

# 111

**Frequently Asked Questions**

**Invest in Montenegro 2008**

*What Should You Know About Montenegro?*

*111 Frequently Asked Questions*

# INVEST IN MONTENEGRO

## 2008

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





## Dear Readers

We are pleased to offer you the fourth edition of “*111 Frequently Asked Questions*”. Comments we received so far, many changes that happened since MIPA was established in March 2005 as well as growing demand for information about Montenegro, convinced us that this publication should become our regular edition. We hope it will contribute to your better understanding of the overall situation in Montenegro and help you in establishing your business.

There is no simple formula that can be used for increasing investments or for speeding up economic development in any country. Every country has to build its own unique set of solutions. The thing is, that while countries are trying to find these answers, the whole world is changing -- at a faster and faster pace. These are turbulent and dynamic times, and that adds an additional dimension to the challenge, especially in small countries like Montenegro.

We, in Montenegro, understood that if we want to attract investors and to increase investments, both domestic and foreign, we needed to offer at least a bit more than the others. As technology is advancing and World is becoming smaller, we understand as well that we are not competing only with our neighbors, but the rest of the world. Investors can choose where to go. Therefore we have no alternative than to improve our business environment in order to be able to attract them to invest in Montenegro. That is why MIPA is adding investor after care as another dimension in its portfolio of activities. We ourselves have a much better understanding of our advantages and disadvantages. That is why we focused on those elements of success that will bring us closer to the achievements of countries that are also small by their size, but in economic terms very powerful:

- **Stable and predictable macroeconomic policy.** Companies need to have the confidence that the economy in which they make an investment will be managed in a competent and predictable way. We are proud of the results achieved so far.
- **An open economy.** The size and potential of the Montenegrin market might be seen as a barrier for investments. But is it really? If you can produce and export with low costs, isn't the whole world your market? The freer the market, the more attractive it becomes. We managed to open up the Montenegrin economy over the last five years. With more investors to come we can open it together even more.
- **Property rights and protection.** Private property must be protected. This is the core of any business. We managed to improve property rights.
- **A strong currency.** The local currency was abandoned in November 1999. Initially, we introduced the German mark and then the Euro. If you make an investment you know exactly how much is your profit, since inflation in Montenegro is calculated on a Euro base.

- **A favorable tax climate.** Although tax incentives geared to attract initial investments are important, a company's final investment decision is usually based on how a country's taxation will affect the normal operating environment once the venture is off the ground. Results speak for themselves: we do have the lowest corporate tax rate in Europe – 9% flat and our personal income tax is 15% flat as well.
- **The ability to remit profits, dividends and interest.** If you cannot get your money out of the country, why invest?

If we are talking business we need to be direct. No one has time to waste. Time is money, but money is time as well. The aim of this publication is to provide you with simple and straightforward answers to the most frequently asked questions. Nevertheless, before that, we believe it is important to get your attention to several other facts about Montenegro:

- For a large majority of the countries visas are not required for Montenegro.
- We treat foreigners and nationals equally.
- We are champions in business registration procedures: you can register a Limited Liability Company for 1 euro, within 4 working days and by submitting three documents.
- Montenegro has access to the Adriatic Sea and has over 180 sunny days per year.

Do you see any good reason to come to Montenegro? It is enjoyable, it is challenging, it is changing, it has perspective, it is safe, it is open, it can surprise you, it needs to be discovered, ... Indeed, why should you come to Montenegro?

As an investor you should have only one reason - to make a profit. But, the probability of making a profit in Montenegro will be 0% unless you come. Still waiting? Of course not! We look forward seeing you soon!

Welcome to Montenegro and have a good business!



**CEO**  
**Montenegrin Investment Promotion Agency**

### **What is MIPA?**

The Montenegrin Investment Promotion Agency (MIPA) is a national investment agency set up by the Government of Montenegro in 2005 to promote foreign investments in Montenegro and to facilitate the economic development of Montenegro.

### **MIPA's mission**

The mission of MIPA is to partner with foreign and domestic investors, the public and private sector, and international groups and individuals to increase investments in Montenegro and help bring accelerated economic development, dynamic growth and prosperity for all Montenegrin citizens. It promotes specific projects to foreign investors and has a publicity function in bringing such projects to the attention of the international public. MIPA advances Montenegro as a competitive investment destination by actively facilitating investment projects in the country.

### **What can MIPA do for you?**

MIPA helps you find business opportunities in Montenegro by:

- Being a business partner and actively facilitating your business needs;
- Providing you with relevant information on the investment climate, institutional framework and related legal issues;
- Assisting you in obtaining permits and licenses on national and local levels of authority;
- Developing specific strategies for concrete sectors and countries;
- Helping you locate greenfield and brownfield site options according to your specific requirements;
- Giving initiatives and supporting cooperation with domestic supplier companies and other local partners;
- Maintaining an investment opportunities database;
- Identifying eventual “red tape” obstacles to doing business in Montenegro and providing recommendations to the Government for its systematic removal;
- Advertising your project, with an aim to create a relationship between Montenegrin companies and people and foreign investors.

Contact us:

#### **Montenegrin Investment Promotion Agency (MIPA)**

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Montenegro

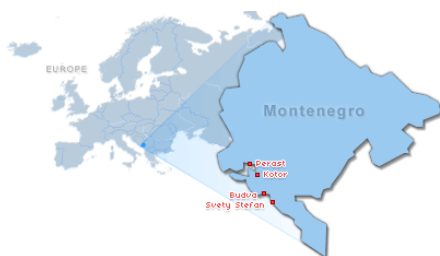
Tel/fax: + 382 81 203 140, 203 141, 203 143, 202 911

Web: [www.mipa.cg.yu](http://www.mipa.cg.yu)

E-mail: [info@mipa.cg.yu](mailto:info@mipa.cg.yu)

### 1. Where is Montenegro?

Montenegro belongs to the middle Mediterranean region. It is located in Southeast Europe, on the central part of the Balkan Peninsula and southern coast of the Adriatic Sea.



Geographic coordinates of extreme points		
	North latitude	East latitude
North	43° 32'	18° 58'
South	42° 50'	19° 22'
East	42° 53'	20° 21'
West	42° 29'	18° 26'

### 2. What are the neighboring countries?

Montenegro is bordered by Croatia and Bosnia and Herzegovina on the west, Serbia on the northeast, Albania on the east and Italy across the Adriatic Sea. The borders are 614 km in length with a coastline of 293 km, of which 73 km are sand beaches.

### 3. What is the total land area?

Total land area of Montenegro is 13,812 km<sup>2</sup>. High and extensive mountain massifs intersected by river gorges and deep valleys cover most of the country. Larger lowland areas are to be found in the south, near the coastline.

General Data	
Area in km <sup>2</sup>	13.812
Total population	630,000
Capital	Podgorica
Old Royal Capital	Cetinje
Currency	EUR
Climate	Continental and Mountain Mediterranean

### 4. What is the capital of Montenegro?

Podgorica is the Montenegrin capital. With a population of 180,000, it represents the political, economic, administrative and cultural heart of Montenegro.

### 5. What are other major cities?

Niksic with a population of 75,000 is located 54 km northwest of Podgorica, and Bijelo Polje with 50,000 inhabitants, is 120 km north of Podgorica.

### 6. What is the currency in Montenegro?

The Euro is the legal tender in Montenegro. Before the introduction of Euro to European countries, since November 1999 the official currency was the German mark.

**7. What is the time zone for Montenegro?**

West European time zone (GMT+01:00).

**8. What is the climate in Montenegro like?**

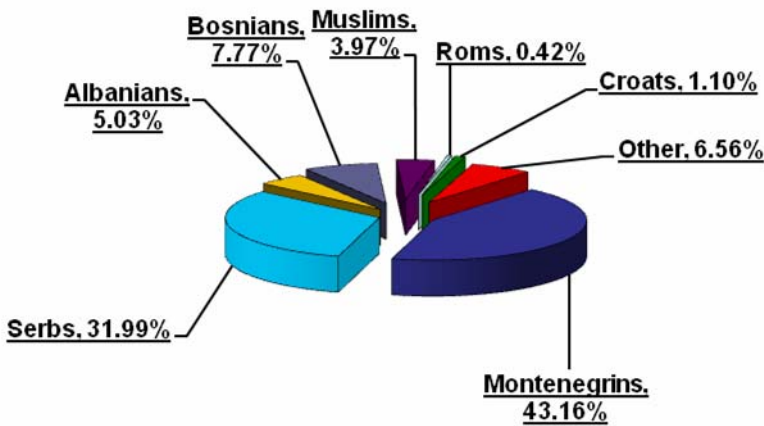
The climate is temperate Mediterranean. In the northern part of Montenegro, it is continental. Average air temperature is 27.4°C, summer and 13.4°C, winter. Montenegro has on average 180 sunny days a year.

**9. What is the total population in Montenegro?**

Based on the Census from year 2003 the population in the country is 630,000.

**10. What is the ethnic structure?**

Based on the 2003 census, the ethnic composition of Montenegro is as follows:



Source: MONSTAT

**11. What are the main religions?**

Montenegro is a multi-religious state with Christian Orthodox, Islamic, Roman Catholic, Jewish, Protestant and other denominations.

**12. What is the Human Development Index for Montenegro?**

The Human Development Index for Montenegro is 0.799 (HDR is released in 2004), which means that Montenegro has a medium-level human development index, together with Bulgaria (0.796), Russia (0.795), Macedonia (0.793), and Bosnia and Herzegovina (0.781).

**13. What is the average life expectancy?**

73.1 years. Man life expectancy is 71.1, while women life expectancy is 76.1 years.

**14. What is the literacy rate?**

Based on 2003 Census literacy rate is 97.5%.

**15. What is the political and legal system in Montenegro?**

Montenegro became an independent country on June 3rd 2006. Prior to that, Montenegro was in community with Serbia. Montenegro is a Parliamentary Democracy. Members of the National Assembly (81) are elected directly, as is the President of the country. The Prime Minister is appointed by the members of the National Assembly.

The legal system in Montenegro is Continental-European.

*The Parliament of Montenegro*

According to the Constitution of Montenegro, its 81-member Parliament holds the state’s legislative power. Representatives are elected through direct voting, by means of secret ballot, on the basis of a universal and equal right to vote. The Parliament has a President, one or more Vice Presidents, and working bodies and commissions. The latest parliamentary elections were held on 10 September 2006. The next one are scheduled for September 2009.

*Current Political Structure of Montenegrin Parliament*



- |            |                                |               |                          |
|------------|--------------------------------|---------------|--------------------------|
| <b>DPS</b> | Democratic party of Socialists | <b>LB</b>     | LP-BS                    |
| <b>SDP</b> | Socialist Democratic Party     | <b>SL</b>     | Serbian list             |
| <b>AP</b>  | Albanian movement              | <b>SNP</b>    | Socialist People’s Party |
| <b>PzP</b> | Movement for Changes           | <b>NS-DSS</b> | People’s Party- DSS      |

**Predstavnički Vlade-** Representatives of Government

Source : The Parliament of Montenegro

**16. How to reach Montenegro by plane?**

There are two international airports: in Podgorica and Tivat (80 km southwest of Podgorica). The Podgorica airport offers connections to : Frankfurt, Vienna, Rome, Ljubljana, Belgrade, Budapest and Paris, while the Tivat airport is used mostly for charter flights. In 2006, the modernization of the airports in Podgorica and in Tivat was completed. The national air carrier is Montenegro Airlines [www.montenegro-airlines.cg.yu](http://www.montenegro-airlines.cg.yu)

**17. What does the railroad network look like?**

The Montenegrin railway network is 250 km long, single track, electrified and with normal gauge. The Railroad links the Port of Bar, Podgorica and Bijelo Polje, as well as Niksic, Podgorica and on to Albania via Tuzi. The Podgorica-Niksic track is for freight transport only, while the link from Bar to Podgorica is used for freight and passenger transport. Reconstruction of the railroad Podgorica-Niksic has started and it is expected that the works will be finished by the end of 2009.

**18. What is the total road network in Montenegro?**

The road network of Montenegro consists of approximately 850 km of main roads, 950 km of regional roads and a very extensive local network of 5,300 km. The road network was improved by important projects, such as the Sozina Tunnel, the Millennium Bridge and the Debeli Brijeg border. The Sozina Tunnel has significantly shortened the distance between the Port of Bar and Podgorica, which means that the capital of Montenegro is now only 30 minutes away from the seacoast.



*Island Mamula, near Herceg Novi*

**19. What are the possibilities for sea transportation in Montenegro?**

There are five ports for passengers and cargo transport in Montenegro, located in Bar, Herceg Novi, Tivat, Kotor and Zelenika. The Port of Bar is responsible for 95% of the total passenger and freight transport, and has conditions for an annual turnover and transport of 5 million tons of cargo. It is situated in the southern part of the Adriatic Sea, an exceptional site where sea and inland traffic come together. This favorable geographical position (42° 0' north latitude and 19° 05' east longitude), together with the railway line Belgrade – Bar and the road network, represents a compatible traffic system that enables logical connection. Due to its favorable position, the Port of Bar is the right place for setting up a distribution centre for the whole region. There are regular passenger boat lines between Montenegro, Italy and Croatia.

**20. What does the fixed telephone infrastructure look like?**

The telecommunication sector is 100% private. There are two fixed phone providers – T-Mobile, Matav from Hungary, part of Deutsche-Telecom and M:tel, Serbian-Dutch Consortium Telekom Srbija a.d. i Ogalar B.V. Consortium.

The network is over 98% digitized, with a fiber-optic base. There are two international switches that have been working as transit switches. These are used for transition of traffic from the local switches that are placed in other

Montenegrin Municipalities. Complete communication between switching capacities is organized by using solely fiber-optic cable that guarantees high quality communication.



*Valdanos near Ulcinj – Tender is expected in 2008.*

## 21. What is the number and coverage of GSM operators?<sup>1</sup>

There are three mobile operators in Montenegro: ProMonte ([www.promonte.com](http://www.promonte.com)), 100% owned by Telenor from Norway, T-Mobile Montenegro ([www.t-mobile-cg.com](http://www.t-mobile-cg.com)), majority-owned by Matav and Deutsche –Telecom and M:tel ([www.mtel-cg.com](http://www.mtel-cg.com)) which is positioned in Montenegro within the scope of Serbian-Dutch Consortium Telekom Srbija a.d. i Ogalar B.V. Consortium.

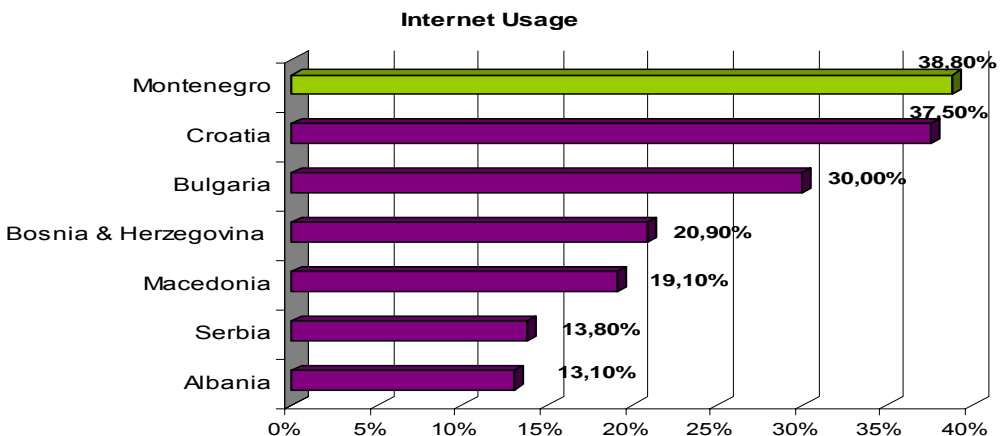
The coverage of GSM operators: ProMonte- 99% of total population, T-mobile – 99% of population, Mtel-91% of population.

The number of mobile phone users at the end of December 2007 equaled 1,045,981 which, implies the penetration at the level of 168.67%. It is 62.50% more than in the same period of the previous year. Out of that number, mobile operator ProMonte had 431,972 users (41.30%), mobile operator T-mobile had 353,606 users (33.81%) and mobile operator M:tel 260,403 (24.89%).

## 22. What is the Internet availability and the percentage of Internet users?<sup>2</sup>

At this point there are fifteen licensed Internet Service Providers in Montenegro but four of them are currently operating and those are: T-Com Montenegro, MontSky, M-tel and MNNews. The largest two are: T-Com Montenegro ([www.t-com-cg.com](http://www.t-com-cg.com)) and Montsky ([www.montsky.net](http://www.montsky.net)).

*Internet users' penetration (December 2007):*



Source: Internetworldstat

<sup>1</sup> Agency for Telecommunication, Montenegro

<sup>2</sup> Agency for Telecommunication, Montenegro  
MIPA © 2008

**23. How many banks are currently present in the Montenegrin market?**

The banking sector is completely privatized. There are eleven banks operating in Montenegro, and all of them are in private ownership. The Montenegrin Commercial Bank ([www.ckb.cg.yu](http://www.ckb.cg.yu)), The Mortgage Bank ([www.hb.cg.yu](http://www.hb.cg.yu)), Podgoricka Bank Societe Generale Group ([www.pgbanka.cg.yu](http://www.pgbanka.cg.yu)), Opportunity Bank ([www.opportunitybank.cg.yu](http://www.opportunitybank.cg.yu)), Atlasmont Bank ([www.atlasmontbanka.cg.yu](http://www.atlasmontbanka.cg.yu)), NLB Montenegro Bank ([www.montenegrobanka.com](http://www.montenegrobanka.com)), "Prva Banka" Crne Gore ([www.prvabankacg.com](http://www.prvabankacg.com)), Commercial Bank Budva ([www.kombank.cg.yu](http://www.kombank.cg.yu)), Invest Bank Montenegro ([www.invest-banka.com](http://www.invest-banka.com)), Hypo-Alpe-Adria Bank ([www.hypo-alpe-adria.cg.yu/mn/](http://www.hypo-alpe-adria.cg.yu/mn/)) and First Financial Bank ([www.ffb.com](http://www.ffb.com)).

Source: The Central Bank of Montenegro

**24. How many stock exchanges operate on the capital market?**

Two stock exchanges operate on the Montenegrin capital market:

**Montenegro Stock Exchange**

(Montenegroberza a.d. Podgorica)

Address: Cetinjski put 2a

81000 Podgorica

Tel. + 382 81 205 940, 205 960

Fax. + 382 81 205 920

E-mail: [mberza@cg.yu](mailto:mberza@cg.yu)

[www.montenegroberza.com](http://www.montenegroberza.com)

**NEX Montenegro**

(Nova berza hartija od vrijednosti

Crne Gore a.d)

Address: Miljana Vukova b.b.

81000 Podgorica

Tel. + 382 81 230 670, 230 690, 210 170;

Fax. + 382 81 230 640

E-mail: [nexberza@cg.yu](mailto:nexberza@cg.yu)

[www.nex.cg.yu](http://www.nex.cg.yu)

**25. Which securities are traded on the Montenegrin capital market?**

Three types of securities are traded: shares of companies, shares of privatization/investment funds, bonds and old currency savings bonds.

**26. How many broker and dealer houses exist in Montenegro?**

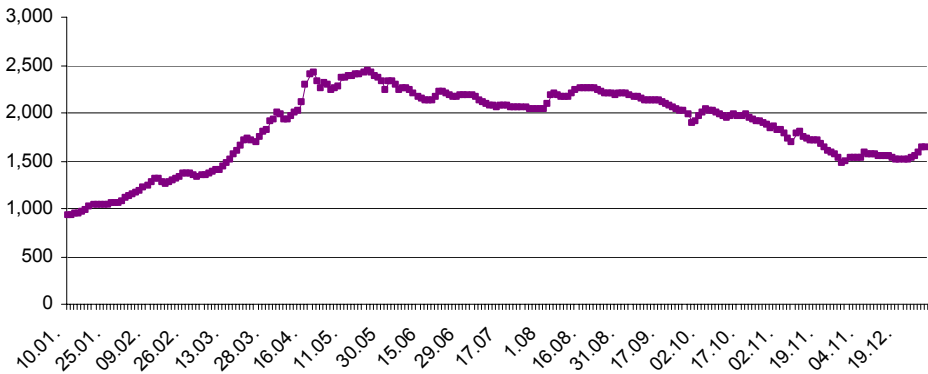
There are twenty-three broker houses and eight broker-dealer houses operating on the Montenegrin Stock Exchange Market. For detailed information about broker and dealer houses you should contact The Securities Commission of Montenegro ([www.scmn.cg.yu](http://www.scmn.cg.yu)).

**27. What are the indicators of the Montenegrin capital market development?**

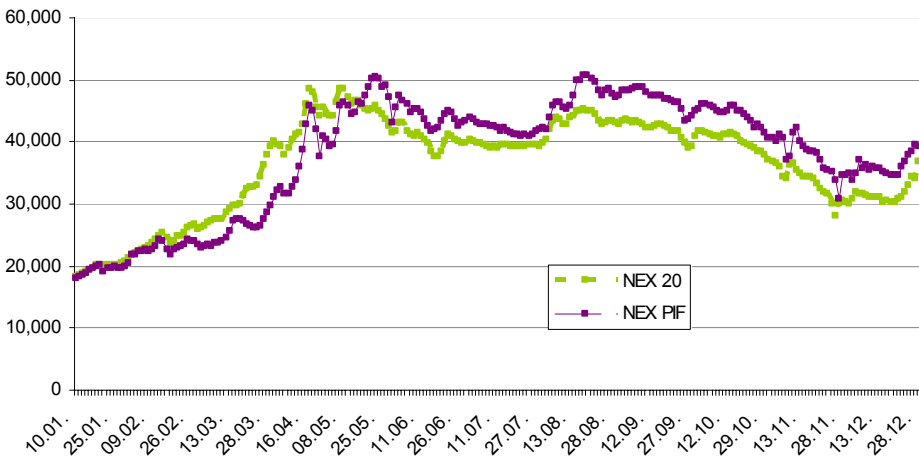
**Index values** give a good picture of the situation on the Montenegrin stock exchanges. High index growth rates demonstrate that the Montenegrin capital

market is developing, as well as that the capital market has become a significant part of the Montenegrin economy.

**MOSTE Index fluctuation (in 2007)**



**NEX 20 & NEX PIF Index fluctuation (in 2007)**



Source: Montenegro and NEX Stock Exchange

**Turnover**

Total turnover at the Montenegro Stock Exchange (MSE) and The New Stock Exchange (NEX) in the period January 10<sup>th</sup> 2007 - December 28<sup>th</sup> 2007 was:

	Number of transactions	Turnover (EUR)
<b>MONTENEGROBERZA</b>	72,711	274,187,408
<b>NEX BERZA</b>	151,926	452,825,757
<b>Total</b>	<b>224,637</b>	<b>727,013,165</b>

Source: The Securities Commission of Montenegro

**28. Which are the most tradeable shares today in Montenegro?**

The most tradeable shares in the period January 10<sup>th</sup> 2007 - December 28<sup>th</sup> 2007 are listed in the table below.

Company	Turnover (EUR)	Number of transactions
Telekom Crne Gore (TECG)	77,165,298.00	13,145
Elektroprivreda Crne Gore(EPCG)	53,030,805.00	14,517
Kombinat Aluminijuma Podgorica(KAPG)	42,449,007.00	8,411

Source: The Securities Commission of Montenegro

**29. How can one get information about the securities that one owns?**

The Central Depository Agency (CDA) executes the deposit of dematerialized securities, clearing and settling securities transactions, and other business associated with dematerialized securities.

**Central Depository Agency**

Novaka Miloseva 29

81000 Podgorica

tel: +382 81 230 056, fax: +382 81 230 056

E-mail: [cda@cg.yu](mailto:cda@cg.yu), Web: [www.cda.cg.yu](http://www.cda.cg.yu)

**30. What is the international credit rating of Montenegro?**

Standard & Poor Rating Services assigned a **BB+ long term** credit rating to Montenegro. The outlook is evaluated as **stable**. Moody's Investors Service assigned **Baa1** and outlook is evaluated as **stable**.

**31. Who can be a foreign investor?**

A foreign investor can be a legal entity or natural person. Both have equal rights. The term foreign investor applies to a company that has been founded by a foreign person in Montenegro and/or foreign legal entities whose share of investment capital is higher than 25% of the total capital amount. Domestic citizens can also obtain foreign investor status if they have been living abroad for more than a year. If the ratio is below 25% this is considered as a portfolio investment, not FDI.

**32. What are the possible forms of foreign investment?**

Foreign investment can take the form of money, securities, properties, services and assets rights. Inland investment can also take all of the same forms.

**33. What amount of investment is required?**

There is no limit. The amount of investment is stated in the investment contract or other act prescribed by law.

**34. Who can join in a mutual investment?**

Foreign investors can invest with one or more foreign investors, inland investors, or a combination of foreign and domestic investors.



*Ada Bojana, island on the south of Montenegro. Tender is expected in 2008.*

**34. Who can join in a mutual investment?**

Foreign investors can invest with one or more foreign investors, inland investors, or a combination of foreign and domestic investors.

**35. Can foreign investors acquire rights to real estate in Montenegro?**

Foreign investors can acquire rights to real estate in Montenegro, such as company facilities, places of business, apartments, living spaces and land for construction. Additionally, foreign persons can claim property rights to real estate by inheritance in the same manner as a domestic citizen.

**36. Can a foreign investor perform free transfer of goods from Montenegro and under what conditions?**

Foreign investors can freely transfer their funds after fulfilling all liabilities and obligations such as: income tax, return of funds invested in initial capital,

share in net assets, obligations in the case of contract ending, etc. Transfer of funds is also possible in the cases of foreign currency being sold off to a registered bank, the selling of goods and services, or transfer to an account of another foreign person.

**37. Can foreign investors be taxed differently than domestic investors?**

No. Foreign investors cannot be taxed differently than domestic investors.

**38. Is the foreign investor obligated to ensure his/her investment?**

The foreign investor is obligated to ensure the investment according to insurance regulations.

**39. Who can insure your investment in Montenegro?**

There are various foreign companies along with other bilateral and multilateral organizations providing risk insurance against civil war, expropriation, nationalization, confiscation, inconvertibility of profits and dividends, and non-transferable currency.

Investment insurance organizations		
Austria	OEKB	<a href="http://www.oekb.at">www.oekb.at</a>
Italy	SACE	<a href="http://www.sace.it">www.sace.it</a>
Slovenia	SID	<a href="http://www.sid.si">www.sid.si</a>
UK	ECGD	<a href="http://www.ecdg.gov.uk">www.ecdg.gov.uk</a>
USA	OPIC	<a href="http://www.opic.gov">www.opic.gov</a>
World Bank	MIGA	<a href="http://www.miga.org">www.miga.org</a>

**40. What are the rights and obligations of the foreign investor?**

By his/her investment, the foreign investor has made it his right to take part in the operation and/or management of a company, to retrieve all investments and all capital (in cases predicted by contract or founding act) He/she has the right to take part in profits, and to transfer and reinvest profits, including the trade of currency. The foreign investor may make use of all the rights guaranteed by the domestic legal framework.

**41. Can the assets of a foreign investor be taken away?**

The assets of a foreign person cannot be taken away unless the law provides proof that this is in the public interest. In such a case, the investor is given a settlement fee or compensation, which cannot be less than the market value of the acquired asset.

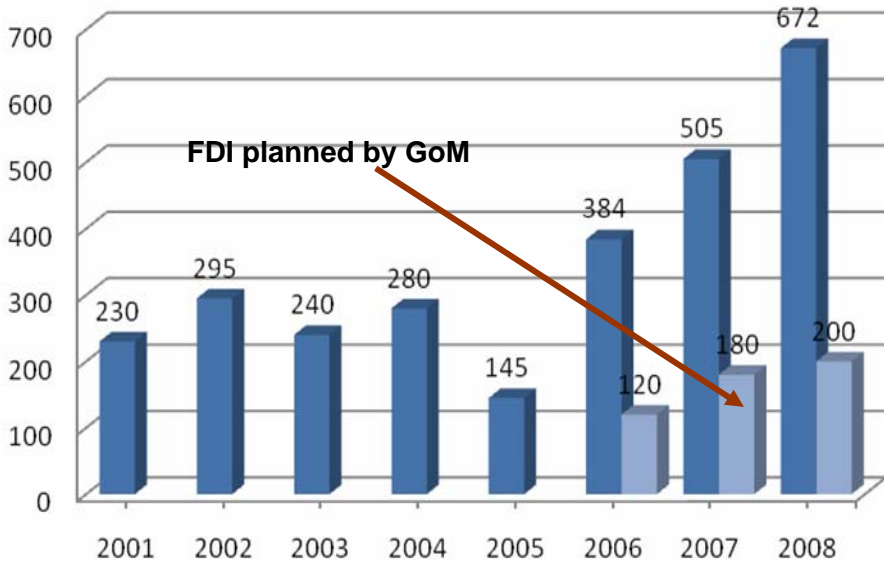
**42. Does a foreign investor have the right to claim damages?**

Foreign investors do have the right to claim any damages that have been made by non-legal means or by incorrect performance of responsibilities by state representatives of governmental bodies, in accordance with the law.

**43. What is the amount of FDI recorded in the past few years?**

So far, Montenegro has had modest success in attracting foreign direct investments (FDI). Total investments in the period 1997-2004 were

approximately €420 million. In order to increase the size of overall investments, the Government of Montenegro established the Montenegrin Investment Promotion Agency (MIPA). Total investments in 2005 were €382.8 million, in 2006 over €502 million while in 2007 Montenegro recorded €678 million.



Source: MIPA

#### 44. Where are foreign investors coming from?

Foreign investors are coming from 77 countries. There is not domination of any foreign investor while major investors are coming from Norway, Austria, Russia, Slovenia, Hungary and Great Britain.

#### 45. What is total and GDP per capita?

In 2006 total GDP amounted €1.932 billion, with GDP per capita €3,078.00 and real GDP growth of 6.5%. Projection, based on Economic and fiscal program for Montenegro (2007-10), for 2007 is €2.278 billion with the real GDP growth of 7%.

	2002	2003	2004	2005	2006	2007
GDP in current prices (mil€)	1,301.50	1,433.00	1,651.00	1,785.30	1,932.00	2,278.14
3GDP per capita in current prices (EUR)	2,107.26	2,310.75	2,660.00	2,865.00	3,078.00	3,673.56
Real GDP growth	1.7%	2.3%	3.7%	4.1%	6.5%	7.0%

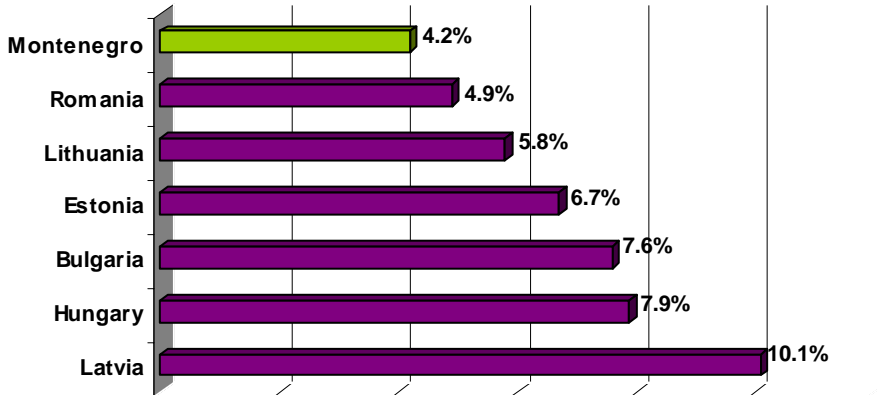
Source: Institute for Strategic Studies and Prognoses ([www.isspm.org](http://www.isspm.org))

<sup>3</sup> Inflation rates in EU countries are measured by HICPs (12 month average rates Dec 2007-06/Dec 2006-05, while Montenegro estimated average annual inflation rate using CPI)

#### 46. What is the annual inflation rate in Montenegro?

Inflation in Montenegro shows a decreasing trend: 6.2% in 2003, 4.3% in 2004, 1.8% in 2005, and 2.5% in 2006.

#### Comparison of Inflation Rates (2007)



Source: [www.eurostat.com](http://www.eurostat.com) and ISSP

#### 47. Is the government able to cover total public spending?

Yes, because the year-to-year downsizing in the budget deficit is very promising. Montenegro fulfilled all the criteria imposed by the EU (for member countries of the EMU) including a budget deficit 3% of GDP. Montenegro generated surplus within its budget at the level of 1,9% in 2006 for the first time in its financial history. The same trend remained in the 2007. At the end of October surplus was equal to €208.04 million or 3% of GDP.

Source: *Institute for Strategic Studies and Prognoses*

#### 48. What is the outlook for Montenegro's foreign debt service?

A further reduction in the debt to the Paris Club, more careful borrowing and stable GDP growth are the prerequisites that could lead to a decrease of the foreign debt expense of the GDP in the future.

According to World Bank standards Montenegro is a low indebted country in terms of foreign debt sustainability. The overall public debt at the end of 2007 was €737.2 million (32.4% of GDP). Out of that €462.1million refers to the foreign debt (20.3% of GDP) while €275.1 million (12.1% of GDP) represented domestic debt. (sentence construction): It is especially important the decrease of the foreign debt as a result of the reconstruction and write off of the debt to the Paris Club, then overall decrease in the re-program to the IFC and IBRD.

Source: *Ministry of Finance and ISSP*

## 49. Overview of the main macroeconomic indicators in Montenegro

	2003	2004	2005	2006	2007
GDP in current prices - (mil€) <sup>4</sup>	1,433.00	1,535.00	1,644.00	1,778.81	2,278.14 <sup>5</sup>
GDP per capita in current prices (€) <sup>6</sup>	2,310.75	2,465.43	2,638.00	2,790.50	3,673.56
Real GDP growth in %	2.30	3.70	4.10	6.50	7.00
Industrial production growth rate (%) ø2000	2.40	13.80	-1.90	0.90	0.10 <sup>7</sup>
Manufacturing industry (growth rate in %)	-2.10	13.10	2.50	-0.30	9.30 <sup>8</sup>
Production of electricity, gas, water growth rate	17.50	21.00	-13.40	4.80	-27.40 <sup>9</sup>
Stone and coal excavation (growth rate in %)	1.40	-5.10	0.20	6.10	1.50 <sup>10</sup>
Inflation-CPI (%)	6.20	4.30	1.80	2.50	4.20 <sup>11</sup>
Number of tourists	599,430	703,484	820,457	936,247	1,150,000
Total income from tourism (in mil.€) <sup>12</sup>	151.20	179.70	217.00	276.00	480.00
Employed	190,417	192,501	194,426	203,546	216,902
Unemployed rate (in %) <sup>13</sup>	22.90	22.40	17.00	15.50	11.90
Unemployed	68,625	59,002	48,845	43,125	31,845
Number of pensioners <sup>14</sup>	91,981	92,307	92,156	92,900	93,606 <sup>15</sup>
Average wage (in €) <sup>16</sup>	271.00	302.81	326.50	376.37	497.00 <sup>17</sup>
Average pension (in €)	113.00	122.00	127.95	142.53	161.20 <sup>18</sup>
Budget deficit/surplus (in mil.€)	45.29	32.22	51.92	+ 34.35	+168.4 <sup>19</sup>
Budget deficit/surplus as % GDP	3.16%	2.10%	3.10%	+ 34.35	3.00% <sup>20</sup>
M1 (mil €)	386.12	430.66	597.15	832.10	1,534.40 <sup>21</sup>
M2 narrow concept (mil€)	460.84	536.11	800.13	1,170.90	2,604.60 <sup>22</sup>
M2 broader concept (mil €)	494.29	546.84	865.11	1,259.80	2,726.50
Total deposit (mil €)	211.01	273.78	486.95	809.40	2,089.40
Household deposit (mil €)	45.07	80.68	173.02	351.80	1,017.90
Deposits by corporate sector(mil €)	81.55	71.86	121.82	250.60	644.40
Total loans(mil €)	200.63	284.08	377.30	653.10	2,247.06
Loans disbursed to households (mil €)	49.96	74.33	105.10	231.70	796.80
Loans disbursed to corporate sector (mil €)	114.15	166.96	206.10	365.90	1,366.30
Annual lending interests rate	14.07%	13.50%	12.60%	11.00%	9.03 <sup>23</sup>
Annual borrowing interests rate	1.84%	3.39%	4.15%	4.00%	n.a.
Export of good and service (mil €)	461.90	622.70	749.00	1,049.70	1,080.45 <sup>24</sup>
Import of goods and service	709.60	913.70	1,063.80	1,409.70	1,647.30 <sup>25</sup>
Trade balance (mil €)	-247.70	-291.00	-314.90	-360.00	-566.80
Current account balance (mil €)	-101.98	-142.97	140.70	-444.70	-576.02
FDI (mil €)	213.62	111.00	383.00	502.00	678.00
Grey economy (in %)	n.a.	n.a.	25.00	20.00 <sup>26</sup>	22.60
Poverty rate (in %)	12.20	n.a.	10.9	n.a.	12.00 <sup>27</sup>
Number of registered companies <sup>28</sup>		11,656	13,103	16,284	17,774
Number of registered entrepreneurs		13,090	14,107	14,774	14,774 <sup>29</sup>

<sup>4</sup> Ministry of Finance, Statistical Bureau, [www.monstat.cg.yu](http://www.monstat.cg.yu) and ISSP, [www.isspm.org](http://www.isspm.org)

<sup>5</sup> Ministry of Finance, Projection for year 2007

<sup>6</sup> Institute for Strategic Studies and Prognoses, [www.isspm.org](http://www.isspm.org)

<sup>7</sup> Statistical Bureau (Monstat) [www.monstat.cg.yu](http://www.monstat.cg.yu), ø2006=100

<sup>8</sup> Statistical Bureau (Monstat) [www.monstat.cg.yu](http://www.monstat.cg.yu), ø2006=100

<sup>9</sup> Statistical Bureau (Monstat) [www.monstat.cg.yu](http://www.monstat.cg.yu), (ø2006=100)

<sup>10</sup> Statistical Bureau (Monstat) [www.monstat.cg.yu](http://www.monstat.cg.yu), (ø2006=100)

<sup>11</sup> Institute for Strategic Studies and Prognoses, [www.isspm.org](http://www.isspm.org), average annual inflation rate

<sup>12</sup> Ministry of Tourism and Environmental Protection

<sup>13</sup> Employment Bureau, [www.zzz.cg.yu](http://www.zzz.cg.yu)

<sup>14</sup> Pension Fund, [www.rfondpio.cg.yu](http://www.rfondpio.cg.yu)

<sup>15</sup> Pension Fund, data for three quarters of 2007, [www.rfondpio.cg.yu](http://www.rfondpio.cg.yu)

<sup>16</sup> Statistical Bureau (Monstat) [www.monstat.cg.yu](http://www.monstat.cg.yu)

<sup>17</sup> Monstat [www.monstat.cg.yu](http://www.monstat.cg.yu) (gross average wage for January 2008, while net average wage is 386.00)

<sup>18</sup> Institute for Strategic Studies and Prognoses (ISSP)

<sup>19</sup> The Central Bank of Montenegro, [www.cb-cg.org](http://www.cb-cg.org)

<sup>20</sup> Institute for Strategic Studies and Prognoses (ISSP), [www.isspm.org](http://www.isspm.org)

<sup>21</sup> The Central Bank of Montenegro, [www.cb-cg.org](http://www.cb-cg.org)

<sup>22</sup> The Central Bank of Montenegro, [www.cb-cg.org](http://www.cb-cg.org)

<sup>23</sup> The Central Bank of Montenegro, [www.cb-cg.org](http://www.cb-cg.org), data for eleven months

<sup>24</sup> The CB of Montenegro, ISSP, data for the period January-September, 2007

<sup>25</sup> The CB of Montenegro, Institute for Strategic Studies and Prognoses, data for the period January-September, 2007

<sup>26</sup> The Center for Entrepreneurship and Economic Development, [www.visit-ceed.org](http://www.visit-ceed.org)

<sup>27</sup> Institute for Strategic Studies and Prognoses (ISSP)

<sup>28</sup> The Commercial Court, [www.crps.cg.yu](http://www.crps.cg.yu)

<sup>29</sup> Institute for Strategic Studies and Prognoses (ISSP), data from January 1, 2007



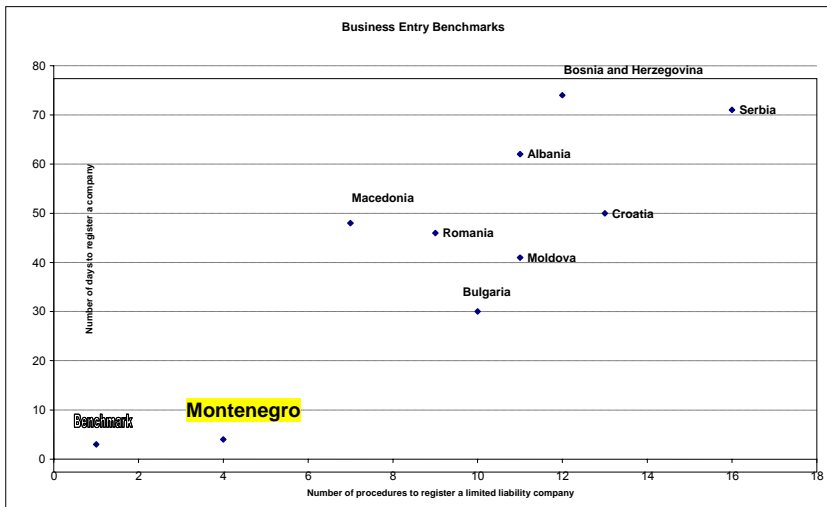
*Island Saint Nikola, in Budva*

**50. Which institution is in charge of business registration?**

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

**51. Is it complicated to register your business?**

No. Actually according to OECD, Montenegro is a champion in the region for business registration.



**52. How long does it take to register a business?**

It takes 4 working days.

**53. What is the minimum financial requirement for a Limited Liability Company (LLC)?**

1 Euro.

**54. How many documents do you need to register an LLC?**

Three documents: Founding decision, Bylaws and a registration form for the specific type of company, all available at the web site: [www.crps.cg.yu](http://www.crps.cg.yu)

**55. What types of companies does the Montenegrin law permit?**

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

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

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

**Limited Liability Company (d.o.o.)**

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

**Joint Stock Company (a.d.)**

- Minimum capital requirement of €25,000;
- Founding act;
- Contract of decision of company's foundation;
- List of names of all boards and managers;
- Board members' and managers' social security numbers;
- Name and address of CEO, reviser board and secretaries;
- Signed statements of agreement to perform duties in the company;
- Resolution from Security Commission board approving a public offer of shares;
- Completed registration form;
- Registration fee of €10.

**General partnership (o.d.)**

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

**Limited partnership (k.d)**

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

**Part of a foreign company**

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

After fulfilling all these requirements, it is necessary to open a bank account. After that, the company reports to Tax Authority in order to receive a PIB (taxation identification number) and VAT number (Value Added Tax).

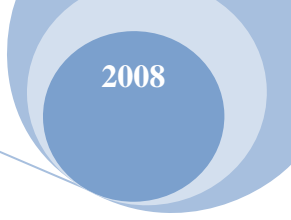
**56. Is privatization of the state enterprises completed in Montenegro?**

Not yet. Nevertheless, most of the state-owned enterprises were privatized in the last five years. It is expected that the privatization process will be completed in the next two years.



*Perast, Bay of Kotor*









**57. Which methods of privatization are used?**

The Law on Privatization covers privatization methods, and they are as follows:

1. **Public auction** - open competitive bidding based on price;
2. **Public tender** - public gathering of bids of potential buyers in accordance with determined rules and conditions of sale beforehand;
3. **Privatization through bankruptcy;**

**58. What are the effects of the privatization process?**

The privatization process in Montenegro was described as one of the most successful of all the countries in transition. Over 86% of state capital is privatized under the motto: *"We aren't selling our companies, we are buying good owners!"* There is no domination by investors from any one country. New owners are coming from Germany, Hungary, Norway, Belgium, Austria, Greece, Italy, Russia, Japan, Singapore, France, Slovenia, Switzerland, Great Britain, USA, etc. The presence of foreign companies in the Montenegrin market is improving the business climate. Post-privatization reforms are directed toward stronger protection of property rights, improvement of corporate governance and further development of capital market.

**59. What are the plans for this year?**

Privatization in 2008 shall be based on privatization methods and principles that are adjusted to the free market requirements. On the basis of past decisions of the Privatization Council, preparation of tenders for the following companies shall continue: "Duvanski kombinat" AD Podgorica and HTP "Budvanska rivijera" AD Budva – sale of assets (hotels). Privatization procedures shall be initiated for the following companies: Institute "Dr Simo Milošević" AD Igalo and "Elektroprivreda Crne Gore" AD Nikšić – for small hydro power plants. Privatization strategies shall be prepared and privatization shall commence for the following companies: "Plantaže" AD Podgorica; "Luka Bar", Bar; "Željeznice Crne Gore"; and Aerodromi Crne Gore DOO Podgorica. The recent Privatization Plan is available on the web site [www.mipa.cg.yu](http://www.mipa.cg.yu) Nevertheless, it may be subject to changes. MIPA will continue to update information about the Privatization plan on its web site.

**60. How does the law categorize land in Montenegro?**

The law classifies all land into two categories:

**1. Construction land**

- Public construction land (in state municipality ownership);
- Other construction land (in all ownership forms).

**2. Agricultural land (in all ownership forms)**

- Cultivable, and
- Uncultivable land.



*The Coastal Area of Montenegro*

**61. Who is the owner of urban construction land?**

Most of the urban construction land is the property of Montenegro, but the percentage of privately owned land is increasing year by year. There are no restrictions to ownership of urban construction land.

**62. How can one obtain right of use?**

The right of use of construction land can be obtained by:

1. Signing of a Transfer Contract between the municipality, legal entity or other organization or individual, for a term of 30 days from the date of the decision to transfer.
2. Renting urban construction land for a definite period of time.

**63. What are the implications and characteristics of “right of use”?**

The “right of use” of the urban construction land has the following characteristics:

- It relates to ownership of the constructed building;
- It is granted for a definite period of time;
- It is not transferable as such but is automatically transferred by the sale of a constructed building.

Each municipality regulates the procedures, conditions, and ways of renouncing urban construction land.

**64. What fees does an investor pay for the “right of use” of land?**

There are three fees that apply to the “right of use” of land:

- Fee for obtaining the building site (one time payment);
- Construction land development fee (one time payment);
- Monthly fee for using the land.

**65. How can one obtain construction approval?**

Construction approval is obtained from the municipality. In each municipality there is a department for urban planning that is in charge of granting the licenses. Licenses for construction over 1,000m<sup>2</sup> are obtained at the state level – The Ministry of Economic Development. The procedure is as follows: the municipality adopts the Detailed Urban Plan, and then issues a Location Permit for the land in question (same procedure for domestic and foreign companies). After receiving the construction plan from the investor, the municipality issues construction and usage permits.

**66. What is the average customs rate in Montenegro?**

The average customs rate is 6,6%.

**67. How are imports customs regulated?**

Import duties are set by the Customs Tariff as an integral part of the Customs Tariff Law, which is fully based on Harmonized Commodity Description and Coding System (HS System) and coordinated with the EU Combined Tariff. The value of goods, which serves as the customs assessment base, is CIF (Cost + Insurance + Freight). ([www.upravacarina.vlada.cg.yu](http://www.upravacarina.vlada.cg.yu))



**68. Which goods dominate Montenegrin exports and imports?**

Aluminium and related products are dominant in Montenegrin export (over 50 %), while imports do not register a single dominant item.

*Structure of visible export by products, 2006 and January- June 2007*

Description	EXPORTS in thousands€			
	2006		January-June 2007	
	Total	% of total	Total	% of total
Aluminium and related products	333,773	53.19%	144,407	52.64%
Iron and steel	55,046	8.77%	27,534	10.04%
Mineral fuels, lubricants and related materials	40,371	6.43%	21,086	7.69%
Ships, boats and floating constructions	26,609	4.24%	682	0.25%
Beverages and vinegar	25,961	4.14%	11,788	4.30%
Fruits, including granular fruits, citrus fruit or cantaloupe and watermelon	20,646	3.29%	7,731	2.82%
Wood and related products, wood coal	20,092	3.20%	7,785	2.87%
Tobacco and related products	12,544	2.00%	8,714	3.18%
Reactors, boilers, machines and mechanical equipment and their components	12,570	2.00%	4,996	1.82%
Product of iron and steel	12,064	1.92%	8,044	2.93%
Pharmaceutical products	10,305	1.64%	2,958	1.08%
Copper and product of copper	6,866	1.09%	3,577	1.30%
Vehicles, except rail and tram vehicles and theirs components and equipment	6,492	1.03%	3,577	1.30%

Source : The Ministry for Economic Development and The Central Bank

*Structure of visible imports by products, 2006 and January-June 2007*

Description	IMPORTS in thousands€			
	2006		January-June 2007	
	Total	% of total	Total	% of total
Mineral fuels, lubricants and related materials	184,497	12.44	71,253	11.21
Vehicles, except rail and tram vehicles and theirs components and equipment	130,903	8.83	105,697	12.24
Reactors, boilers, machines and mechanical equipment and their components	126,176	8.51	83,692	9.69
Electrical machines and equipment, machines for recording and reproducing, TV apparatus for recording and reproduction of picture and sound	104,366	7.04	68,931	7.98
Product of iron and steel	46,395	3.13	34,174	3.96
Furniture, linen, mattresses, pillows and related products, lamps and other fluorescent items, etc.	46,214	3.12	30,428	3.52
Iron and steel	43,421	2.93	29,912	3.46
Electrical energy	54,200	3.66	25,541	2.66
Pharmaceutical products	42,725	2.88	21,630	2.51
Beverages, alcohol and vinegar	35,682	2.41	18,148	2.10
Meat and other related products	32,364	2.18	15,542	1.80
Plastic volumes and related products	35,755	2.41	24,241	2.81

Source : The Ministry for Economic Development

**69. Has Montenegro made any step more to the entrance in EU?**

Yes, Montenegro and European Union have signed the Stability and Association Agreement with EU on October 15, 2007. This agreement makes signatory aspect between Montenegro and EU, in regard to begin institutionalization aspects with EU. Signing this agreement, Montenegro has become the 4<sup>th</sup> West Balkan country which signed this signatory aspect with EU.

**70. Does Montenegro have preferences for export to EU?**

Yes. The EU has taken steps to stimulate exports of countries in the region through the establishment of autonomous trade preferences (ATP) that provide duty-free entry for over 95% of goods. Exemptions include wine, meat and steel. Products originating from Montenegro are generally admitted for import into the European Union without quantitative restrictions and are exempted from customs duties and charges. The products excluded from the free import regime are agricultural products, "baby beef" products and textile products.

**71. What is the status with EFTA countries - Switzerland, Norway, Iceland, Liechtenstein?**

A preliminary declaration of cooperation was signed with EFTA in December 2000, pledging asymmetrical treatment of Serbian and Montenegrin products in the markets of the four member countries. This declaration has paved the way for a future free trade agreement between EFTA and Montenegro. At the first official meeting of the working group in September 2001, EFTA has ascertained its commitment to following the dynamics of the liberalization of Montenegro trade with the European Union.

**72. What are the advantages of signing CEFTA?**

Montenegro has signed the Central European Free Trade Agreement (CEFTA) on July 26, 2007. Appliance of CEFTA should raise the volume of trade in the region and create the chain of products which will find place in domestic, and afterward in European market.

**73. Which countries are Montenegro's major foreign trade partners?**

Major foreign trade partners are: Serbia, Germany, Italy, Austria, Greece, Hungary, Slovenia, Croatia, Bosnia and Herzegovina, Macedonia, Albania.

**74. Are there any Free zones in Montenegro and by whom they may be established?**

The Law of Free Zones was adopted in 2004, providing the possibility for opening free zones. A free zone may be established by one or more domestic or foreign natural or legal persons. The Government of Montenegro makes the decision to found the zone. Currently, one free zone is working in Montenegro within the Port of Bar.

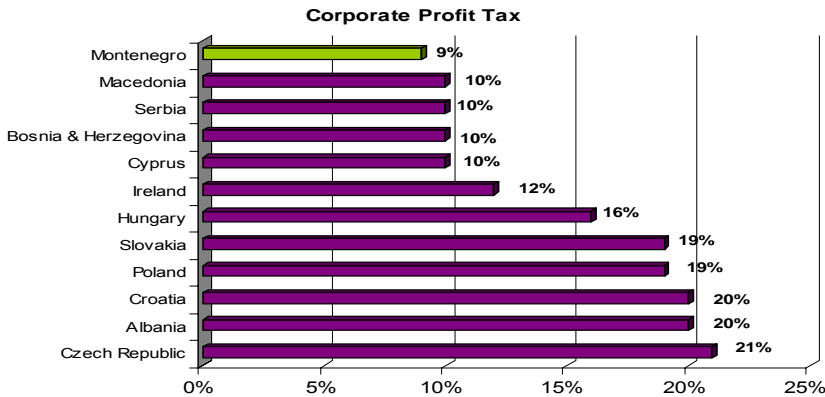
**75. What are the advantages of doing business in free zones?**

Importers who use free zones are not liable for paying corporate tax, VAT or customs duties. Goods that are imported from the Zones into the domestic

market are subject to standard customs procedures and tax procedures. Free zones provide more flexibility, more efficiency, and more profitable conditions for the participants in international operations. The privilege of free zone users is exemption from the burden of taxation and duties, on production for export. In this way they can increase their competitiveness in third-country markets.

### 76. What is the corporate profit tax rate?

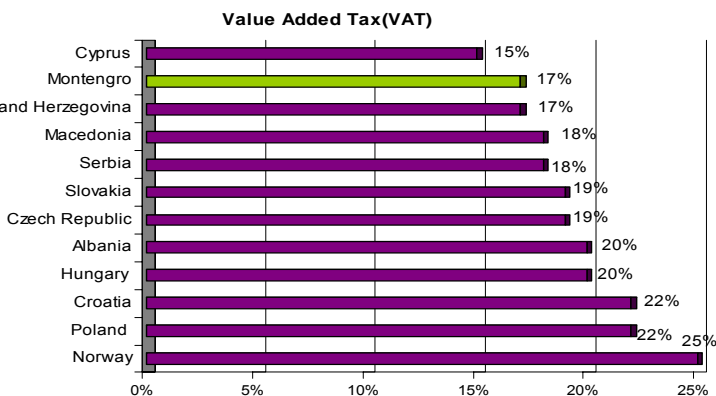
The corporate profit tax is the lowest in Europe – 9%.



Source: MIPA based on IPA of countries statistic

### 77. What are the Value Added Tax rates?

The standard VAT rate in Montenegro is 17%, but there are reduced rates of 7% for tourism, IT equipment and 0% for some basic products. The VAT turnover period averages 30 days.



Source 1: [www.worldwide-tax.com](http://www.worldwide-tax.com)

Source 2: IPA of listed countries

### 78. What are the depreciation rates in Montenegro?

Intangible and fixed assets are divided into five groups with amortization rates prescribed for each group:

- **Group 1:** 5% (asphalt surfaces, ship docks, power plants, bridges, hangars, gas and oil pipelines, roads and highways, parking spaces, etc.).
- **Group 2:** 15% (planes, cars, ships and other vehicles, medical gear, office equipment, air conditioners, etc.).
- **Group 3:** 20% (buses, fiscal registers, trucks, photocopying equipment, research equipment, TV antennas).
- **Group 4:** 25% (equipment for TV and Radio broadcasting, oil rigs equipment, equipment for treatment of minerals, telegraph and telephone equipment, etc.).
- **Group 5:** 30% (computers, system and application software, equipment for data processing, rental cars, billboards, video tapes, CDs, DVDs, etc.).

### 79. Which methods are used to calculate the depreciation rates of fixed assets?

Depreciation of fixed assets, categorized into Group 1, is calculated using the **PROPORTIONAL** method for each asset individually, on the purchase value of the asset. Depreciation of fixed assets categorized into groups 2 through 5 is calculated using the **DIGRESSIVE** method on the **TOTAL** value of the assets (their sum) classified into individual groups. Depreciation of assets is calculated using the prescribed rate, in the first year, on the purchase value and in the following years, on the amount that is not written off.

### 80. Do taxpayers have the right to apply accelerated depreciation?

Yes, they do. It is up to the company to decide whether to use it or not.

### 81. What are tax incentives in Montenegro?

- **Tax credits** – The amount of tax due can be reduced by 25% of the amount invested in fixed assets for the respective tax period. This reduction cannot exceed 30% of the total tax liability.
- **Incentives for non-developed areas** - Newly founded companies, in the area of production, are corporate tax-free during the first three years of operation.
- **Carrying Loss** - Losses resulting from business relations, excluding those resulting in capital gains and losses, may be transferred forward to offset profit generated in future calculations periods, but not exceeding five years.
- **Incentives for new employment** - The Law provides tax reliefs on the basis of hiring new employees. Tax base shall be reduced to a taxpayer who hires new employees for a permanent employment in a business year, but not less than two years, by gross salaries of such employees plus pertaining contributions for compulsory social insurance paid by employer. This tax relief shall be applied for a period of one year from the day of hiring a new employee.

- **Investments in securities** – If profit from capital investment is used for purchase of new securities, such profit is not taxable under to condition that it is reinvested within 12 months from its arising. Profit from sale of securities held by a taxpayer for more than two years in his portfolio is exempt from taxation.

### **82. What is the withholding tax regulation?**

There is no withholding tax on dividends and on interest paid to resident companies. Interest is included in the total income and is taxable at the general corporate tax rate. There is no withholding tax on royalty payments to resident companies.

### **83. Which countries have signed the Double Taxation Treaty with Montenegro?**

Montenegro signed 42 treaties with various countries on income and property, which regulate double taxing. At this moment, 36 treaties are in force, while 6 are pending. In force are treaties concluded with Albania, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, China, Croatia, Cyprus, Czech Republic, Denmark, Egypt, Finland, France, Germany, Hungary, Iran, Italy, Korea, Kuwait, Latvia, Macedonia, Malaysia, Moldavia, Holland, Norway, Poland, Romania, Russia, Slovakia, Slovenia, Sri Lanka, Sweden, Switzerland, Turkey, Ukraine and United Kingdom.

### **84. What is the regulation on Personal Income Tax?**

The personal income tax is flat – 15% in 2007 and 2008. In 2009 tax will be reduced to 12% and in 2010, it will be 9%.

### **85. What are property tax rates?**

- The property tax rate is proportional. Property transfer tax is 3%;
- The property tax rate can total from 0.08% to 0.80% of the immovable property's market value;
- The local governance unit may set the property tax rates according to the categories of immovable property;
- The tax rate on the sale of non-cultivated land is up to 50% higher compared to cultivated land.

### **86. What are the conditions for establishment of employment relations?**

Employment relations may be established with a person who possesses general health, who is over 15 years of age and who meets the criteria for the position established, as defined by the employer. The legal basis for employment relations is the labor contract, which can also be signed by disabled persons who are capable of performing the work in question.

### **87. How can foreigners obtain work permits?**

A work permit is required for foreigners employed in Montenegro. The employment bureau in Podgorica issues this document. The validity of a work permit cannot be longer than the validity of the residence permit issued to the

foreigner by the Ministry of Interior Affairs. Applications for renewing work permits must be submitted no less than 45 days before their expiration date.

**88. What are the steps for obtaining a work permit?**

- Possession of a Residency Permit issued by the Ministry of Interior Affairs
- Application by the company
- Application by the individual
- Work permit issued by the Employment Bureau

**89. Which employment category does the law stipulate?**

A labor contract may be drawn for an indefinite or definite period of time. A labor contract for a definite period of time may be established for specific engagements such as seasonal jobs, specific projects etc. A contract concluded between an employer and a new employee may last no less than six months, but no longer than 1 year, unless there are special circumstances.

**90. What are the possibilities for temporary and periodical work?**

An employer may establish a contract with a particular person for performance of temporary and periodical work, relating to his line of business. Temporary work may last no longer than six months, except for commercial marine crewmembers who may be employed for longer periods. A person with whom a contract has been concluded is entitled to pension, disability and health insurance.

**91. Is it possible to conclude a part time work contract?**

Yes, the labor contract may be concluded for part time work, for a definite or indefinite period of time. The employee who signs this kind of contract has the same rights as employees who work full time, in proportion to the time spent at work.

**92. Can an employer hire trainees?**

Yes, the employer may establish employment relations with a person who is entering employment for the first time, as a “trainee”. Trainee status cannot last longer than one year. While having trainee status, the employee is entitled to earnings and all rights stemming from employment.

**93. Is it possible to conclude a special service contract?**

Yes, an employee may conclude a special service contract to perform jobs outside the line of the employer’s business, and with the intention of independent execution of particular physical labor or intellectual work.

**94. Is there a minimum wage and average net salary?**

The employee is entitled to a minimum wage for standard performance and full working hours. The minimum wage is €55 per month. Mutual consent of the government, the representative trade union and the representative association of employers establish the minimum wage.

**95. What types of collective contracts are there in Montenegro?**

The collective contract regulates the rights, obligations and responsibilities arising from employment, mutual relationship among the parties to the collective contract and other matters of importance to the employee and the employer.

- **General** – concluded between the representative employer association and the representative trade union for the territory of Montenegro.
- **Branch** - valid for certain industries, and concluded by the representative employer association and the representative trade union.
- **Individual** – concluded between the representative trade union of the employer and the manager.



*Port of Bar*

**96. Is the employer obliged to conclude a collective contract?**

The employer may choose not to conclude a collective contract, but if he does so, general collective contract regulations will apply. The employer can conclude an individual collective contract, a special contract, or a general collective contract.

**97. What are full time working hours?**

The working week consists of 40 working hours. According to the Labor Law, it is possible under certain circumstances to sign a contract specifying a minimum 10-hour workweek.

**98. How many public holidays are there in Montenegro?**

There are five public holidays in Montenegro:

- New Year: 1st and 2nd of January.
- First day of Christmas: 7th of January.
- Independency Day: 21st May
- The National Day: 13th and 14th of July.
- Easter holidays: Starting with Good Friday and concluding with Monday.
- Labor day: 1st and 2nd of May.

**99. Are overtime working hours limited?**

Yes, they are limited to 8 hours per week. Overtime is authorized for employees in the case of a sudden increase in the scope of work, and in other cases when the completion of unplanned work is necessary, within a specific time limit. Overtime working days may be repeated as often as necessary, until the causes that have influenced the issuing of overtime cease to exist.

**100. What is the minimum annual leave?**

For each calendar year, an employee has the right to no less than 18 working days of annual leave in a period to be determined by a general act or the contract of employment.

**101. How long can a maternity leave last in Montenegro?**

A female employee shall be entitled to a 365-day maternity leave and leave for nursing a child. During maternity leave, the employee is entitled to the same salary that she would have earned if she had worked. The salary is paid by the employer, but is fully refunded by the government.

**102. In which cases are employees entitled to increased earnings?**

The employee is entitled to increased earnings, in accordance with the General Collective Agreement, for overtime work, work on public holidays, work at night and work in shifts, with a minimum of:

- For work during public holidays: 50% over base wage, per hour;
- For night work and work in shifts (between 22h and 6h): 40% over base wage, per hour;
- For overtime work: 40% over base wage, per hour.

**103. How are employees compensated during absences?**

For absences on public holidays, annual leave and paid leave, the employee is entitled to a salary in the amount that he would have earned if he had worked. The employee is also entitled to compensation of earnings for absence from work due to temporary inability to work, lasting up to 30 days. The amount equals 100% of the salary if the inability is work related.

**104. What are current mandatory social insurance contribution rates?**

- Pension and disability insurance: 21.0% (9.0% is paid by the employer and 12.0% by the employee);

- Health insurance: 13.0% (6.5% is paid by the employer and 6.5% by the employee);
- Unemployment insurance: 1% (0.5% is paid by the employer and 0.5% by the employee).

Presented percentages are based on gross salary.

### 105. What is the correlation between net and gross salaries?

Average gross wage in 2007 was 497€ while average net wage (without taxes and contributions) was 338€. Average net wages increased 19.9 % compared to 2006. Since costs of living in 2007 compared to 2006 were increased 4.2 %, the real wage in Montenegro was increased by 15% in 2007. In January 2008 average gross wage was 564€, while average net wage was 386€. Further information on this subject may be obtain on Statistical Bureau web site: [www.monstat.cg.yu](http://www.monstat.cg.yu)

	Wages January 2007 in €	Wages January 2008 in €
Agriculture	610	587
Fishing	205	241
Mining	613	828
Industry	477	569
Electricity Production	268	707
Construction	259	468
Trade	299	321
Catering	357	369
Transportation	586	680
Finance	979	1,179
Real estate	421	487
State Administration	463	595
Education	394	543
Health and Social Welfare	397	522
Communal Services	398	490

### 106. In which cases does the employer have the right to terminate an employment contract?

An employer may dismiss an employee for just cause related to the employee's work ability and behavior, as well as the employer's needs.

- If the employee has unexcused absences from work longer than 5 days consecutively or 7 working days with breaks;
- If an employee violates work duties and obligations as determined in the contract of employment;
- If the employee fails to respect work discipline;
- If the employee works for another employer, without authorization of the employer with whom he/she has a full-time labor contract;
- If the employee does not show appropriate and satisfactory results during the trial period.

**107. How are lay-off costs regulated in Montenegro?**

An employee, whose contract of employment has been terminated due to unsatisfactory performance at work or due to a lack of required qualifications and ability, is entitled to severance pay. The minimum amount in Montenegro is six average wages, according to the Labor Law.

**108. What is the total number of schools, universities and students in Montenegro?**

There are 46 high schools and 168 elementary schools in Montenegro. There is one State University in Montenegro which has 14 different faculties and one higher school. In addition there are two private Universities with 4 faculties each, and additional two private faculties.

**109. What is the educational structure of active population?**

Education structure of active population (2006)

Without education	4.30%
Has not completed primary school	9.64%
Primary school	22.95%
High school	48.22%
Associate college (two years)	5.04%
Faculty	7.51%
Postgraduate, doctoral studies	0.23%
Unknown	2.11%

Source: Ministry of Education and Science

**110. What is the number of newly employed people?**

According to Pension Fund of Montenegro total number of new employed in 2007 was 37.772.

**111. Does Montenegro have representative offices abroad?**

Montenegro has set up good relations with 88 countries, has opened 16 Embassies, one General Consulate and 6 Missions. Also, it is opened 18 non-residential diplomatic Representative offices. Thirteen residential ambassadors have been accredited while 31 ambassadors are accredited as non-residential.

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[www.minsaob.vlada.cg.yu](http://www.minsaob.vlada.cg.yu)

Ministry of Tourism and Environmental Protection  
[www.mturizma.cg.yu](http://www.mturizma.cg.yu)

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[www.ministarstvo-finansija.vlada.cg.yu](http://www.ministarstvo-finansija.vlada.cg.yu)

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Agency for Economic Reconstruction

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[www.scmn.cg.yu](http://www.scmn.cg.yu)

Commercial Court

[www.crps.cg.yu](http://www.crps.cg.yu)

Statistical Bureau

[www.monstat.cg.yu](http://www.monstat.cg.yu)

Official Gazette

[www.sllrcg.cg.yu](http://www.sllrcg.cg.yu)

Montenegrin Employment Agency

[www.zzz.cg.yu](http://www.zzz.cg.yu)

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CIP – Каталогизација у публикацији  
Централна народна библиотека Црне Горе, Цетиње

330. 322 (497.16)  
339.727.22 (497.16)

A HUNDERED and eleven

111 Frequently asked Questions: invest in  
Montenegro 2008 / [authors Petar Ivanović,  
Dragiša Dragnić, Ana Surjan, Milena Jovović,  
Nina Radović, Ivana Begović]. – 4. izd. – Podgorica  
: MIPA Montenegrin Investment Promotion Agency  
= Agencija Crne Gore za promociju stranih investicija,  
2008 (Podgorica : Montcarton). – 44 str. : ilustr.  
; 27 cm

Na vrhu nasl. str. : What Should You Know About  
Montenegro?. – Podatak o autorima preuzet iz  
kolofona. – Tiraž 15000. – Registri.

ISBN 978-9940-9011-1-0

1. Gl. stv.nasl. 2. Ivanović, Petar (аутор)  
3. Begović, Ivana (аутор). – I. инвестиције,  
стране в. Инвестиције, иностране – Црна Гора  
а) Инвестиције, иностране – Црна Гора  
б) Инвестиције – Црна Гора  
COBISS.CG-ID 12648720



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