



**MINISTRY FOR ECONOMIC DEVELOPMENT  
GOVERNMENT OF MONTENEGRO**

# **MONTENEGRO'S GROWTH AGENDA**

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Minister for Economic Development**

**Podgorica, October 20, 2008**



## **CORE CONCEPT OF MONTENEGRO ECONOMIC REFORMS**

- **Economic Reform Agenda 2003-2007**
- **Sustainable growth – roadmap to EU**
- **Regional cooperation (Balkan Free Trade Area - 55 mil ppl market)**
- **Harmonisation with EU and WTO standards and legislation**
- **Private Sector Development and Minimize of Bussines Barriers**
- **Favorable Investment Climate**
- **Reforms underway: Public Administration, Educational Sector, Judiciary System**



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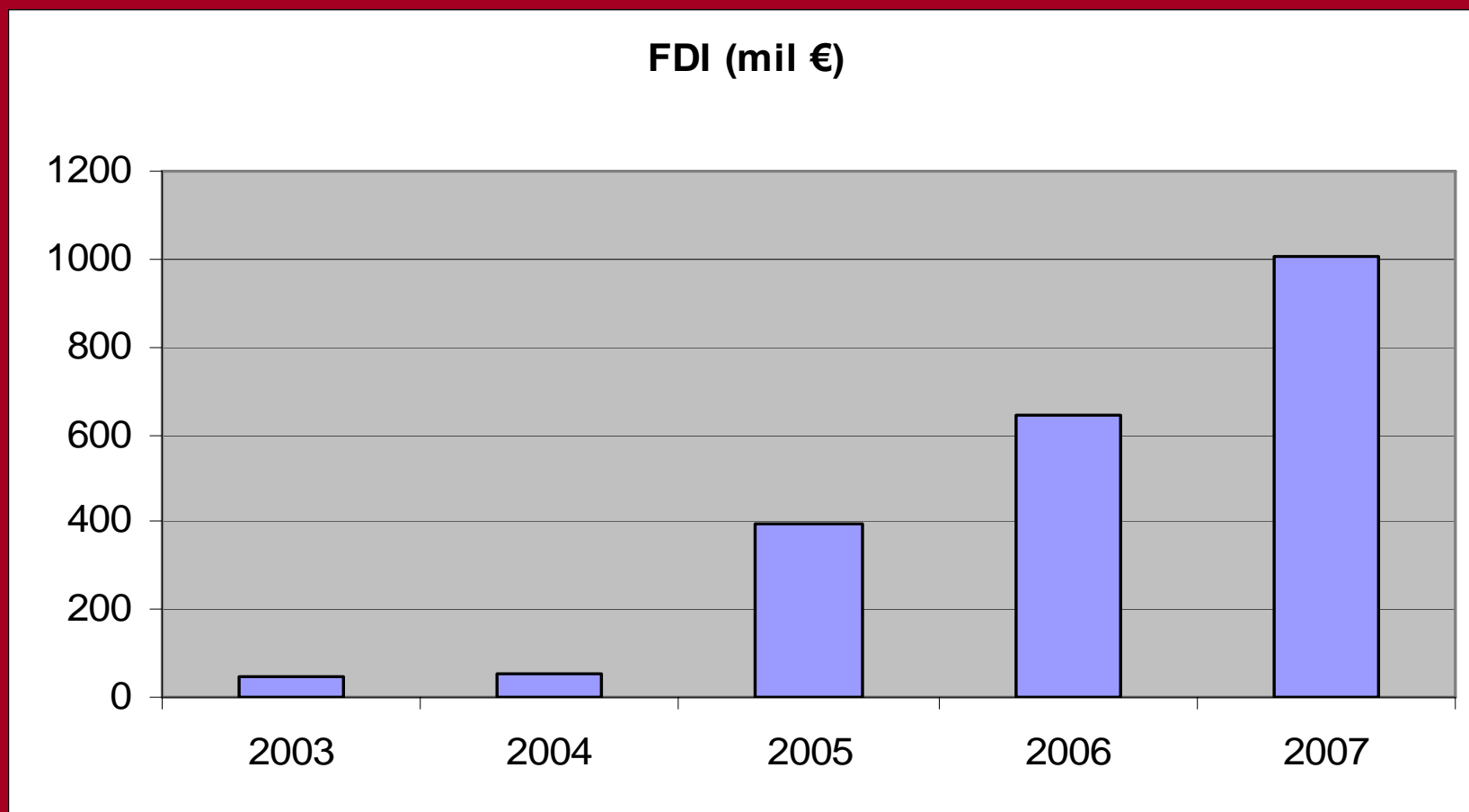
**MAJOR ECONOMIC INDICATORS**

<b>Year</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>GDP growth nominal, %</b>	10,09	13,5	11,0	9,5	8,5
<b>Inflation, %</b>	2,0	6,7	4,0	3,5	3,0
<b>Employment growth, %</b>	4,4	5,7	3,7	2,1	2,1
<b>Unemployment, %</b>	14,7	12,2	10,8	9,8	8,8
<b>Public sector suficit/deficit , % GDP</b>	3,4	3,1	0,7	1,0	1,1
<b>Export growth, %</b>	36,9	14,6	12,1	11,3	14,2
<b>Import growth, %</b>	54,7	20,0	8,5	7,7	6,1
<b>Trade balance, % BDP</b>	31,59	35,87	33,27	30,89	26,01
<b>Current account balance, % BDP</b>	-25,55	-32,20	-30,57	-28,79	-23,91
<b>External dept, % BDP</b>	25,15	21,15	19,97	18,85	17,11
<b>FDI – net, mil. EUR</b>	603,70	785,20	793,79	795,70	718,89
<b>FDI – net, % of BDP</b>	30,13	34,47	31,39	28,74	23,93
<b>Growth productivity (real GDP per employee), %</b>	3,5	1,3	3,2	3,8	3,4

Projection-Nov 2007



## **FOREIGN DIRECT INVESTMENTS**





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**MONTENEGRIN ECONOMIC REFORMS ACHIEVEMENTS**

- **Macroeconomic stability**
- **Credible currency (EURO)**
- **Banking system successfully reformed**
- **Low inflation**
- **Low taxes - high level of fiscal incentives**
- **Legal protection of investors**
- **Constant efforts to minimize administrative business barriers**
- **Openness**
- **Decreased conventional and non-conventional investment risks**

**Ultimate goal:**

**Open, liberal, efficient, and flexible business environment**



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**PROGRAMME FOR ELIMINATION OF BARRIERS FOR  
ENTERPRENEURSHIP DEVELOPMENT IN MONTENEGRO**

- **Adopted on October 11, 2007**
- **This document represents analysis of business development barriers and suggestions for their elimination thus enabling better conditions for access to the market.**
- **On April 3, 2008 the Operational Plan for Elimination of Barriers for Entrepreneurship Development for 2008 was adopted.**
- **Its main purpose is to launch the systematic revision of all regulations governing the economy and eliminate the unnecessary, non-functional and out of date legislation, shorten time limits for state authorities to proceed at a party's request and reduce the costs of end users.**



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**INSTITUTIONAL FRAMEWORK**

**THE COUNCIL FOR ELIMINATION OF BUSINESS BARRIERS**

<b>President:</b>	<b>Prime Minister of the Government</b>
<b>Deputy of President:</b>	<b>Vice President of the Government</b>
<b>Members:</b>	<b>Minister for Economic Development, Minister of Finance, Minister of Internal Affairs and Public Administration, Director of Directorate for Development of SME, Secretary of Secretariat for Legislation, President of the Commercial Court , President of Montenegrin Chamber of Commerce, President of Montenegrin Employers Federation, President of Montenegro Business Alliance.</b>



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**REGISTRATION OF COMPANIES**

- **Data base of Central Register of the Commercial Court is available on web page [www.crps.cg.yu](http://www.crps.cg.yu);**
- **It is created data base for registration in municipalities, with information desks for receiving and dealing of documentation (“it has been covered” 7 municipalities);**
- **On October 15, Central Register of the Commercial Court in Podgorica is officially linked with The Commercial Court in Bijelo Polje;**
- **On the proposal of the Commercial Court, Ministry of Justice has adopted Amendments and supplements to the Instructions for the Operations of the Central registry ( „OJ MNE“, No. 043/08 17/07/08.) which enables on-line registration of companies;**
- **For that purpose it has been provided software and hardware.**



## **BUSINESS REGULATION**

- **Business entry:**
  - **Required amount of capital to establish a Limited Liability Company is 1 Euro**
  - **Procedure requires 3 documents and takes 4 working days**
- **Business exit:**
  - **Law on Bankruptcy: maximal length of liquidation process – 8 months**
- **National treatment of foreign investors**
- **Free movement of capital**
- **Free profit repatriation**
- **Intellectual Property Protection**

**Focus on constant improvement of the business environment**



## **LIBERAL TAX SYSTEM**

- **Value Added Tax – 0%, 7% and 17%**
- **Personal Income Tax – progressive rate decreased to 15% (2009-12%, 2010- 9 % )**
- **Corporate Income Tax – 9%**
- **Average tariff rate approximately 6%**
- **Free Trade Zones with 0% Corporate Income Tax**
- **No double taxation**



## **FISCAL INCENTIVES**

- **Exemption from custom duties for investment in the form of goods (that are being brought as deposits by foreign investors);**
- **Exemption from payment of tax on profit (for a period of 3 years) when establishing a legal entity in less-developed municipalities (production scope of activities);**
- **Tax concessions (tax on profit) for investment into fixed assets (reinvestment) – 25% of performed investment;**
- **In Free Zones, users and operators are completely, and with no time limitations, exempted from paying corporate income tax;**
- **Continuous further improvement of the tax system, continued reduction of government expenditures, and tax burdens.**



## **URBAN DEVELOPMENT AND BUILDING CONSTRUCTION**

**New Law on spatial arrangement and building construction-  
entry into force 01/09/08:**

- **Legislative codification;**
- **Reducing the number of administrative procedures from 7 to 2: procedure of issuing building permit and procedure of issuing operational permit;**
- **decentralization- Municipalities are responsible for issuing permits for construction objects up to 3000m<sup>2</sup> ;**
- **Public nature-all data about urban plans and allotments and issued building and operational permits must be on the internet site of the authorized body within the period of 7 days from the day of issuance.**



## **LABOUR RELATIONS**

### **New Labour Act –entry into force in August 2008:**

- **Simplified procedures of recruiting and dismissing (fixed term employment contract, cancellation of obligatory public announcement of job vacancies, introducing piece work agreement as a legally binding agreement etc.);**
- **Possibility of alteration of agreed working terms;**
- **Simplified procedure for determining responsibility of employees (cancellation of disciplinary proceedings);**
- **promoting social dialogue through improving collective negotiations-increasing the role of collective agreements at the level of enterprises and individual agreements in relation to general collective agreement;**



## **INTERNATION COOPERATION**

- **International Monetary Fund**
- **World Bank**
- **European Bank for Reconstruction and Development**
- **signature of Stabilization and Association Agreement with EU (15 October 2007)**
- **CEFTA**
- **negotiations for accessing the World Trade Organisation (WTO) (final stage)**



## **MAIN CHALLENGES FOR MONTENEGRO:**

- **continuation and implementation of institutional, political and economic reforms**
- **accelerated sustainable economic development through increased economic freedoms and strengthened impact of private sector**
- **strengthening of administrative capacities for the implementation of SAA with EU**
- **growth of living standard of citizens, with efficient education, social insurance and health care systems**



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**THANK YOU FOR YOUR  
ATTENTION !**

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