry.

Likewise, we've negotiated three pre-acceleration programmes totalling 150,000 euros, while our plan for next year includes the implementing of a project with UNOPS that should have the goal of supporting start-ups. Furthermore, the newly established Innovation Fund of Montenegro will determine its programming lines in a special programme at the beginning of next year, and everything will be directed towards supporting businesses that conduct innovative activities or want to test their innovative ideas.

There are also some long-standing challenges at the same time. What will be the fate of the Steelworks?

- I was awaited at the beginning of my term by many inherited problems, most of them

urgent. And one of them was the issue of the Tošćelik Steelworks.

After acquainting ourselves with the situation at the plant, the Ministry of Economic Development implemented a series of activities aimed at protecting the rights of workers, and to that end meetings were also organised with the owners of Tošćelik. Production halted as of the beginning of May this year, with the workers sent home on paid leave. With the mediation of the Ministry, workers have been receiving 90 per cent of their salaries since then, instead of the originally planned 70 per cent.

During my recent visit to Turkey, I also met with the heads of Tosyali Holding, who informed me that they launched the process of selling the Steelworks in Nikšić last year, because it doesn't fit their steelworks portfolio, and that there are two potential buyers at present. Workers will continue to receive compensation at the same level until the finalising of negotiations with interested buyers, and in that sense the workers don't have to worry about their financial and existential future.

What is the situation like at state-owned companies and what is their place in the picture of economic diversification?

- We are witnesses to the fact that, to date, the inefficient and/or poor management of majority state-owned companies has imposed significant costs on the state.

In order to prevent this long-standing practise from continuing, the Government of Montenegro adopted the Decision on the Establishment of a Limited Liability Company (LLC) called "Montenegro Works", which will deal with monitoring and analysing the financial situation in majority state-owned companies and provide expert support in implementing reforms aimed at improving the efficiency of management. We would thereby protect the Montenegrin budget from previous negative cases, when significant revenues were lost due to the poor management of certain state-owned companies.

This is the first step in implementing the vision of domestic management of the state-owned section of the economy, and each subsequent step will head towards bringing the "Montenegro Works" project to life, and doing so for the sake of the reviving of state-owned companies.

Our Values Are Our Strength

JACCO LANDSMEER, Owner, Ekonomik Accountants



We don't follow the traditional route of the market, in order to meet existing market conditions and play along. Rather we've been creating our own standards, while we've stayed entrepreneurial, remained bold, excelled in quality and aligned our pricing policy with these principles. This is what distinguishes us from others

The core business activity of the company is accounting, including the preparation of financial statements and management reports. The company additionally focuses on services related to corporate income tax and VAT returns, payroll compliance and tax advisory. "This means that not only do we provide tax planning services and excel in tax ruling negotiations, but we are equally efficient in handling the day-to-day accounting and tax requirements of everyone from medium-sized companies to large global corporations and high net worth individuals," says Ekonomik Accountants Owner Jacco Landsmeer. "It may sound like a cliché, but what our customers are truly after is a high level of security, assertiveness, responsiveness and, most importantly, the quality of work that we deliver on a daily basis. We breathe the same air as our customers."

You were recently awarded by the "Best Performing Companies in Montenegro" and officially became a market leader in the auditing & accounting industry during 2020. What is the secret to your success?

-Allow me to explain how we decided to build up Ekonomik Accountants about eight years ago. We literally drew a linear graph on a small piece of paper. It showed what a single new contracted customer per week for the next five years would mean. On top of that, we added estimates of the revenues, costs and gross profit margin. We decided quality must rule, in every sense of that word, on a permanent basis.

It is worth mentioning that we launched this firm with just one customer and one employee.



This employee still works with us today and now has his own team, which he manages excellently and with the same enthusiasm as when he started. We've contracted over 500 companies since then (which is more than one per week over an eight-year period). These

were mostly good deals, though some were not so good. And the not so good ones teach you how to improve.

The key is to believe in your own values and your own strength. We didn't follow the traditional route of the market, in order to meet existing market conditions and play along. Rather we've created our own standards, while we've stayed entrepreneurial, remained bold, excelled in quality and aligned our pricing policy. It sounds simple, but almost no accounting firm did that at that time. Everybody was (and often still is) just price fighting. I believe that's mistaken. It's not what the customers are after: they want quality for their money.

How do you envisage the development of accounting business climate in Montenegro, in terms of your long-term market goals?

-You ask me about the future of the accounting industry and what the market expects from us as a service provider? It's clear what needs to be done: it is time for a higher level of standardisation, better formalisation and the categorisation of accounting firms.

It is important to customers that accounting firms are audited regularly; that they satisfy all criteria in terms of liabilities, level of knowledge of legislation and the proper data security protocols. Workflows, information security and AML protocols are also equally important. Certain certifications and regular controls have to become mandatory for every market player. This will engage the industry to achieve higher professionalism throughout the entire accounting sector, equating to the better performance of services.

We Preserved Economic Stability

RADOJE ŽUGIĆ, Governor of the Central Bank of Montenegro



We can state with satisfaction that the central bank reacted appropriately under the conditions of heightened uncertainty caused by the COVID-19 pandemic and succeeded in preserving the balance between supporting the economy and the population while preserving the banking system's health

The Montenegrin economic situation is in the phase of recovering from the strong, negative impact of the COVID-19 pandemic on almost all sectors of the Montenegrin economy. This year is expected to see a high rate of economic growth, and growth is expected over the course of the next three years. However, a certain dose of concern is caused by the level of public debt, says Central Bank of

Montenegro (CBCG) Governor Radoje Žugić. Financial stability in Montenegro was also preserved during the crisis caused by the COVID-19 pandemic, which – among other things – is a result of well-targeted temporary measures that the CBCG created with the aim of alleviating the consequences of the pandemic for the economy and citizens, but also a result of banks' healthy balance sheets prior to the outbreak of the pandemic,

emphasises the central bank governor.

Looking back, how would you rate the success of the Central Bank's ten packages of measures?

- Over the past year and a half, we've implemented ten packages of measures directed towards alleviating the impact of the coronavirus pandemic on the economy and the population. This distinguished us as the central bank with the

CONSISTENCY

One of the key reasons why the banking system remained stable even during the pandemic is that its high liquidity and solvency were secured in the period prior to the crisis.

most comprehensive set of anti-crisis measures in the region and across Europe.

The measures, some of which are still in force, have been directed, among other things, towards postponing and easing the repayment of liabilities, through a moratorium and loan restructuring. In this way, the banking sector “ceded” liquidity to the population and the economy. We enabled all private individuals and legal entities hit by the pandemic to temporarily postpone payments of their obligations to banks, which provided them with a higher level of income and the possibility of settling other obligations. We also allowed banks to treat restructured loans as newly approved ones, which freed them of the additional burden of reservation costs, thus creating the conditions for restructuring loans to citizens and the economy under more favourable conditions.

We also used the monetary instrument that’s at our disposal and reduced the rate of required reserves of banks by 2%, with which we “pumped” 70 million euros of liquidity and increased banks’ credit potential. The CBCG likewise “halved” the prices of withdrawals of mandatory reserve liquidity, securing cheap access to additional sources of bank liquidity when needed.

You recently completed the AQR process. What do the results show?

- With the aim of gaining the most objective possible picture of the state of the banking sector, we initiated and recently concluded a project to assess the quality of assets, so-called AQR [Asset Quality Review]. With this instrument it is determined whether banks have an adequate capital position and how they manage risks. The results of the AQR confirmed the stability of the Montenegrin banking sector, as expressed through an adequate capital position and the satisfactory quality of bank assets. We are particularly proud of these results because we are the first country outside the EU to have conducted the AQR process in accordance with

CAUTION

The slight growth of NPLS is not a cause of concern for now, but we have intensified and are very dedicated in our efforts to monitor and analyse the situation and movements in the banking system, using all tools at our disposal

ECB methodology, while encompassing the entire banking system with a high sample of risk-weighted assets of more than 84%.

How satisfied are you with the CBCG’s cooperation with the IMF and World Bank?

- We have excellent cooperation with both the IMF and the World Bank, through numerous technical assistance programmes that contribute to improving the functioning and strengthening the capacity of our institution, as well as faster and more successfully adjusting the legislative framework to the best world practice.

In February this year, for the first time since the CBCG’s establishment, the IMF prepared an external analysis of control mechanisms of

this institution and confirmed that the CBCG has strong operational control mechanisms of its key functions, including the management of reserves, treasury operations, finance and controlling, operational risks and internal audits.

You’re among those who’ve spent many years advocating for the need to diversify the Montenegrin economy. Where do you see the role of the central bank and the banking system in this, when it comes to supporting sectors of the economy linked to production?

- Viewed historically, the Montenegrin economy is characterised by insufficient diversification of its production structure, with the marked dominance of service activities. This has resulted in a low level of technological equipment and a high level of import dependency. We are also confronted by unequable regional development.

The emergence of the COVID-19 pandemic halted the cycle of economic growth that

VULNERABILITY

The period of the pandemic exposed the high level of dependence of the economy on the service sector, which simultaneously showed that the Montenegrin economy is highly sensitive to external shocks

had been achieved in the 2015-2019 period, when the average growth rate amounted to almost 4%. During this period, our economy’s growth model was based on strong investment activity that incited economic flows within the country. However, the Montenegrin economy’s insufficient diversification reduced the positive effects of investments, precisely due to insufficient and unavailable capacities for the production of goods needed to conduct investments, and this investment cycle was accompanied by high imports.

The Central Bank is not an institution that has a mandate to provide direct support to the manufacturing sector. The CBCG certainly contributes indirectly to achieving this aim by preserving the stability of the financial

We paid special attention to directing support towards those categories of the population and economy that were hardest hit by the pandemic

sector. Finally, the banking system – through credit support – provides a significant contribution to the development of all sectors of the Montenegrin economy.

Do you consider that the most vulnerable sections of the population and enterprises will be in a position to handle the consequences of the pandemic without additional support measures?

- Setting out from the positive impact achieved through the implementation of the Central Bank’s ten packages of temporary measures, as well as the Government of Montenegro’s five packages of measures, GDP growth projections, available indicators and assessments of economic recovery encouraged by the strong recovery of the tourism sector, we can conclude that conditions have been met for the relative normalisation of operations. With the application of the Decision on temporary measures to mitigate the negative

► effects of the epidemic of the infectious disease COVID-19 on the financial system, on the date of 30.09.2021, the moratorium includes loans amounting to 5.23 million euros, or 0.18% of total loans, while loans restructured under favourable conditions amount to 203.93 million euros, or 6.90% of total loans. At the same time, about 30 million euros in new loans under favourable repayment conditions were approved for the sectors of tourism, agriculture, fisheries and forestry, as well as other vulnerable activities.

It is clear that these temporary measures cannot last for an indefinite period of time. However, the CBCG will continue actively monitoring the further development and impact of the COVID-19 pandemic on the financial system, the Montenegrin economy and citizens, as well as analysing macroeconomic and financial system developments in order to support the recovery and further growth and development of the Montenegrin economy, through adequate and timely macroprudential and monetary measures.

What kind of results will the banking sector have as it awaits the end of 2021?

- Data on the operations of banks confirm that the banking system is stable, profitable and liquid. Assets amounted to approximately 5.2 billion euros at the end of the third quarter of this year, which is 12.5% higher than at the end of 2020. The solvency ratio, as a relative indicator of capital adequacy, exceeded 18.5% on 30th September 2021, which is almost twice as much as the prescribed minimum. Deposits have grown since the beginning of the year by over 600 million euros and now total almost four billion euros, which is an historical maximum.

The negative impact of the pandemic on the operations of banks is reflected in a slight increase of NPLs, which is nonetheless limited thanks to the CBCG's timely implementing of measures. It is realistic to expect the reduced volume of economic activity and increased unemployment to result – at some point following the lifting of temporary measures – in the worsening of this important parameter that predominantly impacts on capital adequacy. This will have a further negative impact on banks' revenues, through an increase in value adjustments, i.e., reserves for expected lending losses.



Officials of the IMF and World Bank assessed that the crisis measures of the CBCG were “created and implemented in a timely, adequate and strong manner, and that correct steps were taken towards building a strong and credible institution.”

What lessons would you draw from this experience for some similar future crises?

- We assessed that, when it comes to taking action under unforeseen circumstances like the COVID-19 pandemic, it is crucial to have a swift institutional response in the form of profiling adequate macroprudential and monetary policy measures to combat the emergence of risks in the financial system and prevent them from materialising, as well as the timely implementation of these measures.

Second, it is essential to coordinate the activities of all policymakers responsible

for preserving macroeconomic and financial stability in the synchronised creation and implementation of protective measures, and this was confirmed by the Government of Montenegro and the CBCG with their actions.

Third, the focus of the CBCG was on protecting the financial position of banks' clients – private individuals and legal entities, in the narrower sense, or preserving the solvency and liquidity of the banking sector, in the broader sense. The CBCG worked proactively, and in a timely manner, to secure 350 million euros from the European Central Bank and the Bank for International Settlements for cases of urgent liquidity support to banks in the case that unforeseen circumstances arose. We are pleased that this didn't happen, but we were also prepared for that scenario.

The fourth important lesson is that it is necessary to prepare for crisis conditions during times of stability and that reserves should then be accumulated.

What kinds of effects could inflation have on the Montenegrin economy's macroeconomic balance and economic growth over the next two years?

- The projections and reactions of key central banks and international financial institutions indicate that inflation should slow as we approach the middle of next year, i.e., with the fading of the base effect of strong price growth. We are of the opinion that there is a significant risk of global inflation lasting sometime longer. Specifically, a continuation of the standstill in supply chains, with the consequent further growth of energy prices and their additional pressure on prices of other goods and services, would additionally contribute to the growth of inflation expectations. Likewise, we shouldn't overlook multi-year expansive monetary policies that could impact on the long-term growth of inflation.

When it comes to energy sources, the growth of prices may have an adverse influence over economic trends in Montenegro. This relates, first and foremost, to growth in the value of imports, a worsening situation with the balance of payments and the further growth of inflation. On the other hand, Montenegro uses negligible volumes of gas, so the country will not be impacted directly by the international gas crisis.

Devoted To Consumers And The Community



**Coca-Cola HBC
Crna Gora**

I believe that, with our arrival on the Montenegrin market and stable operations, we signalled to many investors that this country is a good place for investment. We contribute to the community on a daily basis, with the quality of our products, innovations and the wholehearted assistance that we provided during the pandemic



Coca-Cola HBC Montenegro has been operating on the Montenegrin market since 2002. Over the course of the previous 19 years, we've developed the market continuously, bringing new standards and rich experience, thus contributing to the improvement of the overall business environment - says Coca-Cola HBC Montenegro Executive Director Nikola Tripković.

■ **You have been operating in Montenegro for many years. What do you consider as the company's greatest success?**

- I think our greatest success is that we have stable operations in Montenegro, with which we provide the best example to other companies that this country is a secure investment destination. I like to believe that we have lit the way and introduced this country to many other investors who came after us. At the domestic economic level, our contribution is reflected

in secure jobs, stable and predictable budget revenues from various taxes, and numerous market innovations.

We engage over 50 people and indirectly support about 200 more jobs through cooperation with approximately 3,500 partners and customers.

There is also a value that cannot be expressed in numbers: the transfer of knowledge and experience gained through work on the 28 markets where our group operates. Operating in line with specific criteria, which is also an obligatory condition for all of our suppliers, has particularly shaped the entire industry and market at a higher level throughout the years.

■ **How do you manage to continue developing the company's operations despite a great many challenges?**

- By listening to the needs of consumers very carefully and taking them into account, but also by investing in innovations. We are ex-

panding our portfolio in line with the wishes and lifestyles of consumers, offering them a broad selection of complementary products that represent a great combination for any occasion for consumption 24/7.

In addition to the products for which we are widely renowned, such as Coca-Cola, Coca-Cola Zero, Fanta and Sprite, we also have fruit juices in our portfolio (neXt, JOY), Ice Tea (Fuze Tea), energy drinks (Ultra Energy), as well as Rosa spring water. For two years now, the Bambi company has been part of our enterprise at the global level, with its confectionery products that are among the most beloved in the entire region.

We pride ourselves on clearly and transparently labelling the ingredients of our products on packaging, indicating the recommended daily intake, but we also offer different low-sugar and sugar-free products, as well as refreshments that include natural and artificial sweeteners.

■ **Your philosophy of sustainable operations lies in the idea of the company's development progressing hand-in-hand with the development of life in the community. In which areas do you invest?**

- There are three crucial areas of our investment in the community: investing in youth; investing in environmental protection, where we see ourselves as an active partner of the state in further improving the packaging waste management system, through the transfer of best European experiences and practices; support for the community through volunteerism and donations.

In this critical period of the struggle against the novel coronavirus, together with the Coca-Cola Foundation, we donated \$50,000 to the Red Cross of Montenegro, thereby supporting 1,000 families. We additionally donated 15,000 litres of drinks for healthcare workers and employees at COVID centres.

We will continue to be a reliable partner to the community and consumers in the future as well.

We Want Our Customers To Feel They're In Good Hands

STJEPAN UDOVIČIĆ, CEO, Crnogorski Telekom

We are leading the society in the direction of digitalisation as a company that enables any customer in the country to connect to all available online services. The knowhow drawn by our experts from the experiences of Telekom and Deutsche Telekom Group enables us to provide our partners with the right answers to their questions regarding digitalisation

Crnogorski Telekom finds itself in a unique market position, because it is backed by the knowhow and experience of the entire Deutsche Telekom Group. According to the company's CEO, this is what makes Telekom unique on the market. "We are moving in step with the leading European and world trends in the domains of mobile and landline networks, support technologies for these networks and innovations, which only makes sense if the benefits are felt by customers," explains our interlocutor. Telekom is this year dedicated to improving the customer experience, which ensures that its work is resulting in growth of the client base and revenue, and confirms that the company is on the right track.

How do you provide support to companies that are undergoing the digital transformation process?

- Digital transformation helps companies to reduce their costs, simplify and speed up processes, and increase their productivity. However, if this process is entered into without planning, it may result in greater harm than good. That's why it is important for us to be available to customers – from the Montenegrin public sector and interested members of public – firstly as advisors, through the broadening of perspectives, and then also as service providers.

It is in that sense that I would like to mention eTrust – Telekom's trust services, thanks to which electronic signatures and stamps have been



made available to citizens, businesses and the public sector. This service has been developed in accordance with all relevant laws, and our data centre – which has been built according to the most demanding standards of the industry and DT Group – ensures even greater security and, of course, data storage in Montenegro.

What changes to the market will be brought by 5G?

- It was in June this year that Telekom became the first operator in Montenegro to successfully test the 5G network under so-called "real conditions" in the north of the country. The road to full implementation could be longer or shorter, depending on the development of the regulatory framework, i.e. the conditions set

for operators when it comes to the commercial launch of 5G services.

As was the case in EU countries, major investments from operators are required for 5G to be made commercially available. As such, we are hopeful that frequency spectrum fees will be much lower, in order for us to be able to dedicate ourselves to investing in equipment and speeding up the process of ensuring the entire country has 5G network coverage.

What kind of business results will you end 2021 with; and what are your expectations for 2022?

- According to current indicators, we will end this year with growth in revenue and profitability compared to the results from year's end 2020. We recorded an excellent third quarter and good results in the wholesale sector, due to the influence of a good tourist season in Montenegro, as well as significant growth in both the mobile and landline segments.

Next year will be an interesting one. We are living in times when making any kind of prediction is difficult. I hope that the COVID-19 pandemic will abate and I'm hopeful of a good tourist season that will be even better than this year's. I hope for a stable and predictable regulatory environment that will enable us to make plans – as is currently the case – and I hope that, together with our colleagues from industry and public administration, we will plan and launch the 5G story in Montenegro in a unique way.



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PODIJELI DOŽIVLJAJ.



ANA MAROJEVIĆ,
Founder and Executive
Director of the Fly
Montenegro Group

Ready To Fly

We want to become a globally recognisable brand in aviation and are ready to put in creative and dedicated work to turn that idea into a new value. These qualities are attracting some of the most renowned companies in this field from Europe and around the world, which are interested in partnerships with, and investment in, Fly Montenegro Group

Over the past 12 years, Fly Montenegro has developed from a start-up company to become a recognised brand in the field of aviation, having established successful cooperation with numerous airlines and aviation operators from around the world. The company has also established strong contacts with potential parties wishing to invest in Montenegro and its further development.

Standing behind this great success is one woman, Ana Marojević, the founder and executive director of the Fly Montenegro Group, with whom we spoke about how the company and Montenegrin tourism have grown together by feeding on each other's successes.

"The company was established with the primary aim of providing aviation services, but also developing tourism and increasing the accessibility of Montenegro by air through the

enabling of access to new markets," explains Marojević. "From year to year, the company has made remarkable progress by increasing the number of flights and the number of tourists visiting Montenegro. Thanks to a great deal of energy, funding and other resources that we put into our essential activities to attract specific markets, the tourist potential of Montenegro developed more and our company achieved positive results that are present even today.

How has the pandemic impacted on these positive trends?

- Given that Montenegro belongs to the group of countries that generate the highest share of their GDP from tourism, this is an opportunity for serious consideration of the overall national strategy in this field. All our companies from the group have taken advantage of this pandemic period to reorganise their businesses in line with global trends. We have laid the new foundations of a survival strategy for our companies and their future development.

I consider it especially important that during the pandemic – which has been characterised by a huge decline in the aviation industry, increased risks in tourism and air traffic, and a complete lack of interest among large tour operators – we launched the first flights after Montenegro reopened its borders.

During the crisis and risky situations, we remained loyal to our country and our partners and were ready and organised to achieve the greatest possible result under the given circumstances.

Many today believe that Montenegro should diversify its economy, and that putting all of its cards in tourism made the country more vulnerable to the pandemic than others. What is your opinion?

- Although the economy of Montenegro will develop through various branches, it is indisputable that tourism and transport remain the main pillars of the country's development. The competition in this area is really huge and we must do everything to increase the quality of services. That should be our imperative. We must admit that we are lagging behind the European Union when it comes to the development of these services. Therefore, the strategy and development plans, as well as investing in the development of air transport services, are core activities of Fly Montenegro Group's operations.

As demand for Montenegro grows, it will be necessary to improve the infrastructure and facilities in order to be able to host everyone and offer a quality stay in the country.

Are the activities of the Government of Montenegro well directed towards the further development of tourism?

- If we look back at a long period of time that is behind us, we can state that tourism and

transport were fields that the Government paid considerable attention to, which ultimately resulted in high growth rates in both fields and Montenegro becoming a recognisable and attractive destination for travel and tourism. However, competition is intensifying in these areas. Many countries with economies that rely heavily on tourism and transport have started introducing new strategic concepts based on their potential and comparative advantages in order to better position themselves on the tourism market. Such trends are very present in the immediate vicinity

FLY MONTENEGRO GROUP IN FIGURES

- Fly Montenegro Group today consists of the companies Fly Montenegro Ground Handling, Flystar Flight Support and Fly Montenegro Travel
- 12 years in existence
- 14.1% average growth rate
- 60 million euros paid to Montenegrin Airports for services rendered
- 80-million-euro share in the Montenegrin GDP
- 137 million euros paid to hotels and private accommodation establishments for tourists who've visited Montenegro
- 40 airports in the Balkans and Southeast Europe where Fly Montenegro Group services are provided

of Montenegro. For instance, Albania has chosen a serious strategic partner for the construction of a super luxury marina in Durrës, in the famous and renowned Emaar from Dubai.

This is a signal and an incentive telling us that we must quickly redefine our development strategy in the field of tourism, which would ultimately result in having a complete and improved tourist product.

Having prestigious resorts like Portonovi, Porto Montenegro, Luštica Bay and others, on such limited and outdated infrastructure, is proof of dynamic inconsistency and poor planning.

I believe that the Government of Montenegro is aware of these limitations and is

already considering improving capacities in terms of infrastructure, accommodation, services and logistics.

In your opinion, what is the most effective way to improve the competitiveness of air transport segments that are vital for raising the quality of Montenegro's tourism offer?

- A significant increase in business aviation, which will certainly be a trend in the coming years, along with the existing prestigious resorts on the Montenegrin coast, require the improvement of infrastructure at both airports as quickly as possible.

The best way to achieve this is to find renowned strategic partners from the aviation industry, ground handling and business aviation. Bringing such renowned brands to Montenegro would contribute to developing air services in our country in a short period and would provide for the greater air connectivity of our airports. At the same time, it would improve security, logistics, infrastructure, the training of specialised personnel and other high-quality services.

With construction of a modern VIP terminal at the airport in Tivat, Montenegro would become competitive with other well-known VIP terminals and luxury destinations, such as Nice, Olbia, Ibiza and others.

With the implementation of such innovative projects, Montenegro would be branded both as an elite tourist zone and as a destination for top investors.

Where do you see the company in the near future?

- Our vision is to become a globally recognisable brand in aviation. Our goal is to provide high quality services, safety and security levels that are in accordance with EU and IATA standards to all our clients, airlines from all over the world and their passengers.

We are ready to participate significantly to supplementing airports' infrastructure, with a globally renowned brand. Here we would focus primarily on the much-needed VIP facilities and terminals, to cater for the upcoming traffic increase in general aviation, given that one of our companies, Flystar Flight Support, is the most referenced company in the region when it comes to business aviation. We also provide services at 40 airports in the Balkans and around Southeast Europe.

5G – A Chance For Innovative Montenegro

BRANKO MITROVIĆ, Telenor Montenegro General Manager



Montenegro needs to improve the regulatory framework that will support digital business and digital solutions, as well as providing incentives for the early application of new technology. It will otherwise be very difficult, in such a small market, to provide the investments required to develop and implement 5G technology, as well as to attract new investors who will establish companies in Montenegro on the basis of this technology - says Telenor Montenegro General Manager Branko Mitrović.

“We at Telenor share Montenegro's vision for the development of the digital economy and innovation, and we believe that the technology of the future can make Montenegro a centre of innovation at the global level. We hope that Montenegro's competent state authorities understand what 5G technology will bring in the future and that they will be ready to properly support the process of successful implementation. This is a big technological leap, both for telecommunication companies

We at Telenor share Montenegro's vision for the development of the digital economy and innovation, and we believe that the technology of the future can make Montenegro a centre of innovation at the global level

and for the economy of Montenegro as a whole. This process, in addition to implementation itself, requires the accelerated digitalisation of the society, market and industrial applications, mass application of the Internet of Things and, of course, new devices that support 5G. That's why we need to work on improving the regulatory framework that will support digital business and digital solutions and provide incentives for early application of technology. A predictable and transparent regulatory framework is an important business factor for any foreign investor, but also for attracting new ones. This is a field in which we are working intensively with the Montenegrin Foreign Investors' Council, through continuous and open dialogue with the state and other bodies, in order to ensure a stimulating investment climate for business. We take this opportunity to thank the Council for its excellent support in eliminating obstacles to doing business and improving the regulatory framework, all with the aim of enabling the electronic communications sector to provide a greater contribution to the development of the economy and society as a whole.

Telenor has won the prestigious “Best in test” award for the second consecutive year, as the best network in Montenegro according to an independent comparison of the quality of networks operating in the country. What does this mean for your company and your clients?

- This significant recognition is the result of Telenor's long-term investments and direction to provide customers with a superior experience in the use of mobile services. A stable and reliable network that has a sufficient capacity to support growing mobile and internet traffic is constantly at the top of the company's priorities. And this work of ours paid off, because we improved the values on UMLAUT's comparison of mobile networks by as much as 30 points compared to last year. This award is also important for Montenegro, because it provides confirmation that the quality of the service that we provide is in the top 20% of world telecommunications leaders.

What do you expect in 2022; will it bring us something new to the telecommunications industry?

- Global trends for next year indicate that work will be intensified on the introduction of 5G technology, the further development of the Internet of Things and the development of services based on Artificial Intelligence. We have developed our strategy in that direction, so we will cooperate with the Faculty of Electrical Engineering during the commissioning of our 5G network in Montenegro.

We are additionally undertaking a number of important activities in order to strengthen and improve the IT sector in Montenegro, because it is through the development of IT experts that we best contribute to the growth of the Montenegrin economy.

BEST NETWORK IN TEST, SECOND TIME IN A ROW

ONCE AGAIN
NUMBER



Best Internet coverage

Telenor Montenegro



Best in test

Telenor Montenegro



Continuing Trend Of Stable Operations

MARTIN LEBERLE, CEO of NLB Banka AD Podgorica



NLB Bank, as a member of the largest banking group based in the Southeast Europe region and the second largest bank operating on the Montenegrin market, has a special responsibility to use the knowledge and experience of its employees to further improve services, develop the bank's offer and work on providing an even better customer experience

NLB recorded excellent business results at the end of Q3 2021, with net profits exceeding 10 million euros. It was with this success in mind that we spoke with NLB Banka AD Podgorica CEO Martin Leberle, to discuss the banking sector and banks' operations in the post-COVID era.

“NLB Bank achieves good results. We continue the trend of stable operations and positive trends when it comes to the volume of lending and, consequently, the growth of the loan portfolio and interest income,” says Leberle.

“At the end of the third quarter, we had a net profit of €10.1 million, with a pre-tax and

provisions result of €9.2 million. The higher amount of newly approved loans, compared to the same period of the previous year, just led to the growth of the portfolio and interest income. Moreover, the quality of the bank's portfolio improved in 2021, as reflected in significantly lower costs of impairment and loan

provisions,” explains the NLB Banka CEO.

According to him, banks awaited this crisis in a much-improved condition, with significant capital and liquidity reserves, which enabled them to continue providing services to clients even under the conditions of contracting economic activity. “Although the costs of merging the two banks will be reflected in NLB Bank’s results for 2021, we are convinced that we will have an opportunity to present the already consolidated joint result at the end of the year.”

The merger of NLB and Komercijalna Banka was completed very successfully. What can Komercijalna Banka’s existing clients expect?

- Over the past nine months, a large number of colleagues have worked diligently on the Komercijalna Banka merger project, and this five-day operation was conducted in a very efficient manner. From the very beginning, our starting point was not only to securely connect the two information systems, but to achieve an exclusively humane and transparent aspect of the connection, both for clients and employees.

NLB Bank, as a member of the largest banking group based in the region of Southeast Europe and the second largest bank operating on the Montenegrin market, has a special responsibility to further improve services, with the knowledge and experience of its employees, to develop the offer and work on creating an even better customer experience, with the goal of reciprocating business to the community and contributing to improving the quality of life of citizens.

Our goal is for our new clients to use the services in a digital way as soon as possible, and for them to come to the bank when we need to discuss long-term plans, savings, insurance and investments.

This merger saw NLB Bank advance from fourth place to second in terms of market share in the Montenegrin banking sector. How are you planning to maintain this position in the long run?

- NLB Group shows a clear commitment to this market and our strategy of having an even stronger presence in Montenegro. Following the merger, NLB Bank’s total assets exceed 700 million euros, the loan portfolio has increased by 20%, and now amounts to over 500 million euros, and the Bank has gained 27,000 new clients, among both citizens and companies, and three new branches in Podgorica, Budva and

Kotor, so that it now has a total of 22 branches. However, our focus isn’t only on size, but rather primarily on service and customer satisfaction. We continue to strive to be the best bank for the financial needs of our clients.

The takeover of Komercijalna Banka means not only a greater market share, but also the combining of our knowledge and resources, as well as the inclusion of new colleagues who have high professional potential and motivation.

NLB Group, of which we are a part, believes that it can provide added value to clients, employees and the entire company at the same time, which is why we’ve embarked on the path of intensively integrating sustainability into our business. One of the important steps

to which we belong has a strategic interest in expanding its business in this region, and these plans certainly include Montenegro.

Are the banks operating in Montenegro aware that a huge part of the younger population in the world, but also in our country, already uses a significant percentage of crypto exchanges and transfers funds to each other every day through these transactions, absolutely not participating in national payment systems? How do you see the future of banking in the light of the development of fintech solutions, alternative online payment institutions, blockchain technology?

We live in a time of digital transformation that also has a great impact on the banking sector. We were very ready to accept these changes and to continue the digitalisation process proactively during the pandemic, which accelerated the use of digital channels to do business with the bank significantly

on our path to sustainable development is the signing of the United Nations’ principles of responsible banking, which determine our role and responsibility in shaping a sustainable future. We are looking forward to contributing to raising the quality of life in this region.

Many banking sector officials have been announcing the consolidation of the banking sector for years. And it is evident, following the two major mergers that we’ve seen, that this is now happening. However, NLB Group President Blaz Brodnjak said in May that NLB could buy yet another bank in the region. Do you have any additional news on this topic?

- If we look at European standards and the market, we still have a large number of banks on the Montenegrin market. However, this doesn’t mean that other banks might not be interested in coming to the market, but I would expect this to happen through acquisitions rather than the establishment of new banks.

I believe it is important for this country to attract long-term foreign investment in various areas, in order to further stabilise macroeconomic opportunities in the future. The group

- We live in a time of digital transformation that also has a great impact on the banking sector. We were very ready to accept these changes and to continue the digitalisation process proactively during the pandemic, which accelerated the use of digital channels to do business with the bank significantly.

Citizens here accept new trends, but in Montenegro everything is still progressing at a certain pace. I believe that we will all be paying with smartphones or watches soon, but not everything is going so fast.

We introduced an NLB Pay mobile wallet recently and expected all clients to start using it quickly – that is definitely my warm recommendation. However, both here and throughout the region, cash is still used to a significant extent.

Blockchain is a promising technology that has applications in various fields, due to the obvious benefits it brings (cost reduction, faster transactions, security), so the possibilities of this technology contributing to overcoming certain barriers in banking are being carefully considered. Legislative amendments are certainly needed to make banking services even more accessible through digital channels, and this is also likely to be one of the topics addressed by the regulatory system in Montenegro.

We're Running A Marathon, Not A Sprint



TAMARA SRZENTIĆ,
Montenegrin Minister of
Public Administration,
Digital Society and Media

A strategic imperative of the Government of Montenegro as a whole, and the Ministry of Public Administration, Digital Society and Media in particular, is the creation of an optimal and efficient public administration that will provide citizens and businesses with the best service, and we will achieve all of that through a reform in which the optimising of public administration and the digitalisation process unfold simultaneously

We want the processes of reforming public administration and digitalisation to be conducted carefully, accepted comprehensively and transparent, with respect paid to the principles of participation and inclusiveness, and to develop digital services harmonised with the highest standards of quality, focused on the needs of users. This is how Minister Srzentić summarises the goals of her Ministry at the start of

our conversation, before continuing:

“In accordance with that, over previous months – in an extremely inclusive and open joint process with the private, civil and academic sectors, and international partners – our teams worked in parallel on numerous strategic documents, optimising the normative framework and process. As a result of that work, we now have the Public Administration Reform Strategy and the first Digital Transformation Strategy up for public debate

and soon to be adopted by the Government of Montenegro.”

Which services have so far proved to be the best response to the fight against red tape and the need to traipse from one counter to another?

- As a good example of savings, I would mention several services that we developed in cooperation with partners and consider as representing a good response to the fight

AVAILABILITY

The end goal is for us to provide citizens and businesses with digital services that are available 24 hours a day, 7 days a week, 365 days a year

against excessive bureaucracy.

First and foremost is eFirma, an electronic service for the registering of companies. This process used to involve passing through eight different counters to collect all the required documentation. Today, this process is fully automated and available online.

One of the services that we are most proud of is the eStudent service, developed in collaboration with UNDP and the Ministry of Education, Science, Culture and Sport, which has enabled 4,015 freshmen, or 85% of them, to enrol in the University of Montenegro online.

There is also great interest among citizens in electronic solutions for student loans, enrolling children in nursery, primary and secondary schools, applying for the Vocational Training Programme and classic e-services like issuing birth certificates, changing residential address and other e-services.

Your experience working in the state of California included both entrepreneurs and the development of innovative solutions in the innovation process. To what extent is it possible to replicate that recipe in Montenegro, which has an IT community that's small but very successful?

- The reason I came to Montenegro and took on this position was to bring with me the new practises and ways of working that I acquired over the course of my years in the American administration. In California, in order for us to introduce humancentric design and agile methodologies in practise, and to develop digital services much faster, we established cooperation with private companies from Silicon Valley and brought many of their experts into the government so that we could jointly deliver services that place the needs of citizens at the centre of their development. We transferred that same concept to Montenegro from the outset, and I'm proud of that.

Thanks to that, it took us just a month and a half to develop the covidodgovor.me site, which

PLURALISM

We need to strengthen different perspectives, build bridges and use the power of the media to be the eyes and ears of all citizens, but also the drivers behind the solving of numerous social problems

had the aim of supporting vaccination and the struggle against the novel coronavirus, where people could get informed on a daily basis and via which they scheduled vaccinations.

A similar method was used to develop the government's new gov.me website, which meets the requirements of e-accessibility, and that's extremely important because, thanks to the "čitaj me" [read me] option, visually impaired citizens have improved access to all information available on the site. We are

striving for a society of equal opportunities and are carefully integrating marginalised groups into the whole process.

That's how we – based on the examples of the USDS [United States Digital Service], GDS [Government Digital Service] in the UK, but also similar concepts in Estonia and Slovenia – formed Montenegro Digital: Office for Innovation and Digital Services. Within the scope of this Office, civil servants, in cooperation with private sector experts, will work on the digitalisation of services and assist in the realising of Digital Montenegro.

To what extent is the digital transformation of operations accepted among businesses and in which ways do you cooperate with them in the digital transformation process?

- Digital transformation is one of this Government's six strategic priorities. There's no doubt that the Montenegrin economy has huge potential, developed ICT infrastructure and innovative digital solutions. That's why our ICT sector is an accelerator of digital transformation and why we, from the start, included

SUPPORT

The support of everyone in the Government is of incalculable importance to us, and I'm happy that we all share the mission of developing Montenegro and concluding our country's accession to the EU

the business community in the creation of the digital transformation and cyber security strategies, but also the Proposal of Amendments to the Law on Electronic Document.

Likewise, based on the examples of our digital role models – the U.S., Estonia, Singapore, the UK and Slovenia – we've also included the private sector in the area of digital development, strengthening the skills of public servants and the general public, as well as in managing the entire digital transformation

We want to create a favourable environment for young people to stay in Montenegro, but also to attract talented people from other countries, so we can together make Montenegro a development centre for the region

process. We are proud to have been able to introduce some models from California, such as Entrepreneurs in Residence or the *Saradnici u inovacijama* [Innovation Collaborators] programme, to our Ministry and fortify our team with professionals from the private sector.

How ready is the state itself for digital transformation, both at the national level and at the level of local governments?

- The state is ready, both at the central and local levels, but we must be aware that we're awaited by a lengthy digitalisation process that requires patience and the unified forces of everyone. Some of the local governments have already reached a good level of public service automation and digitalisation.

The prerequisites for even greater and more widespread digitalisation are the complete interoperability and interconnection of data registers between local government bodies, but also central registers, in order for us to enable functional data exchanges and provide a fully digitalised user experience.

► **What kind of support does the state provide for the educating of civil servants to raise levels of digital literacy?**

- Continuous education and overcoming the digital divide are our strategic priorities, not only when it comes to public servants, but rather also the public as a whole.

That's why the Digital Academy concept is very important for us, particularly because we will thereby enable the additional educating and career development of public servants, students and marginalised groups of citizens.

Creating an inclusive, equal, accessible and fair administration for all citizens is one of the key objectives of your ministry. How important to achieving this are the culture of dialogue and media freedom?

- Freedom of the media, freedom of expression and the development of digital literacy, as a fundamental human and democratic right, are among the Ministry's top priorities. This is particularly important in a society that has long seen polarisation present in all areas of social life, including the media.

Through continuous dialogue with the media, we've created a so-called "bank of needs" of the media, in order for us to jointly identify lasting solutions, both in the normative part and in terms of regulating media market conditions where equal rules for all will apply.

The Ministry is currently working on drafting the Media Strategy of the Government of Montenegro 2021-2025 and accompanying laws governing the domain of the media, with which we envisage a special set of measures and reforms to harmonise the media scene with the needs and interests of citizens, international practices related to media literacy, freedom of information and freedom of speech, with the aim of reducing hate speech, protecting journalists and combating other negative phenomena in the public space.

You head a large department that has many important priorities. Do you receive sufficient support in your work from international partners, domestic and foreign experts and the civil sector, but also your government colleagues?



Digital transformation isn't a sprint, but rather a marathon that requires time, support and people, but we believe that we've laid good foundations and will soon deliver services that will resolve the everyday problems of our citizens

-We established cooperation with a large number of diplomatic representatives and international organisations in Montenegro during the previous period. We utilised official visits of our delegations to the U.S., Slovenia and Estonia in order to hear their positive experiences and good practices on the road to reforming public administration and the digitalisation process, but also to define areas of practical cooperation. We also signed a Memorandum of Understanding with the Ministry of Economic Affairs and Communications, which creates space for us to have more tangible cooperation in the field of digital governance and numerous modalities of exchanging knowhow and experiences. Likewise, this will also enable us to connect

our private sector with Estonian companies, which will ultimately contribute to our country's agile and digital development.

We are extremely grateful for the great support that we receive from all international diplomatic missions, their ambassadors and delegations in Montenegro, but also from numerous international organisations that have participated and supported us in drafting many of the aforementioned strategic documents.

We endeavour to unite and use events like the Western Balkans Digital Summit and support from regional and international organisations, such as ReSPA, SIGMA, EBRD, EGA, UNDP, UNICEF, OSCE and OECD, in order for us to implement numerous international programmes and regional projects for the betterment of all our citizens and businesses.

Your previous job also saw you deal with encouraging innovations, which provided the impetus to increase the capacity to launch innovations across the entire apparatus of the state. Do you believe that the atmosphere of public-private dialogue, broad-based collaboration and the use of modern tools can also be transferred to Montenegro?

- We are building a government that is orientated entirely towards delivering better policies, processes and services. Cooperation with private industry strengthens us further and makes us change the overall culture of work and implementation in every area.

Through the Montenegro Digital concept, we've established a "delivery unit" in the form of the Office for Innovation and Digital Services, within the scope of which we conduct research and use the digital standards and agile principles of private industry in the identifying of problems and the development and delivery of useful digital solutions.

We foster cooperation between private industry and the public sector through the aforementioned Innovation Collaborators programme, which will be expanded in the form of the Montenegro Digital Corps programme and will create space to include numerous international experts in work on projects within framework of our Ministry. We will present it in the coming weeks.

Responsibility Towards The Community Is Our Response To The Crisis

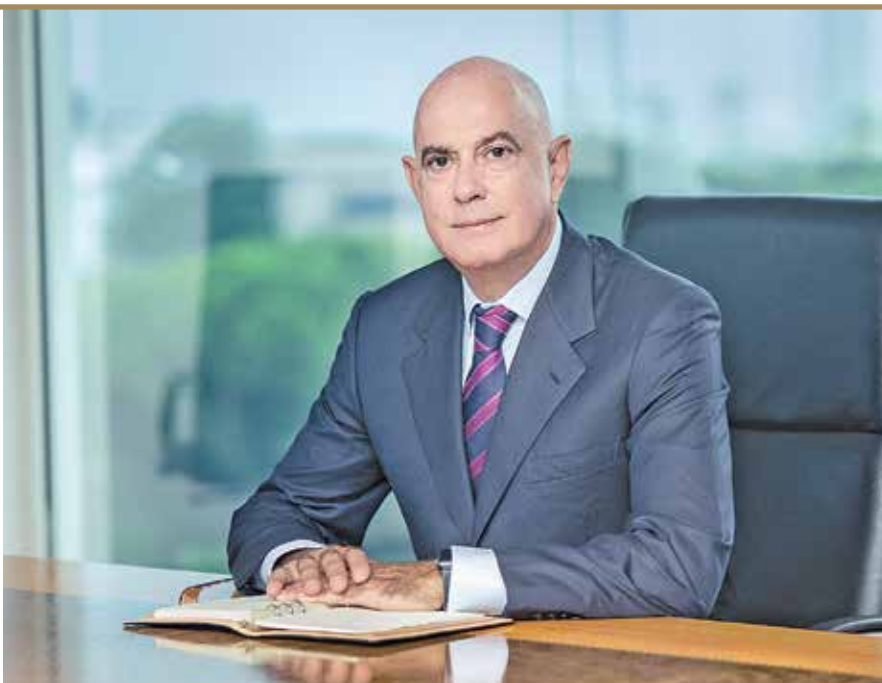
VASILIS PANAGOPOULOS, CEO Jugopetrol AD, EKO petrol stations

Over the last four years, Jugopetrol AD has invested major resources in the modernisation and expansion of its business network. Responding to the question of whether that effort has paid dividends, CEO Vassilis Panagopoulos says it is a strategic priority of the company

The modernisation and expansion of our business network has been, and remains, our priority, as our goal is to provide high-quality products and modern services to all citizens,” says our interlocutor. “The reconstruction project is nearly coming to an end. Some 42 of the 44 EKO petrol stations have been renovated and were constructed in accordance with the latest technological, safety and environmental standards, adapted to the needs and requirements of our consumers. We are particularly proud that our EKO petrol stations are present in every municipality in Montenegro, and we have worked strategically on this project in multiple locations, from the north to the south and the central region of the country.

How do you consider the overall business climate and the support provided to companies by the Montenegrin government?

-The overall business climate has been marked by the world crisis caused by the COVID-19 pandemic. Globally, for the second consecutive year, this is a reality that has greatly impacted the way business is done. During the pandemic year of 2020, the Montenegrin economy recorded losses of 15 per cent. One bright spot in the business climate has been the Montenegrin government’s maximum readiness to assist in the survival, stabilisation and recovery of the economy. With joint involvement and effort, we can achieve the economic growth rate projected for this year by the IMF, which would be among the highest in Europe.



The modernisation and expansion of our business network has been, and remains, our priority, as our goal is to provide high-quality products and modern services to all citizens

What are your expectations when it comes to the Montenegrin economy rebounding and your company’s business prospects in 2022?

- We are all hopeful that the optimistic projections of the World Bank, IMF and the government will achieve fruition. This year’s successful tourist season, which exceeded everyone’s expectations, is a great indicator of that. The complete recovery of Montenegro’s economy is an important prerequisite for our company’s continued successful operation and growth. Jugopetrol, EKO petrol stations, as a socially responsible company, will always strive – through our operations and policies – to minimise any possible negative global effects on our market. We will strive to remain stable in our operations and reach all our business and social responsibility goals.

Three Pillars Of Stability And Growth

CHRISTOPHER SHELDON,

World Bank Country Manager for Bosnia-Herzegovina and Montenegro



The strength and resilience of the economic recovery over the medium term depends on the government’s growth strategy. The first cornerstone is financial sector stability. The second requires making health, education and social protection services more inclusive and efficient, and the third cornerstone is better natural resource management

The economic crisis resulting from COVID-19 is the deepest the world has seen since WWII. The majority of world economies suffered recessions in 2020 and most of them are showing signs of faster than expected recovery in

2021. Montenegro is no exception: it was hard hit by the COVID-19 crisis, given its dependence on tourism. And while tourism was the main culprit for the economic downturn in 2020, it is now driving the economic revival, says Christopher Sheldon, World Bank

Country Manager for Bosnia-Herzegovina and Montenegro. “A much stronger than expected peak summer season has led to a faster recovery of economic activity. We now estimate Montenegro’s economy to grow by almost 11 per cent in 2021.”

ENCOURAGEMENT

The announced “Europe Now” structural reform agenda has the potential to raise formal sector employment and growth in Montenegro, and to reduce informality and income inequality

The growth outlook is positive, but our interlocutor warns that there are many risks. The strong recent rise in economic fluctuations, however, poses a bigger question over the resilience of Montenegro’s pre-crisis growth strategy. “As with previous crises, the pandemic has exposed the country’s structural vulnerabilities,” says Sheldon. “Moving forward, the strength and resilience of the economic recovery over the medium term depends on the government’s growth strategy.”

The first cornerstone to strengthen economic resilience is to ensure macroeconomic and financial sector stability and raise domestic private sector productivity by guaranteeing fair and equal enforcement of rules and regulations in the private sector, thus encouraging more entrepreneurship and innovation. This would support the creation of well-paid formal sector jobs and lead to the diversification of investment and ownership structures, broadening the sources and beneficiaries of growth. The second cornerstone requires making health, education and social protection services more inclusive and efficient, as well as further strengthening the incentives to work to help address high unemployment and inactivity. This will provide better opportunities for all Montenegrins to benefit from economic growth. The third cornerstone is better natural resource management, representing the basis of Montenegro’s comparative advantage in tourism and clean energy. While legislative progress has been made, limited enforcement of environmental regulations and standards have undermined more tangible progress. Strengthening public institutions that enforce legislation and prioritise medium-term planning is therefore the foundation for implementing these reforms successfully.

What are Montenegro’s options for diversification, given the structure of the economy?

- Montenegro has significant potential to diversify investments within tourism, as well as to other economic activities where Monte-

SUPPORT

The World Bank stands ready to support the government in providing technical, international best practice expertise in designing and implementing critical structural reforms

negro has a comparative advantage, such as clean energy. In order to expand its sources of growth, the country needs to encourage the development of innovative entrepreneurs to raise firms’ productivity. This includes diversifying investments within tourism, which has so far focused on high-end real estate that has proven to generate few linkages with local suppliers and services. In the case of diversification, services supporting and related to tourism – such as those in transport, retail and restaurants, finance, or professional services and ICT – will have significant growth potential.

Post-crisis tourism should be transitioned towards a more sustainable model based on social inclusion and the restoration and protec-

tion of the environment. Moreover, investing in water, solar and wind energy leverages Montenegro’s comparative advantage in green energy and allows funds from the EU Green Deal to be absorbed. The recently completed undersea cable with Italy further boosts the potential for clean energy exports to the EU.

How well is government responding to different challenges related both to the business climate and fiscal risks?

- A faster than expected recovery in tourism and the economy in 2021 has led to strong revenue growth, which was further supported by the introduction of the new e-fiscalization system. The authorities have further kept current spending in check and followed prudent debt management. The sound fiscal policy has so far contributed to reducing the fiscal deficit and debt. The authorities have further reduced fiscal risks by signing a hedging agreement to protect against exchange rate risk as it started

ADVICE

Continuing a prudent macroeconomic policy is a prerequisite to ensuring a resilient economic recovery over the medium term

repaying the loan for the construction of the first section of the Bar-Boljare Highway. Continuing a prudent macroeconomic policy is a prerequisite to ensure a resilient economic recovery over the medium term.

Which aspects of the current macroeconomic situation worry you the most, and how is the World Bank helping?

- Public debt is still at high levels and calls for continued strong fiscal and debt management. This embeds strengthening revenues and tax administration and a sustained consolidation on the spending side. Only then can the primary fiscal balance (excluding net interest payments on general government liabilities)

The most important policy to improve living conditions in the North is to improve citizens’ access to quality social services, on par with those across the rest of the country

turn into a surplus. Running a primary fiscal surplus over the medium term will be critical to reduce debt, as the repayment period for the large outstanding Eurobonds starts in 2025. Moreover, the authorities need to address some longstanding structural weaknesses, including socially and fiscally unsustainable elements in the pension and health system and reducing the tax on formal employment, to ensure that the recovery will revive the labour market.

Would it be possible for Montenegro to maintain its strong investments in infrastructure and the development of tourism in the northern part of the country, under the new circumstances of high exposure to external debt?

- The tourism sector has great potential to provide well paid sources of income for households in the North. Tourism sub-sectors that also have higher potential to generate demand for local services and products include ecotourism,

► agritourism and the rural hospitality sector, linking gastronomy, cultural heritage and agriculture, and thus creating job opportunities and infrastructure. It is critical, however, to follow and enforce a more sustainable (tourism) development strategy for the North based on the restoration and protection of the environment to safeguard the medium-term benefits of tourism development. Such a development strategy would also diversify investment and ownership structures, broadening the sources and beneficiaries of growth.

The most important policy to improve living conditions in the North, however, is to improve citizens' access to quality social services, on par with those provided across the rest of the country.

What are the most important steps to retain the current positive fiscal situation?

- Prudent macroeconomic policy is a prerequisite to ensure a resilient economic recovery over the medium term. This includes continuing the current sound fiscal and debt management policies and closely monitoring financial sector stability. It further requires instigating key structural reforms to address some longstanding vulnerabilities, such as high taxes on formal employment, socially and fiscally unsustainable elements in the pension and health systems, or inefficiencies in public administration.

To what extent can the current government's "Marshal Plan" counter the increase in unemployment and poverty rates? What are your thoughts and suggestions when it comes to that plan?

-The announced major structural reform has the potential to raise formal sector employment and growth in Montenegro, while reducing informality, poverty and income inequality. Montenegro has one of highest labour taxes in the region, due to high social security contributions, constraining formal job creation. As all Montenegrins have access to health insurance, it is more efficient to finance it from general revenues instead of placing the full burden of costs on formal employment, which accounts for little more than a third of the working-age population.

In fact, the core of the reform is consistent with recent World Bank recommendations based



The recently published World Bank Systematic Country Diagnostic 2020 provides detailed analysis of the causes and consequences of Montenegro's strong boom and bust cycles and provides policy options to safeguard sustainable and inclusive development

on the analysis in the Growth and Jobs report, published in June 2021. Specifically, our report recommends reducing social security contributions and financing those contributions from higher marginal tax rates for higher income earners (progressive personal income taxation). It also recommends introducing personal income tax allowances for low-wage earners to further reduce the tax on formal labour for

this group. Several Latin American countries with comparably high pre-reform labour taxes have had positive experiences with similar reforms in recent years, by financing part of social security contributions imposed on formal labour from higher income tax rates. The reform should be carefully designed and backed by sufficient analysis.

How worrisome are increased volumes of nonperforming loans among citizen and businesses? How well has the country's central bank addressed these issues?

-The financial sector has so far been resilient in this crisis. As expected, nonperforming loans have increased since the start of the pandemic, but the average capital adequacy ratio in the financial sector is at a healthy level that's well above the regulatory minimum. As the economic activity started recovering, the outstanding loans and deposits reached historic highs in August, although a significant share of credits remain in the moratorium. It should be noted, however, that the full impact of the crisis on bank asset quality will only be clear once the generous loan moratoriums expire and if corporate bankruptcies rise after the phasing out of government crisis response programmes.

What does the future hold, at least when it comes to 2022 and 2023?

-The pandemic continues to pose challenges, as new virus variants raise doubts about the pace of the global recovery. The evolution of the pandemic and the share of the population vaccinated will largely shape the near-term economic outlook. Assuming a full recovery of tourism in 2022 and 2023, growth is expected to remain strong, at 5.6 and 4.8 per cent respectively. That positive outlook, however, is subject to multiple downside risks. Looking at external risks, a new wave of COVID-19 infections in Europe could slow Montenegro's economic recovery. Moreover, inflationary pressures in the U.S. and EU may accelerate monetary tightening, which could translate into more expensive external financing. Domestic risks stem from lower vaccination rates and hesitancy, where possible new containment measures could delay the recovery. Political polarisation also remains high.

Our Doors Are Always Open To You

Given that there's growing interest in the new Boka Place project, Porto Montenegro has opened an on-site Sales Centre where clients can discover more about Porto Montenegro's newest urban quarter

In order for the new dynamic offer to be experienced directly, Porto Montenegro has fitted two showrooms for the needs of the Boka Place project, which present the look of a SIRO hotel room and a two-room residence under SIRO management, alongside a model of the Boka Place masterplan complete with all six residential buildings. With a plan for operations to commence in 2023, SIRO is a new comprehensive concept of living that carries the signature of Kerzner International. SIRO Boka Place will be the first hotel and example of an immersive living brand, while the goal is for it to contribute to this unparalleled destination being discovered through a newly formed fitness concept, while providing potential buyers with an opportunity to invest in real estate at one of the most highly sought locations on the Adriatic coast.

With a modern design that's been created by Atellior, SIRO will encompass 96 hotel rooms, a rooftop bar and swimming pool, a fitness studio with top equipment and a recovery lab with an offer that includes a wide range of health spa services. Of the total of 144 residences that will be managed by the hotel and that will have the advantage of 5-star hotel concierge services, as well as access to the most modern fitness and wellness facilities,

including the rooftop swimming pool and bar, the last remaining units are still available and on sale.

Since the launch of sales of properties then under construction in the summer of 2020, over 70% of the residences under SIRO management have been sold and reserved, with buyers seeking to utilise the advantages of the Citizenship By Investment (CBI) Programme, which is available until year's end 2021, as well as the opportunity to participate in the joint rental programme being administered by hotel SIRO. Private residences that form part of the Boka Place complex are also available to buy. Studio apartments are available from just €190,000, one-bedroom apartments from €300,000, two-bedroom apartments from €470,000, three-bedroom luxury apartments from €950,000 and penthouse residences (price available on request).



Increasing Economy's Competitiveness Key To Resilience

REMON ZAKARIA, EBRD Head of Office for Montenegro



The EBRD stands ready to support Montenegro in its transition to a more resilient, greener and more digitalised economy. In doing so, it focuses strongly on providing support to the SME sector, which was hit hard by the crisis and needs to strengthen its operations

Montenegro's economy is heavily dependent on tourism. This renders the economy particularly vulnerable to external shocks, as we saw last year - when the pandemic led to a strong contraction in economic growth. Today, the EBRD is focused strongly on helping Montenegro diversify its economy and profit from its natural resources.

By strengthening private sector competitiveness, the EBRD is helping to diversify the country's economy and thus reduce its reliance on seasonal tourism while improving the business environment. "We stand ready to support companies, especially small and medium-sized enterprises (SMEs), with measures that promote strengthened capacity, commercialisation and improved governance," says Remon Zakaria, EBRD Head of Office for Montenegro.

FOCUS

Boosting connectivity and broadband infrastructure is one of the EBRD's key priorities in Montenegro

Our interlocutor adds that one possible way to help diversify the economy is by extending the tourist offer beyond the confines of summer coastal tourism to include nature-orientated, rural, culinary, health and sports-related tourism. "This alternative offer could attract interest to the central and northern parts of the country that are rich in cultural and nature-based heritage sites, and could enhance the country's attractiveness during typically off-peak seasons. This, in turn, would also help mitigate environmental and social risks caused by the high concentration of tourists in a short window of time in one area of the country," suggests Zakaria.

How does the overall macroeconomic and fiscal position of Montenegro influence the dynamics of implementing the envisaged goals?

- The macroeconomic and fiscal position of Montenegro creates specific conditions for the private sector and, hence, for our work. Last year's strong contraction exposed the vulnerabilities of Montenegro's economic model, while the recovery that's currently underway creates opportunities for the private sector to again start growing and addressing those vulnerabilities. We are happy to support companies in this process.

At the same time, fiscal space remains quite limited, though the ratio of public debt to GDP has declined somewhat since last year. This calls for innovative solutions in the public space and higher private sector participation, the careful prioritising of public sector investments and fiscal reforms to ensure lasting public debt sustainability.

Given the challenges confronting the SME sector in Montenegro during the pandemic, do they have the strength required to push for such a dramatic change as shifting to value added products across industry?

- The coronavirus pandemic exposed the vulnerabilities of small businesses and is testing their resilience like never before. Helping SMEs access know-how that addresses their

COMPETITIVENESS

In the aftermath of the COVID-19 pandemic, it is important for Montenegro to tackle long-term goals to increase the economy's competitiveness

immediate business needs and strengthens their operations has never been a bigger priority for private sector development. But, of course, these adjustments don't happen overnight; they take time. In the aftermath of the COVID-19 pandemic, it is important for Montenegro to tackle long-term goals for increasing the economy's competitiveness.

We have joined forces with the European Union and Montenegro's Ministry of Economic Development to help SMEs in the country access know-how that will help them develop their competitiveness.

The initiative consists of two components.

First, it aims to harness the opportunities of consulting and advisory services to advance an enabling environment for entrepreneurship.

SMEs are important contributors to jobs and value-added, and they have a fundamental role to play in fostering a sustainable and resilient economy in Montenegro.

Second, the initiative aims to advance structural reforms that enhance Montenegro's attractiveness as an investment destination. Under the Investment Climate and Governance Initiative, we will focus on strengthening the capacity of the Ministry of Economic Development to better serve SMEs through policy development and enhancing SME support programmes, while the project also aims to set up a digital one-stop-shop web portal that will have all relevant information for SMEs and enable them to apply for incentives online.

Are companies in Montenegro well equipped to traverse the digital transition process? Where would EBRD support prove crucial in that endeavour?

OPPORTUNITY

Montenegro has huge potential to decarbonise the economy through targeted policy reforms and investments

- Companies in Montenegro stand ready to go digital and transform their business in order to adapt to the needs of the market. The pandemic has accelerated this digital transformation process, given that it was necessary to overcome physical lockdowns and still reach customers. On average, companies in Montenegro spend more on computer software and a significantly higher number of the country's companies use customer relations management software compared to their Western Balkan peers. However, a smaller share of Montenegrin firms has a website and fewer individuals do online shopping – pointing to opportunities to enhance e-commerce.

Enhancing digital outcomes of businesses requires enhancing the drivers of digital trans-

Increasing the inclusion of local communities in the tourism value chain can boost the local economy and reduce poverty, while helping to build a sustainable and inclusive tourism industry in Montenegro

formation, namely infrastructure, affordability, skills and a regulatory framework.

The EBRD stands ready to support Montenegrin companies' digital transition. Some of these measures include the deployment and upgrade of physical broadband infrastructure across the country, as well as tailored advisory services coupled with potential investments in selected ICT companies, in order to enhance access to digital technologies countrywide. We're also helping develop skills with webinars to boost entrepreneurial and management skills for women in business in the area of digital transformation, with support from donors like Sweden.

What investments are needed in the areas of connectivity and broadband coverage?

- Boosting connectivity and broadband infrastructure is one of the EBRD's key priorities in Montenegro. ▶

► With the support of the Western Balkan Investment Framework (WBIF), we continue to support initiatives to enhance countrywide access to information and communication technologies, including to under-served populations. The Bank is ready to support investments for the deployment of broadband infrastructure in selected white areas (areas without operators) and grey areas (areas with only a single operator) with a high socioeconomic impact, and to provide related legal and regulatory advisory services (e.g., shared use of infrastructure and licencing).

How does the transition to the green economy fit into the bigger picture of diversifying the economy?

- The transition to a green economy is a lengthy process that requires clear goals and steps to reach those goals. According to the International Labour Organization (ILO), shifting to a greener economy could create 24 million new jobs globally by 2030, provided the right policies are put in place.

Montenegro has huge potential to decarbonise the economy through targeted policy reforms and investments. On the energy supply side, investments in renewable energy sources and upgrading the country's transmission network could decarbonise the sector significantly while creating employment opportunities and know-how.

On the demand side, energy efficiency in buildings is key for Montenegro. Increasing the pace of the comprehensive energy efficiency renovations of residential and public buildings could reduce energy use significantly while creating jobs in the construction industry and the SME sector, throughout the entire value chain of green technologies and materials.

A green economy also implies investments to protect the environment. Montenegro possesses huge potential for such environmental infrastructure – from waste management to water and wastewater supplies. All these economic activities will enable the economy's sustainable diversification.

Which areas are in your focus in that respect?

-The EBRD is involved in delivering green financing in multiple economic sectors in Montenegro.



We have joined forces with the European Union and Montenegro's Ministry of Economic Development to help Montenegrin SMEs access know-how in order to develop their competitiveness

In the energy sector, we are focusing on accelerating the decarbonisation of the region by financing renewables, coupled with advisory services to support the implementation of best market practices and environmental and social standards. For example, the EBRD has offered support to the Government in designing site-specific competitive auctions, as is done in neighbouring countries like Serbia and Albania. The auction system could encourage competition and attract a reputable international investor able to offer very competitive prices. In addition, we have supported the establishing of a renewable energy business association in Serbia to enhance public-private dialogue and

contribute to Serbia's faster green transition. We are looking into replicating this successful initiative in other countries of the region, including Montenegro. We are also looking to help increase energy, resource efficiency and climate resilience through the rehabilitation and upgrade of energy generation and distribution capacities, as well as financial and advisory support for green investments in the private sector.

To what extent do the national goals of the Green Agenda correspond to overall efforts being exerted within the Western Balkans?

- The leaders of the Western Balkan countries gathered in Sofia on 10th November 2020 at the Western Balkans Summit to endorse the green agenda for the region and express their commitment to implementing actions to address the pillars of climate, energy and mobility; circular economy; depollution; sustainable agriculture and food production, and biodiversity.

This declaration was followed by concrete actions from each government in the region and supported by the European Commission through the adoption of a comprehensive Economic and Investment Plan for the Western Balkans. The plan aims to spur the long-term economic recovery of the region, support a green and digital transition, and foster regional integration and alignment with the European Union.

The EBRD is engaging directly in green financing in the region and partnering with other IFIs and the European Commission as part of the Western Balkan Investment Framework (WBIF) to help Western Balkan countries deliver on their commitments and support a sustainable transition to a greener economy.

Are you satisfied with the attention the Montenegrin government is paying to the circular economy and environmental policies?

- Montenegro has huge potential to scale up waste recycling and the circular economy. The issues faced by Montenegro are similar to those witnessed in other Western Balkan countries. These issues need to be addressed through a careful combination of policy reforms and investments.

The EBRD is working towards supporting the circular economy and environmental investments in Montenegro.

Portonovi - From A Former Military Base To One Of The Largest Investments And Oases Of Luxury And Tranquillity In Montenegro

RASHAD ALIYEV, Azmont Investments CEO

What began as an ambitious project on the site of the former Kumbor military base is today one of the most luxurious resorts in this part of the world. An idyllic coastal settlement with 1.8 kilometres of coastline and encompassing an impressive 26 hectares, Portonovi today hosts a large number of important developmental projects

This preserved destination combines wellness resources and immaculate real estate properties of the highest quality, as well as modern restaurants offering the finest culinary delights, to create a uniquely tranquil yet luxurious corner to call home. Located within an hour's drive of international airports in Dubrovnik and Tivat, Portonovi is also easily accessible to those who prefer a private aviation charter, thanks to the fact that it boasts its own heliport, while there is also a modern marina and private garage spaces.

“In parallel with respect for the heritage of the site that dates back centuries, the project team also had full understanding for the fact that its pledge for the future must be based on an offer focused on a full commitment to pleasure and providing an experience that will remain deeply ingrained in the memories of every guest and visitor, regardless of the generation to which they belong,” says Azmont Investments CEO Rashad Aliyev.

This year has been a challenging and unpredictable one, but how will you remember 2021?

- It was marked by the opening of the One & Only Portonovi hotel and the further diversification of the resort's offer throughout the entire year. A global brand of such proportions serves to accelerate the growing visibility of Montenegro and the region at the global level, but also confirms the company's commitment to the country and its future. The first One & Only hotel in Europe brings numerous benefits. Every tourist – regardless of whether they



come as a guest of this hotel or our resort – will certainly consider Montenegro as their next destination after they discover that such an exclusive brand has chosen this unique part of the world in particular. The same applies to investors – nothing provides more credibility to a potential investment destination than projects that have already been recognised and are developing successfully.

What message and added value would you highlight to anyone considering Portonovi for their new investment in real estate?

- Those wanting to own real estate in this exceptional resort should know that Portonovi has a world class real estate offer – Village Residences celebrate the Bay of Kotor's heritage, the beautiful Marina Residences overlook the sea and Sky Villas represent the jewels in

Portonovi crown. Each offer is as diverse as it is luxurious. For investors seeking the highest level of privacy, the enchanting Sky Villas, with three or four bedrooms, are duplex penthouses covering two floors, each of which has a private lift entrance and a private infinity pool covering an area of 26-32m².

With a fast-growing economy and a tourist industry that attracts international investors, Portonovi properties offer a strong return on investment and, given that Montenegro is heading towards EU membership, foreign investments and EU-funded investments in the country are also intensifying. Almost three billion euros has been invested in the 10 largest investment projects along the coast, which is why this part of Montenegro has been dubbed “the next French Riviera”. All in all, the country's tax regimes are among the most competitive in Europe, with a rate of nine per cent that's reflected in taxes on corporate profits, capital gains and personal income.

Portonovi is also already recognised as a hub for attracting so-called ‘micro investors’, which are carefully chosen to raise the user experience and service to the next level. Moreover, this all raises the employment rate and competitiveness of the market, but also promotions of the offer of local farmers and other producers. Promoting the tradition, culture and gastronomic heritage of the Bay of Kotor lies at the very core of our business and is one of the ways we give back to the community.

For more information visit www.portonovi.com or call +382 31 355 375.

The Pandemic Exposed The Montenegrin Economy's Vulnerability



We cannot undo the damage caused in the past, but it is up to us to give our all for us to emerge from the crisis as soon as possible. That's why we should focus on removing barriers to doing business and jointly combating the virus

The country fell significantly on the Ease of doing business index last year compared to 2019, as a result of the coronavirus pandemic that impacted negatively on the Montenegrin economy and tourism sector, noted Monte-

negrin Foreign Investors Council President Christoph Schoen.

Speaking at the presentation of the 11th edition of the annual White Book, Schoen said that last year had been characterised by huge challenges that were caused directly by

the global crisis in response to the pandemic, but which had existed before and had only sharpened.

“Coming to the fore in particular was the vulnerability of the Montenegrin economy caused by its strong focus on tourism, so it’s

no surprise that the Ease of doing business index fell significantly compared to 2019,” said the MFIC president speaking at a press conference.

Montenegro last year had an Ease of doing business index rating of 6.4, on a scale of one to ten. It had stood at 6.9 in 2019.

Schoen explained that the pandemic had led to social and economic impacts resulting in the closures of a significant number of companies and job losses.

We cannot undo the damage done in the past, but it is up to us to do our best to get out of the crisis as soon as possible. We need to focus on a timely dialogue between all stakeholders, in order to provide full support to improving operations,” said Schoen, who is also CEO of Addiko Bank.

According to him, the focus should be on removing barriers to doing business and jointly combating the virus.

“We strongly support the measures of the Government that aim to make Montenegro a secure destination as soon as possible, as well as vaccination, which is key to recovery,” assessed Schoen.

MFIC Executive Director Ivan Radulović said that the significant fall in the ease of doing business was to be expected because of the COVID crisis.

“There were evaluations of six sectors, relating to telecommunications, ICT, banking and finance, tourism, production and energy, trade and retail, and transport and logistics, which recorded declines,” noted Radulović.

He said that last year’s most significant decline was recorded in the tourism sector, which fell from a rating of 6.9 to 6.1.

Due to the pandemic, last year proved to be extremely difficult for the tourism sector. MFIC gave the sector a rating of 6.2, while companies operating within the sector gave it the lowest rating, of 5.3.

“When it comes to the rule of law, the drop is significant. It returns us to the period of 2013,” added Radulović.

He said that it was essential to have a predictable business environment and the rule of law as basic preconditions for further improvement of the business environment.

MFIC recommendations relate to the need to more efficiently implement reforms, further modernise the work of the cadastral register and notary services, as well as the creation

of the foundations for further investments in infrastructure.

It is also necessary to continue implementing measures aimed at increasing labour market freedom and flexibility, the policy of improving the work of the administration and raising efficiency at all levels, further developing the Montenegrin economy and society through digitalisation, as a policy of development and transformation.

MFIC recommended forming the basis for the further public finance policy, making special reference to new investment activities that could contribute to stabilising public finances by reducing the deficit and maintaining

situation with the Coronavirus pandemic.

“It is encouraging that we had a meeting with the competent ministry, at which we jointly agreed that the need exists to amend legal regulations for all areas that could be part of digitalisation,” said Bojanović.

He explained that they offered to make a donation on behalf of the Council, which was accepted by the Government, and that, accordingly, all information regarding the coronavirus and scheduling vaccinations will be made available to citizens via Viber.

MFIC Board Member and Crnogorska Komercijalna Banka (CKB) Executive Director Pal Kovacs said that all ratings fell last year,



Schoen: “We strongly support the measures of the Government that aim to make Montenegro a secure destination as soon as possible, as well as vaccination, which is key to recovery”

the level of public debt.

MFIC Board Member and Saga Montenegro Executive Director Ivan Bojanović said that the ICT sector doesn’t demonstrate significant changes when viewed in terms of the figures contained in the White Book.

“The ICT sector was one of the few not to suffer from any problems during that period. A certain level of growth exists, which should mean that we have no right to complain, because we preserved jobs,” said Bojanović.

He also noted that, on the other hand, all digitalisation processes were linked to the

mostly as a result of the impact of the pandemic.

“Due to the epidemiological situation, we proposed the digitalisation of all services, particularly banking procedures that relate to loan applications,” added Kovacs.

He considers close cooperation with the ICT sector as being important, because they have many common goals regarding the digitalisation of the administration and public services.

MFIC members reiterated the fact that the White Book is a key document in which foreign investors highlight the main challenges confronting them in their operations in Montenegro.

Tourism Will Continue To Prosper



DAVID MARGASON, MFIC BoD member,
Managing Director of Porto Montenegro

I expect to see a more creative approach of the Government to economic development, with policies linked well, to each other and to land-use planning and foreign investment incentives. We look forward to the greater use of public-private partnerships, for delivering funds and also for the execution of projects

One key lesson of the COVID crisis is that Montenegro needs to diversify its economy and not rely so much on tourism. And yet, David Margason, MFIC BoD member and Managing Director of Porto Montenegro, doesn't see this expected shift as something that will impact negatively on Porto Montenegro's plans and the country's prospects of further developing tourism.

"I believe that Montenegro's natural charm and beauty, its location, and the alignment of the Montenegro experience with the desires and attitudes of a post-pandemic world, all mean that tourism here will continue to grow," says Margason.

Our interlocutor sees the privatisation of, and investment in, Tivat airport as an opportunity to free up government funds that currently support its operations for other non-tourism growth. At the same time, development of the airport may well deliver growth in both leisure tourism and business visits funded by the private sector.

"At Porto Montenegro, we started to diversify four to five years ago, as a key aspect of our strategy that comprises our main pillars of Living, Leisure, Work and Education, under the banners of: Live Less Ordinary, Play Less Ordinary, Work Less ordinary, Learn Less Ordinary," explains Margason.

Over the past three years, Porto Montenegro has reinforced its International School, developed three office facilities for leasing, acquired the Bijela Shipyard and moved to attract business conferencing and other non-leisure tourism. "These all form part of our strategy to become a holistic waterfront community, rather than solely a leisure tourism destination," says our interlocutor.

To what extent did the Government succeed in supporting the tourism sector during the most difficult moments of the COVID crisis?

- The pandemic severely tested the ability of every government to support their economy through such a major crisis. I believe that, on the whole, the Montenegrin authorities managed both the health risk and the economic impact

helped the luxury destinations on the coast, if not the wider economy, to regain momentum.

It was inspiring to see how employees came together during times of hardship, and how private business moved to support the government with joint fundraising and donations when the needs outweighed their means.

I would say that the sense of togetherness is something we can harness in the future, and not just in times of crisis.

What moves do you expect of the Government of Montenegro in 2022, in light of the recommendations contained in the MFIC White book?

- I expect to see a more creative approach to economic development, with policies linked well, to each other and to land-use planning and foreign investment incentives. Given the

It was inspiring to see how employees came together during times of hardship, and how private business moved to support the government with joint fundraising and donations when the needs outweighed their means

as well as, or better than, could be expected. The strong bounce-back in 2021 has been the reward for the economy having remained generally intact through the preceding year. I think that we fell behind other countries nearby, like Croatia, by not opening the low-risk marine leisure sector sooner, but we maintained travel by private aviation, which

importance of strategic investment in infrastructure and services, we should see greater use of public-private partnerships, for delivering funds and also for the execution of projects.

The other area where progress is essential relates to regulations and processes, and there we should expect improved transparency and a levelling of playing fields.

We Need To Recognise Our Potential And Use It Well



NELA VITIĆ, MFIC BoD member, Ocean Montenegro CEO

We are encouraged by the inclusive approach to work on the Digital Transformation Strategy, as well as the readiness of all participants – from the public and private sectors and the academic and scientific communities – to provide their maximum contribution to achieving a common good

The MFIC mission is to advance the investment climate and help business development in Montenegro, as well as to promote communication and cooperation between the Council and official bodies in Montenegro. “Through a high-quality dialogue with all relevant institutions in the country, we have promoted shared interests and contributed to the further growth of foreign direct investment,” says MFIC BoD member and Ocean Montenegro CEO Nela Vitić.

According to our interlocutor, MFIC has used numerous opportunities to date to highlight the necessity of the existence of a predictable business environment and the rule of law, and with that the fight against corruption and crime, as basic prerequisites for the further improvement of the business environment and conducting all business activities.

From the perspective of your company, how would you assess respect for the rule of law in Montenegro?

- You’ve already reported on the fact that the former Ministry of Transport and Maritime Affairs introduced several concessionaires for piloting, tugging and towing in the waters of

the Port of Bar, despite European practices and recommendations.

Among other things, this sent a message of legal uncertainty to credible investors. It is interesting that during the public debate, in response to our reminder of European practice and EU legislation, the then director of the Maritime Safety Directorate twice reiterated that Montenegro doesn’t yet have to comply with European rules, or that the Ministry will, despite that revelation, act in a manner that directly contradicts EU practice and legislation. Everyone can today see that we were correct in our analyses, which showed that the state of Montenegro would not benefit from introducing multiple concessionaires. In that case,

allowed to depend on it entirely. That was also demonstrated by this pandemic situation. Diversification, as well as the green economy and digital transformation, are the route that we must take.

When it comes to readiness, I think we’re better prepared than it seems to many. We have developed infrastructure, a potent community of young innovative companies, new generations of experts, as well as a strong commitment of the public sector and an excellent regulatory framework. I’m sure that we’ll feel the real results of many years of work in just a few years. The digital transformation will impact positively on all industries and I believe the strategy that is being drafted, which MFIC is also participating in, will also recognise our potentials

We are delighted by the Government's strategic commitment to placing the rule of law and the fight against corruption and crime at the top of its agenda. The state will have strong MFIC support in this work

we felt “on our skin” the lack of the rule of law and a weak judiciary. We cannot bring back the past, but those must be lessons that we learn from.

The Montenegrin economy was heavily dependent on tourism revenues in the previous period. To what extent is it now ready for the green economy, digital transformation and diversification?

- The Montenegrin economy will continue to rely heavily on tourism, but the economy mustn’t be

in the right way and provide a framework that will enable us to realise great aims.

We see digitalisation as a shared responsibility of the public and private sectors, with the support of the academic and scientific community. We are encouraged by the messages from the most recent digital summit of the Western Balkans and the inclusive work on the Digital Transformation Strategy, as well as the readiness of all participants to provide their maximum contribution to achieving a common good.

Technological Development Is Our Future

IVAN RADULOVIĆ, MFIC Executive Director



An indispensable element of encouraging economic growth based on technological innovation is the introduction of 5G to Montenegro. It is essential to secure an adequately stimulating and pro-investment business environment for its implementation, which will enable further technological development

Podgorica recently hosted the Digital Summit of the Balkan States and confirmed its commitment to the Digital Agenda. The Montenegrin Foreign Investors' Council (MFIC) is exceptionally committed to digital transformation in the country, which we discussed with MFIC Executive Director Ivan Radulović.

"The Montenegrin Foreign Investors' Council welcomes Montenegro's commitment to pursuing the digital agenda," says our interlocutor.

Recognising the importance of the digital agenda, MFIC – as a business association comprising foreign investors – together with other business associations and the ICT community, participated in the process of preparing the Digital Transformation Strategy 2022-2026, which should define the preconditions and initiatives required to create a digital environment.

"Digital transformation isn't a goal in and of itself, but rather represents a continuous process that should include all stakeholders in society for the sake of its development. It is very important to secure an adequate regulatory framework that will provide both the basis and incentives for projects and cooperation among all relevant actors on the path to digital transformation. And when talk turns to digital transformation, an inevitable segment is technological development, which can also be monitored through the availability and quality of internet connections," notes Radulović.

According to the results of measurements for 2021, which have been published by Cable.co.uk, the average speed of internet connections in Montenegro is 40.14 Mb/s, which ranks Montenegro 57th among 224 ranked countries, representing a better position compared to previous years.

An indispensable element of encouraging economic growth based on technological innovation is the introduction of 5G to Montenegro, and it is essential to secure an adequately stimulating and pro-investment business environment for the goal of implementation, which will enable further technological development. “Unfortunately, the e-government services that have been available for 10 years have still not been sufficiently brought to life in practise, despite an increased number of available services, and there is room to improve the efficiency and efficacy of services, with the aim of reducing administrative costs and the time needed to conduct individual administration services,” says the MFIC executive director.

To what extent were your members in a position to keep pace with trends in the transition to online work, which was already commonplace among their parent companies?

- The current health and financial crisis caused by the COVID-19 pandemic, as a global problem, has made the issue of digitalisation and digital channels of communication particularly pertinent. At the time of the initial outbreak of the pandemic, MFIC recognised the importance of digital communications and, in cooperation with the competent state bodies, provided the possibility to interact with users via digital channels of communication on a larger scale. Moreover, our members immediately adjusted their operations to the online system, in order to preserve the health of employees, provide services to their customers and continue their activities with the fewest possible negative consequences to operations. Bearing in mind that the COVID-19 pandemic is ongoing, the online system of operation is our reality, whether as an exclusive or combined system of operation among our member companies.

The Montenegrin government has launched the “Marshall Plan - Europe Now”. How does the MFIC assess this plan from the perspective of retaining existing investors and attracting new ones?

- The Montenegrin Foreign Investors’ Council welcomes the announced “Marshall Plan” initiative for Montenegro launched by the Minister of Finance and Social Welfare in the Government of Montenegro.

We believe that the announced set of fiscal policy measures will have a positive impact on combating the grey economy, fostering fair competition and stimulating economic development through significantly improved purchasing power. Together with the introduction of progressive taxation, which has proven to be the main pillar of a fair socioeconomic policy, this set of measures could have a significant positive impact on both the economy and society.

When it comes to progressive taxation, as a form of tax that exists in most developed countries, we believe it will have an impact on reducing social inequalities and protecting vulnerable segments of society by shifting the burden of fiscal consolidation to the richer segments.

On the other hand, we see the securing of additional resources on the budget revenue side via the more efficient collection of taxes and rational expenditure.

How much do the government's plans demonstrate respect for the recommendations of the 2020 White Book?

- It was on 6th April this year that we published the 11th edition of the White Book: Investment

implementation of measures also encompasses the recommendations provided by members of the Council, primarily through the White Book, cited with the aim of creating conditions for doing business in the country that match the level investors enjoy in the developed economies of their home countries. In this area, our recommendations aim to define measures to advance the rule of law and the efficiency of legal protection, improve economic conditions, the business climate and infrastructure, and implement new infrastructure projects and maintain stability while preserving trust in the financial sector.

In your opinion, what is the most important thing to secure today to ensure the continued inflow of foreign investments to Montenegro?

- In accordance with the findings of the White Book, “Rule of Law” is recognised as the most challenging precondition for the development of business. By analysing the ratings to date, following three years with a rating of 5.6, we record a slight increase to 5.7 in 2019. However, 2020 also had a very negative impact on this area, where we recorded a fall of 0.4 points.

A “predictable business environment”, which implies transparency in the work of state bodies, is also of crucial importance.

Our members also recognise tax “discipline”, or the lack of systematic and strict tax

We are particularly pleased that all draft laws singled out for essential amendment by the Foreign Investors’ Council in the previous edition of the White Book have found themselves on the Government’s agenda

Climate in Montenegro 2020, in which the Ease of Doing Business Index for 2020 stands at 6.4 (on a scale of 1 to 10).

2020 was a year characterised by huge challenges that came as a direct result of the global crisis caused by the COVID-19 pandemic, as well as challenges that already existed and only intensified over the course of last year. The Montenegrin economy’s vulnerability was particularly pronounced due to its strong focus on tourism, which means it’s no surprise that it recorded a significant decline on the Ease of Doing Business Index compared to 2019.

The MFIC monitors the activities of government bodies, in an effort to ensure that the envisaged

collection, as a serious concern to the economic stability of the country. It is our opinion that “discipline” has a direct impact on the competitiveness of companies on the market and unfair working conditions.

Further attention should be paid to implementing reform processes in the sectors analysed in the White Book that our members gave low ratings (labour market and employment, real estate development, taxation/contributions, corporate governance, rule of law), in order to advance the business environment, entice foreign investment and create conditions for improving the economic standards of all Montenegrin citizens.

We're Giving Our All To Emerge From The Crisis

Despite the overall economic situation due to the COVID-19 pandemic, MFIC member companies continued to invest, create jobs and regularly service all of their financial obligations, thus supporting Montenegro's economic recovery. Fruitful cooperation with the Montenegrin Government ensured that state policy measures were aligned with the interest of the business community to support further reforms and new avenues of growth

The pandemic hasn't stopped the work of the Montenegrin Foreign Investors' Council. On the contrary, as this short overview of activities shows, the past year proved to be very productive.

FEBRUARY 2021

WORKING TOGETHER TO FURTHER DEVELOP E-SERVICES

Montenegrin Minister of Public Administration, Digital Society and Media, Tamara Srzentić, met with MFIC representatives to discuss concrete activities that need to be implemented in order to improve digital business and achieve the greater efficiency and transparency of public services.



The Ministry of Public Administration, Digital Society and Media listens carefully to the needs of the business community, in order to reduce bureaucracy and simplify procedures with the aim of further developing the digital economy and thus building an administration that is service-orientated and based on the needs of citizens and the economy, highlighted Minister Srzentić.

MFIC will be a dedicated partner to the Ministry of Public Administration, Digital Society and Media in the digital transformation of

business processes and the further encouraging of digitalisation and the development of e-services.

GOVERNMENT WILL BE A RELIABLE PARTNER

Montenegrin Deputy Prime Minister Dritan Abazović met with Christoph Schoen, President of the Montenegrin Foreign Investors' Council, and MFIC BoD members Nela Vitić, Pál Kovács, Ivan Bojanović, David Margason and MFIC Executive Director Ivan Radulović.



Deputy PM Abazović stated that Montenegro is a country of opportunities and, although the situation with the novel coronavirus is extremely specific, he is of the opinion that this is still the right time to invest in Montenegro.

"We are open to investors and want to send you a clear message that you have a reliable partner," highlighted Abazović.

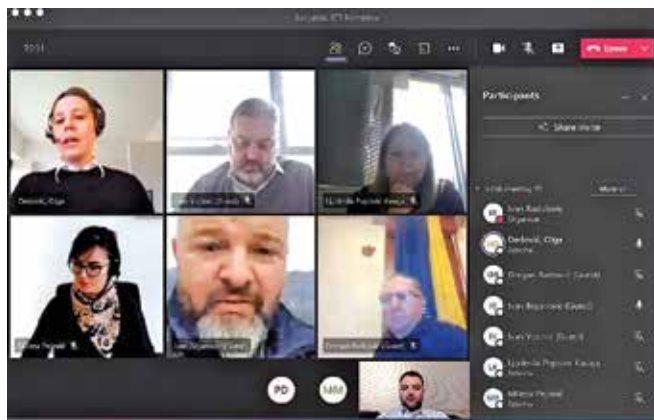
MFIC offered further support to the reform process, modernisation and digitalisation of society.

MARCH 2021

FURTHER IMPROVEMENT OF DIGITALISATION PROCESS NEEDED IN MONTENEGRO

A meeting of the ICT Committee of the Montenegrin Foreign Investors' Council was held on 12th March and included discussion of priority measures for improving the digitalisation process in Montenegro,

with proposals submitted to the Ministry of Public Administration, Digital Society and Media.



The meeting also saw further activities agreed, as well as the need to define medium- and long-term measures that will be determined in cooperation with the Ministry of Public Administration, Digital Society and Media.

Members of the MFIC ICT Committee expressed their satisfaction with the cooperation established with the Ministry of Public Administration, Digital Society and Media.

ELIMINATING BUSINESS BARRIERS NEEDS TO CONTINUE

MFIC representatives met with Montenegrin Minister for Economic Development Jakov Milatovic and his associates on 19th March.



The meeting provided an opportunity for representatives of the largest companies in the telecommunications, tourism and internal trade sectors to inform the minister about the challenges confronting them.

APRIL 2021 11TH SESSION OF THE COMPETITIVENESS COUNCIL

At its 11th session, chaired by the MFIC President and Economic Development Minister Jakov Milatović, the Competitiveness Council discussed the findings and recommendations of the MFIC White Book: Investment Climate in Montenegro 2020.



The recommendations contained in the book refer to the more efficient implementation of reforms in the area of digitalisation, further steps towards improving tax procedures, modernisation of the work of the cadastral register and notary services, the continuation of work on creating the basis for further investments in infrastructure, growth and labour market flexibility, improving the work of the administration and increasing its efficiency, as well as further simplifying fiscal policy at the local level.

PRESENTATION OF THE 11TH EDITION OF THE MFIC WHITE BOOK

The Ease of Doing Business Index for Montenegro fell significantly last year compared to 2019, due to the negative impact of the coronavirus pandemic on the Montenegrin economy and tourism sector, said MFIC President Christoph Schoen.



Speaking at the presentation of the 11th edition of the White Book, he said that last year was characterised by huge challenges caused directly by the global crisis resulting from the pandemic, but which had existed before and were intensifying.

As Schoen explained, “the vulnerability of the Montenegrin economy became particularly pronounced due to the country’s strong focus on tourism, so it’s no surprise that its standing on the Ease of Doing Business Index fell significantly compared to 2019. We cannot undo

damage caused in the past, but we must do our best to emerge from the crisis as soon as possible. We need to focus on a timely dialogue between all stakeholders in order to provide full support to improving business.”

MONTENEGRIN DEPUTY PRIME MINISTER DRITAN ABAZOVIĆ ATTENDED THE PRESENTATION OF THE 11TH EDITION OF THE MFIC WHITE BOOK

Deputy PM Abazović announced that he was very satisfied that excellent cooperation and communication between the Government and MFIC was continuing, noting that the Government had held several meetings with MFIC during the previous period.



MFIC PRESIDENT AND EXECUTIVE DIRECTOR MEET WITH UK AMBASSADOR TO MONTENEGRO

MFIC President Christoph Schoen and Executive Director Ivan Radulovic met with the British Ambassador to Montenegro, H.E. Karen Maddocks, and Deputy Head of the UK Mission, Steve Arick, on 15th April.



The meeting provided an opportunity to exchange views on the country’s current conditions for doing business and business obstacles hindering foreign investors.

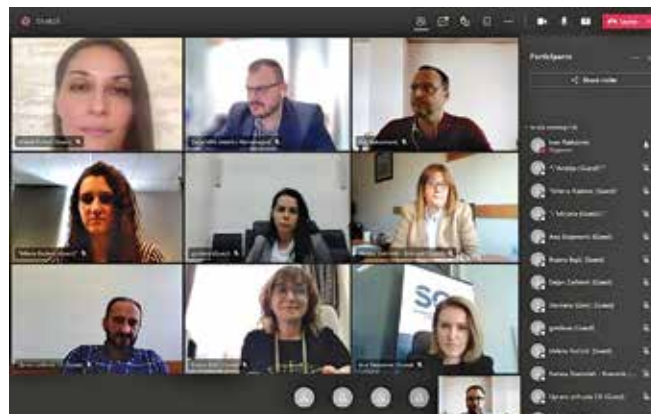
MFIC representatives informed their guests about the latest White Book recommendations and further activities within the Competitiveness Council.

MEETING OF THE WORKING GROUP FOR THE ELIMINATION OF BUSINESS BARRIERS TO THE DEVELOPMENT OF ELECTRONIC SERVICES IN THE PRIVATE SECTOR

MFIC Executive Director Ivan Radulovic chaired a meeting of the Working Group for the elimination of business barriers to the development of electronic services in the private sector.

Members of the Working Group exchanged information regarding the implementation status of the measures defined by the Action Plan.

The Action Plan will be amended, with activities aimed at fostering the digital transformation process and introducing new electronic services for citizens and the economy.



CONSULTATION MEETING REGARDING PREPARATION OF THE DIGITAL TRANSFORMATION STRATEGY OF MONTENEGRO 2022-2026

MFIC Regulatory Policy Committee President Ljudmila Popović Kavaja participated in the initial consultation meeting regarding preparation of the Digital Transformation Strategy of Montenegro 2022-2026, Cyber Security Strategy of Montenegro 2022-2026 and public debate consultations with regard to the preparing of amendments to the Law on Electronic Document, organised by the Montenegrin Ministry of Public Administration, Digital Society and Media.



MAY 2021

MEMORANDUM OF UNDERSTANDING SIGNED BETWEEN MIA AND MFIC

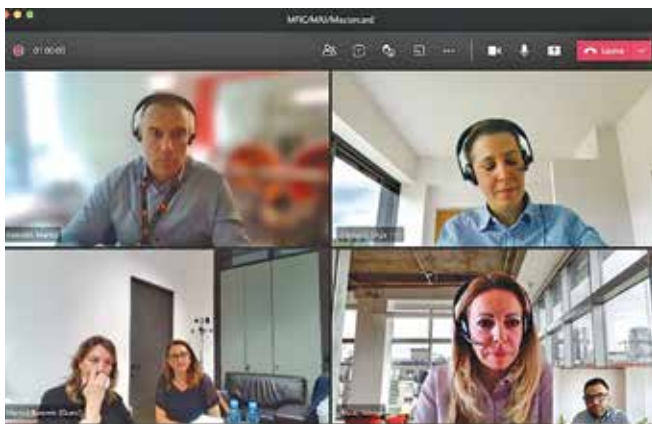
Director of the Montenegrin Investment Agency (MIA), Dejan Medojevic, and President of the Montenegrin Foreign Investors' Council, Christoph Schoen, signed a Memorandum of Cooperation between the MIA and MFIC on 11th May.



The MIA director pointed out that cooperation with the MFIC will be based on the principles of partnership, transparency, responsibility and mutual exchange of information. He also emphasised the importance achieved to date through the contribution provided by MFIC via the work of the Competitiveness Council, in which the Montenegrin Investment Agency also participates.

MEETING BETWEEN MFIC, MASTERCARD REPRESENTATIVES AND THE MINISTRY OF PUBLIC ADMINISTRATION, DIGITAL SOCIETY AND MEDIA

MFIC Executive Director Ivan Radulović and Mastercard representatives Jelena Ristić, Country Manager for Serbia, Montenegro and Bosnia-Herzegovina, Olga Dedović, Account Manager, and Marko Rizovski, Acceptance Development Manager, held a 12th May meeting with Marina Banović, state secretary at the Ministry of Public Administration, Digital Society and Media, and her colleagues in order to discuss future cooperation.



The MFIC and Mastercard representatives showed their full support for the implementation of reforms aimed at introducing electronic services and simplifying conditions for doing business.

INTRODUCTION OF MMM IN MONTENEGRO

A meeting was held on 12th May with the EBRD Capital Markets Development team, comprising Selma Demirović, Gary Mclean, Jim Turnbull and Nino Shanshiashvili, on the potential introduction of the Money Market Development to Montenegro.



The meeting was also attended by MFIC Executive Director Ivan Radulović, CK Bank representatives Dražen Stanković and Bojan Božić, Central Bank of Montenegro representative Jelena Jankovic and representative of the Secretariat to the Competitiveness Council of Montenegro, Ana Stojanović.

CONSULTATION MEETING ORGANISED BY THE MINISTRY OF PUBLIC ADMINISTRATION, DIGITAL SOCIETY AND MEDIA TO ADDRESS THE PREPARATION OF THE DIGITAL TRANSFORMATION STRATEGY 2022-2026

MFIC Regulatory Policy Committee President Ljudmila Popović Kavaja participated in a consultation meeting organised by the Ministry of Public Administration, Digital Society and Media to address the preparation of the Digital Transformation Strategy 2022-2026.



JUNE 2021 MFIC BECOMES A MEMBER OF UNICEF'S BUSINESS COUNCIL

Montenegrin Foreign Investors' Council President Christoph Schoen signed the Founding Act of the UNICEF Business Council on behalf of MFIC.

The goal of the UNICEF Business Council for the Rights of the Child is to directly invest funds intended for children through easier coordination and joint actions of the private sector and UNICEF that will contribute to resolving priority issues related to the rights of the child.



12TH SESSION OF THE COMPETITIVENESS COUNCIL

The 12th session of the Competitiveness Council, held on 30th June and chaired by the Council's President and Montenegrin Economic Development Minister Jakov Milatović, saw the adopting of the initiative of the Montenegrin Foreign Investors' Council regarding the redetermining of the fee for collectively exercising copyrights as defined by the Law on Copyright and Related Rights.



The Competitive Council also adopted the responses of relevant institutions to the recommendations of the MFIC White Book: Investment Climate in Montenegro 2020.

JULY 2021 FOLLOW-UP MEETING ON MONEY MARKET DEVELOPMENT

MFIC representatives held on a follow-up meeting on Money Market Development in Montenegro 19th July.

The MFIC leadership expressed thanks to their colleagues from the EBRD Capital Markets Development team, Gary Mclean and Jim Turnbull, as well as Dr Peter M. Werner from ISDA, for their constructive dialogue and support.



MFIC DONATES 10,000 EUROS TO PODGORICA HEALTH CENTRE

Following confirmation of a donation of 10,000 euros to the Podgorica Health Centre, MFIC BoD Member Ivan Bojanovic said that he hoped the donation would contribute to health workers in the adapted facilities having even better working conditions and citizens receiving an even better service.

“During the previous months of the coronavirus pandemic, we’ve all been convinced of how important it is to have a health system that is fast, efficient, functional and modern-equipped,” said Bojanović.

He expressed particular gratitude to the MFIC member companies that responded to the call to participate in the donation, namely Crnogorski Telekom, CKB Bank, Delta M, Domen, Fly Montenegro Ground Handling, Lovćen Osiguranje AD Podgorica, Ocean Montenegro and Saga CG.



AUGUST 2021
MEETING HELD WITH AMBASSADOR OF THE
REPUBLIC OF INDONESIA

Montenegrin Foreign Investors' Council President Christoph Schoen, MFIC BoD Member Ivan Bojanović and MFIC Executive Director Ivan Radulović met with the Ambassador of the Republic of Indonesia, H.E. Mochammad Chandra Widya Yudha, Head of Economic Affairs at the Embassy, Tri Aryadi, and Indonesian Defence Attache Sri Adi Trio Wayhu Pramono.

The meeting provided an opportunity to exchange opinions on the conditions in the business environment in Montenegro, MFIC activities, developments in the tourism sector and possibilities of improving economic cooperation between Montenegro and Indonesia.



SEPTEMBER 2021
FIRST MEETING OF THE COUNCIL FOR
ELECTRONIC PUBLIC ADMINISTRATION

MFIC Regulatory Policy Committee President Ljudmila Popović Kavaja participated in the first meeting of the Council for Electronic Public Administration, chaired by Montenegrin Public Administration, Digital Society and Media Minister Tamara Srzentić.

Speaking at the meeting, Minister Srzentić noted that digital services must be tailored to the needs of citizens.

Future activities will focus on the development of electronic services for citizens, improving the interoperability of government services, as well as greater promotion of existing electronic services already available to citizens.



NOVEMBER 2021
MEETING WITH IMF REPRESENTATIVES

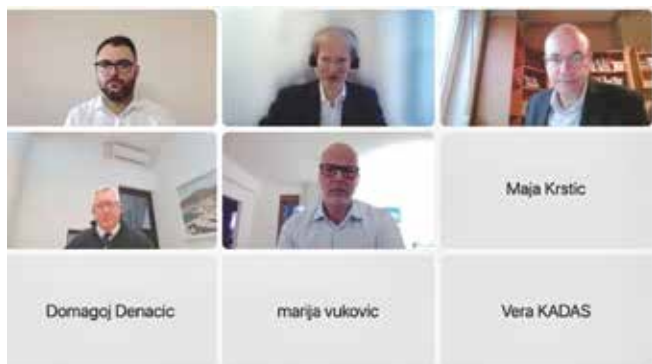
MFIC BoD members met with representatives of the International Monetary Fund during the IMF team's Article IV mission to Montenegro on 11th November. The meeting provided an opportunity to discuss and exchange views on business environment conditions and foreign investments, the minimum wage, social contributions and taxes, tax reforms and the framework for countering money laundering and the financing of terrorism.



MEETING WITH EUROPEAN COMMISSION
REPRESENTATIVES





Montenegrin Foreign Investors' Council President Christoph Schoen, MFIC BoD members David Margason and Maja Krstić, and MFIC Executive Director Ivan Radulović met with European Commission representatives Antonio Sanchez, Krzysztof Zurek and Vera Kadas during their 2022 ERP mission.

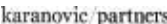











The meeting was an opportunity to discuss and exchange opinions regarding key structural challenges, such as the country's high unemployment rate, administrative burdens and informalities hindering the business operations of foreign investors.





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CHRISTOPH SCHOEN,
MFIC PRESIDENT (EXECUTIVE DIRECTOR OF ADDIKO BANK)

FOCUSED ON FUTURE GROWTH

We believe that the Montenegrin economy will continue to be strongly influenced by investments in the coming years, and that the Government will have a positive impact on the development of economic activities by implementing measures to consolidate public finances, optimise public administration and implement measures recommended by the White Book

JAKOV MILATOVIĆ,
MONTENEGRIN MINISTER FOR ECONOMIC DEVELOPMENT



ECONOMIC DIVERSIFICATION IS OUR IMPERATIVE

The Montenegrin economy is awaited by full recovery in the following period, on the basis of the government's strong reform processes, new investments, economic diversification and improving living standards

RADOJE ŽUGIĆ,
GOVERNOR OF THE CENTRAL BANK OF MONTENEGRO



WE PRESERVED ECONOMIC STABILITY

We can state with satisfaction that the central bank reacted appropriately under the conditions of heightened uncertainty caused by the COVID-19 pandemic and succeeded in preserving the balance between supporting the economy and the population while preserving the banking system's health

TAMARA SRZENTIĆ,
MONTENEGRIN MINISTER OF PUBLIC ADMINISTRATION, DIGITAL SOCIETY AND MEDIA



WE'RE RUNNING A MARATHON, NOT A SPRINT

A strategic imperative of the Government of Montenegro as a whole, and the Ministry of Public Administration, Digital Society and Media in particular, is the creation of an optimal and efficient public administration that will provide citizens and businesses with the best service, and we will achieve all of that through a reform in which the optimising of public administration and the digitalisation process unfold simultaneously

CHRISTOPHER SHELDON,
WORLD BANK COUNTRY MANAGER FOR BOSNIA-HERZEGOVINA AND MONTENEGRO



THREE PILLARS OF STABILITY AND GROWTH

The strength and resilience of the economic recovery over the medium term depends on the government's growth strategy. The first cornerstone is financial sector stability. The second requires making health, education and social protection services more inclusive and efficient, and the third cornerstone is better natural resource management

REMÓN ZAKARIA,
EBRD HEAD OF OFFICE FOR MONTENEGRO



INCREASING ECONOMY'S COMPETITIVENESS KEY TO RESILIENCE

The EBRD stands ready to support Montenegro in its transition to a more resilient, greener and more digitalised economy. In doing so, it focuses strongly on providing support to the SME sector, which was hit hard by the crisis and needs to strengthen its operations



DAVID MARGASON,
MFIC BOD MEMBER, MANAGING DIRECTOR OF PORTO MONTENEGRO

TOURISM WILL CONTINUE TO PROSPER

I expect to see a more creative approach of the Government to economic development, with policies linked well, to each other and to land-use planning and foreign investment incentives. We look forward to the greater use of public-private partnerships, for delivering funds and also for the execution of projects

NELAVITIĆ,
MFIC BOD MEMBER, OCEAN MONTENEGRO CEO



WE NEED TO RECOGNISE OUR POTENTIAL AND USE IT WELL

We are encouraged by the inclusive approach to work on the Digital Transformation Strategy, as well as the readiness of all participants – from the public and private sectors and the academic and scientific communities – to provide their maximum contribution to achieving a common good

IVAN RADULOVIĆ,
MFIC EXECUTIVE DIRECTOR



TECHNOLOGICAL DEVELOPMENT IS OUR FUTURE

An indispensable element of encouraging economic growth based on technological innovation is the introduction of 5G to Montenegro. It is essential to secure an adequately stimulating and pro-investment business environment for its implementation, which will enable further technological development

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