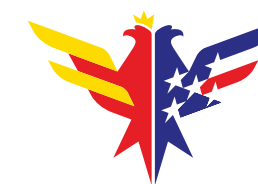




AMCHAM
MONTENEGRO

BUSINESS
CLIMATE
REPORT 2017–2018





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INTRODUCTION



**PRESIDENT OF AMCHAM MONTENEGRO
BOARD OF GOVERNORS,
MS. KATARINA BULATOVIĆ**

Deloitte

From the first day of its work, AmCham Montenegro has been dedicated to the improvement of the business environment, based on the Rule of Law, predictability and transparency, with a clear goal to attract more American and other foreign investments.

Today, when we have celebrated our first ten years of work in Montenegro, we count more than 80 member companies and we have earned a position of an important party in creating business policies, which makes us the leading joint voice of foreign investors in Montenegro.

During the past decade of our work, we have created and implemented numerous initiatives and programs in line with our

mission. One of these is our Business Climate Report, which we prepare biannually. We have released our first such Report eight years ago, aimed to define the business challenges faced by the member companies, find the best solutions and identify the business environment improvements.

The methodology applied in the fifth Business Climate Report 2017-2018 has remained the same as the one applied for the previous years – our member companies were provided with the questionnaire containing questions about the general conditions for doing business, as well as the conditions in specific areas: rule of law, human resources, taxation, civil engineering and real estate, health care and environmental protection which is a new

area added to the questionnaire in line with opening of Chapter 27 in the EU accession negotiations.

The Business Climate Report 2017-2018 reflects a perception of AmCham members of the most important issues that influence the business climate in Montenegro. The Report also reflects a comparison with the prior period in order to monitor the trend of our member companies' satisfaction with the conditions in economy. Also, it provides a good basis for streamlining the activities of our Committees and the work in the area of public administration.

In addition to the analysis of the questionnaires findings, the Report also contains the interviews with the presidents of AmCham Committees. In order to make a clear distinction between the work of the Committees and the survey findings, the above-mentioned interviews are given at the beginning of each Chapter, followed by the findings of the survey.

The Business Climate Report 2017-2018 shall be presented to our leading partners: key decision-makers in the Government of Montenegro, representatives of other

governments, international organizations, business associations, as well as all other stakeholders in Montenegro who have shown the interest in improving conditions for business performance.

In the end, on behalf of my colleagues from the Board of Governors and the AmCham's Executive Office, please, let me use this opportunity to thank the U.S. Embassy in Montenegro, a partner who provides priceless support to all our activities and initiatives. Also, I want to thank our members for information and inputs they provided for the purpose of execution of this project.

Taking into consideration the fact that AmCham represents a leading voice of both American and other investors in Montenegro, I hold a positive opinion that the Business Climate Report 2017-2018 will be a useful tool for potential investors in order to familiarize themselves with the business environment by using the perspective of the active investors, and also serve as a guideline to decision-makers in Montenegro with regards to a direction in which to develop the business environment.



AMCHAM
MONTENEGRO



Business Climate Overview



The past two years were very significant for Montenegro since by mid-2017 our country became a fully-fledged NATO member country. This represents a significant success having in mind the fact that Montenegro is a young state, as only 12 years have passed since it regained its independence. Becoming a NATO member country, apart from the foreign policy importance, also brings numerous economic benefits such as foreign investments' inflow and export of Montenegrin products bearing NATO code since, thanks to the NATO membership, Montenegrin companies got the right to participate at NATO tenders.

Montenegro is a leader on the way to become an EU member state so the activity on harmonizing its legal framework with the EU Acquis is emphasized. Strengthening its institutional and administrative capacities in order to provide the application of the EU legal framework still represents a challenge for Montenegro. Accession process involves

numerous reforms; therefore it is necessary to provide for a systematic approach when creating policies for the development of the state, as well as better coordination among key institutions of the Government.

Mechanisms of communication with the private sector exist, but it is necessary to work additionally on developing dialogue in order to reach openness and transparency on both sides. Therefore, in April 2017 AmCham established a program called 'Partnership for a Better Business Environment' implemented in cooperation with the Ministries in the Government of Montenegro in order to raise the level of mutual understanding between the private and public sectors. In that way, it will be contributed to more efficient removal of business barriers including achieving a better quality of texts of the legal documents, as well as better implementation of legal norms by both public administration and the private sector.



The most attractive elements of doing business in Montenegro as assessed by AmCham members are the EU accession process pursued by Montenegro, Montenegrin climate, tourism, its geographic location, favorable tax system and stable currency. On the scale ranging from 1 to 10 (whereby 1 means very poor results and 10 means very good

results) AmCham members assessed general conditions in their respective industries. The overall average grade of the business climate in Montenegro is 6.29, which represents an improvement compared to the assessment from the previous Business Climate Report for the period 2015-2016 when it was 5.57.

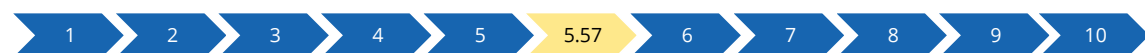


THE OVERALL GRADE OF THE BUSINESS CLIMATE IN MONTENEGRO

The overall grade of the business climate in Montenegro for the period 2017-2018



The overall grade for the business climate in Montenegro for the period 2015-2016

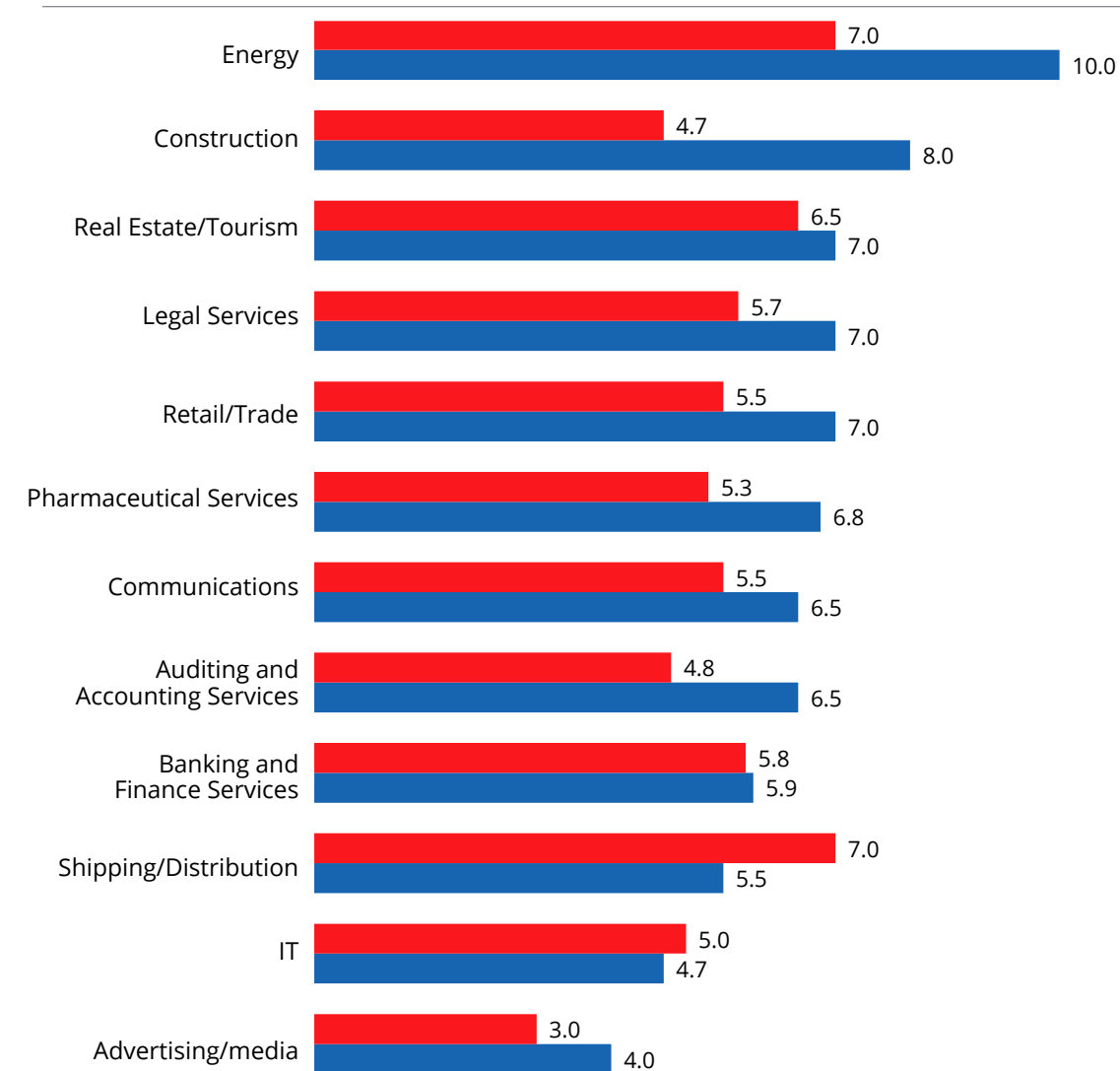


The sectors which have been assessed as most favorable for doing business are energy sector, construction, real estate/tourism, legal services and retail/trade. Advertising sector, i.e. media still remains the sector with

the lowest mark of 4. Almost all sectors were assessed by our members as being better than presented in the Report for the period 2015-2016.



BUSINESS CLIMATE GRADING IN MONTENEGRO PRESENTED PER INDIVIDUAL SECTORS



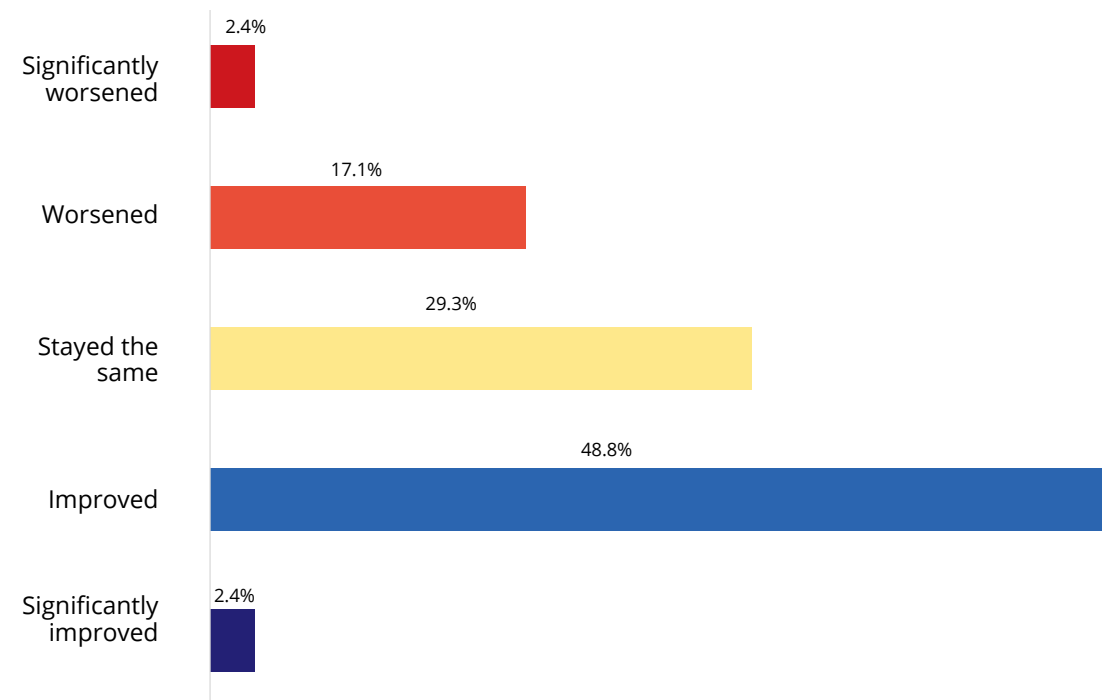
■ 2016 ■ 2018



Half of the surveyed member companies believe that the business climate in their industry improved in the past two years. About 30% of our members did not see any improvement in the business climate while

about 20% of AmCham members believe that the business climate worsened in the previous two-year period.

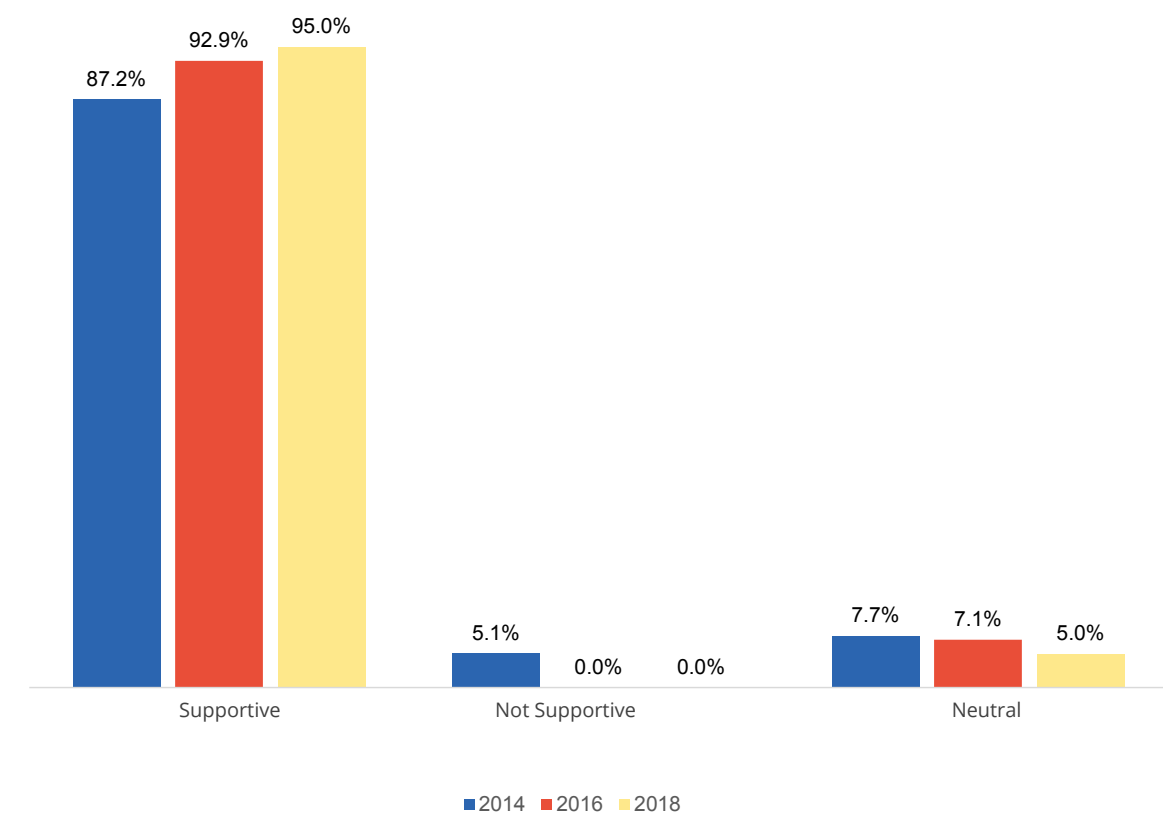
... TWO-YEAR OVERVIEW OF THE BUSINESS CLIMATE



Business community in Montenegro still strongly supports Montenegrin EU membership and believes that conditions for doing business will be improved once Montenegro becomes a member of the EU. As Montenegro became a NATO member state, 44% of the surveyed

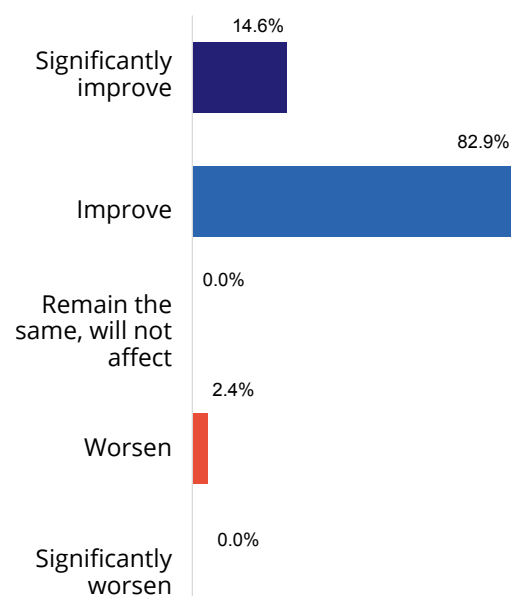
members believe that, as a consequence of Montenegrin NATO membership, business environment is to become better, while 32% of them already see some improvements, whereby 15% of the surveyed company members have not seen any improvements whatsoever.

... AMCHAM MEMBERS' POSITION REGARDING EU MEMBERSHIP

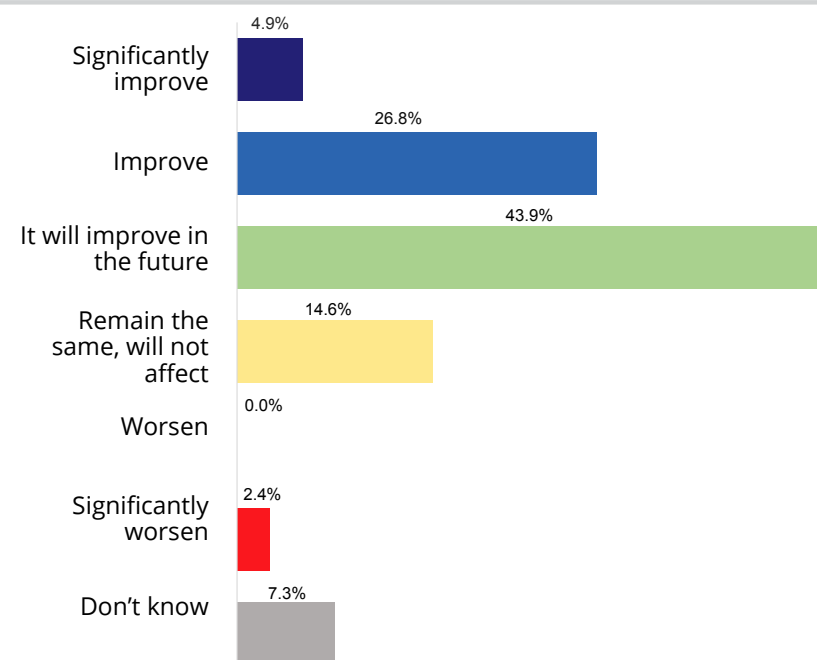




IMPACT OF MONTENEGRIN FUTURE EU MEMBERSHIP ON BUSINESS CLIMATE



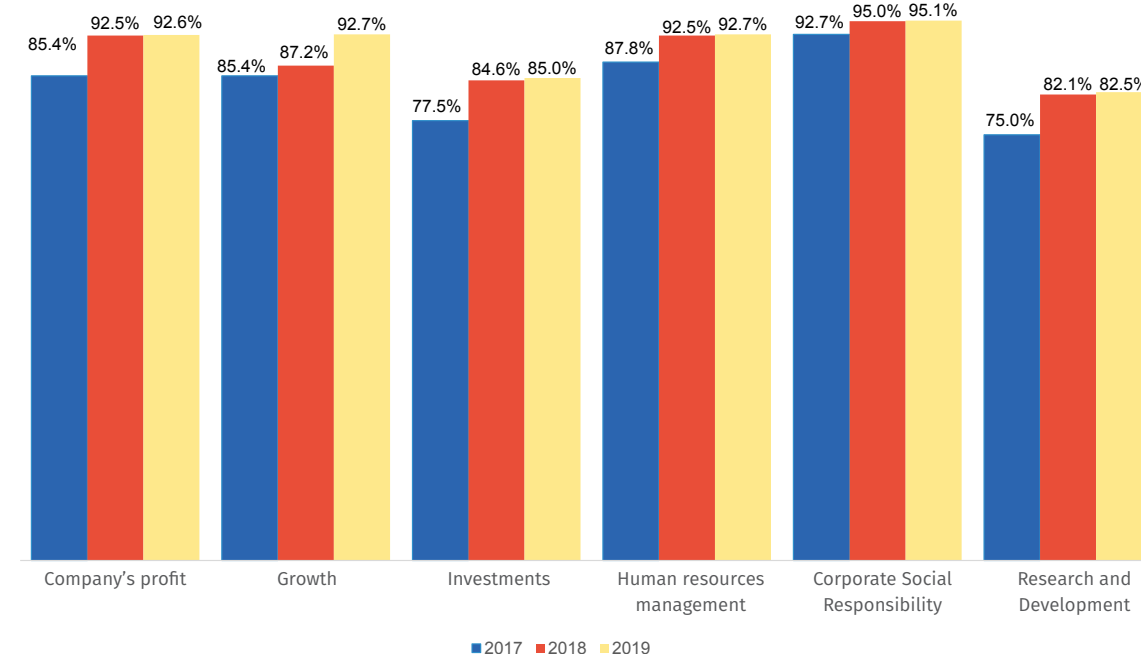
IMPACT OF MONTENEGRIN NATO MEMBERSHIP ON BUSINESS CLIMATE



AmCham surveyed member companies have given their assessment of the results achieved by their company during 2017, as well as projected results for 2018 and 2019. When speaking about company's profit, 85% of the surveyed companies assessed 2017 as either good or very good, while 93% of the surveyed companies did the same for 2018 and 2019. Approximately the same number of companies expects similar results when it comes to the

company's growth and human resources management. Growth trend is evident when it comes to investments, as well as research and development, when comparing 2018 and 2019 with values from 2017. In addition, a growing number of companies recognize social responsibility as one of the important segments of doing business, which we are especially pleased with.

PERCENTAGE OF EXAMINED MEMBERS THAT GAVE POSITIVE ASSESSMENT OF BUSINESS RESULTS OF THEIR COMPANIES FOR THE YEARS 2017/2018/2019

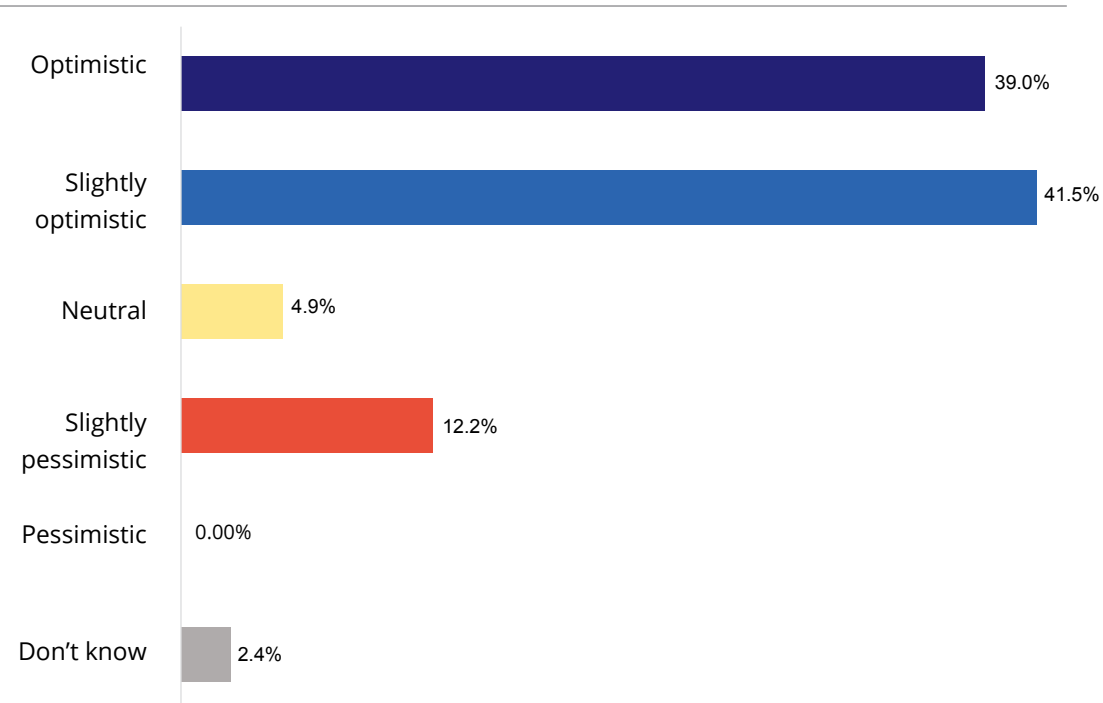




When it comes to the estimates of the business perspective for a five-year period, AmCham members gave very interesting answers. About 39% of them were very optimistic, 42% were somewhat optimistic while 12% of them were pessimistic. The main reasons for optimism of AmCham members are NATO and EU memberships, tourism growth, stable political situation as well as favorable taxation climate. The main reasons for being pessimistic, however, are the lack of rule of law and strong influence of politics on business.

The main risks causing concern when doing business are unfair competition, frequent change and lack of transparency when adopting regulations, risk associated to the increase of tax and interest rates, inefficiency and lack of knowledge on the part of the administration, lack of qualified personnel, as well as slow development of the IT market and digital services.

...
BUSINESS PERSPECTIVE OF THE COMPANIES FOR THE
FOLLOWING FIVE-YEAR PERIOD



Rule of Law



INTERVIEW WITH THE GREY ECONOMY COMMITTEE PRESIDENT, MR. NIKOLA TRIPKOVIĆ

Coca-Cola HBC

AmCham: How would you describe the current state of the grey market or grey economy in Montenegro?

Mr. Tripković: Assessments show that grey market in Montenegro is still significantly present. This especially refers to informal economy in the area of excise goods and labor market. In addition, it is a fact that state authorities are doing more in fighting this plague which is, I dare say, characteristic of all transitional economies. Due to grey economy, we have less money for public services such as health protection, road infrastructure or education which are important for the society as a whole. That is why I strongly believe that all of us have to contribute to resolving this issue – the state as a law maker, companies through doing their business legally and every citizen individually by his/her individual choice to spend his/her money in a legal manner only.

AmCham: Which activities AmCham Grey Economy Committee implemented in the past two years in order to improve the conditions for doing business in this area?

Mr. Tripković: The previous two-year work of this Committee has definitely been marked by the intensive cooperation with the Ministry of Economy on drafting the new Law on Enterprises. The cooperation took place within the AmCham program called “Partnership for a Better Business Environment” which we have already seen to be creating expected results. It is exactly this cooperation between this Committee and the Ministry of Economy that drew attention of AmCham members at the last year’s Gala dinner where one of the Certificates of Appreciation was awarded to one of the colleagues from this Ministry for the outstanding cooperation on drafting the above-mentioned Law.

AmCham: Which issues should be resolved in order for Montenegro to decrease grey economy and establish the rules for doing business which would be the same for all?

Mr. Tripković: First of all, it is important to resolve these issues in a systematic manner, in cooperation with the state. In order for all



market players to enjoy the same conditions and follow the same rules of the game, it is necessary to have further improvements in the area of Law implementation. In addition, it is necessary to have more efficient Tax Administration. However, it should be emphasized on this occasion that a significant step forward has been made in the previous period when it comes to more efficient administration. In the end, it is necessary to broadly apply business ethics as grey economy is a deeply rooted social issue. Fighting grey economy is a problem which cannot be resolved either by applying a single ad hoc measure or within one year only. It is a process which requires time. I am positive that by cooperating with the business community and having its contribution we can succeed in bringing grey economy down to the level which shall not endanger the competitiveness of Montenegrin economy.

AmCham: What is your estimation of the efficiency of judiciary regarding the work of courts when processing criminal offenses related to grey economy?

Mr. Tripković: The main task of the state when fighting grey economy is to strengthen coordination among the institutions fighting grey economy in order to exchange data and information. The cooperation of inspectorates, police and other control agencies with prosecutorial office and the judiciary should

be improved in order to enable processing of the criminal offences related to grey economy and that should be done in an uniform manner. Personnel from the above-mentioned institutions need to be additionally educated and specialized for processing criminal offenses related to grey economy in order to additionally strengthen efficiency of processing those cases.





>>> RULE OF LAW – SURVEY FINDINGS

Weaknesses noted in the Report relating to the rule of law have a negative impact on the business climate. That is why it is important to harmonize our legislation with the EU Acquis in order to reach European and international standards. Subsequently, it is necessary to apply those regulations equally to all the stakeholders in order to avoid inconsistency between implementation of the law and execution of the court orders. The issues that AmCham members emphasized relate to the need to increase efficiency of the administrative and judicial systems as well as to additionally train judges in the area of market economy. Unfair competition represented by the informal economy is considered to be a serious barrier. In addition, the assessment is that fighting grey economy should be done in a more resolute manner especially towards the subjects which are not registered for performing commercial activities.

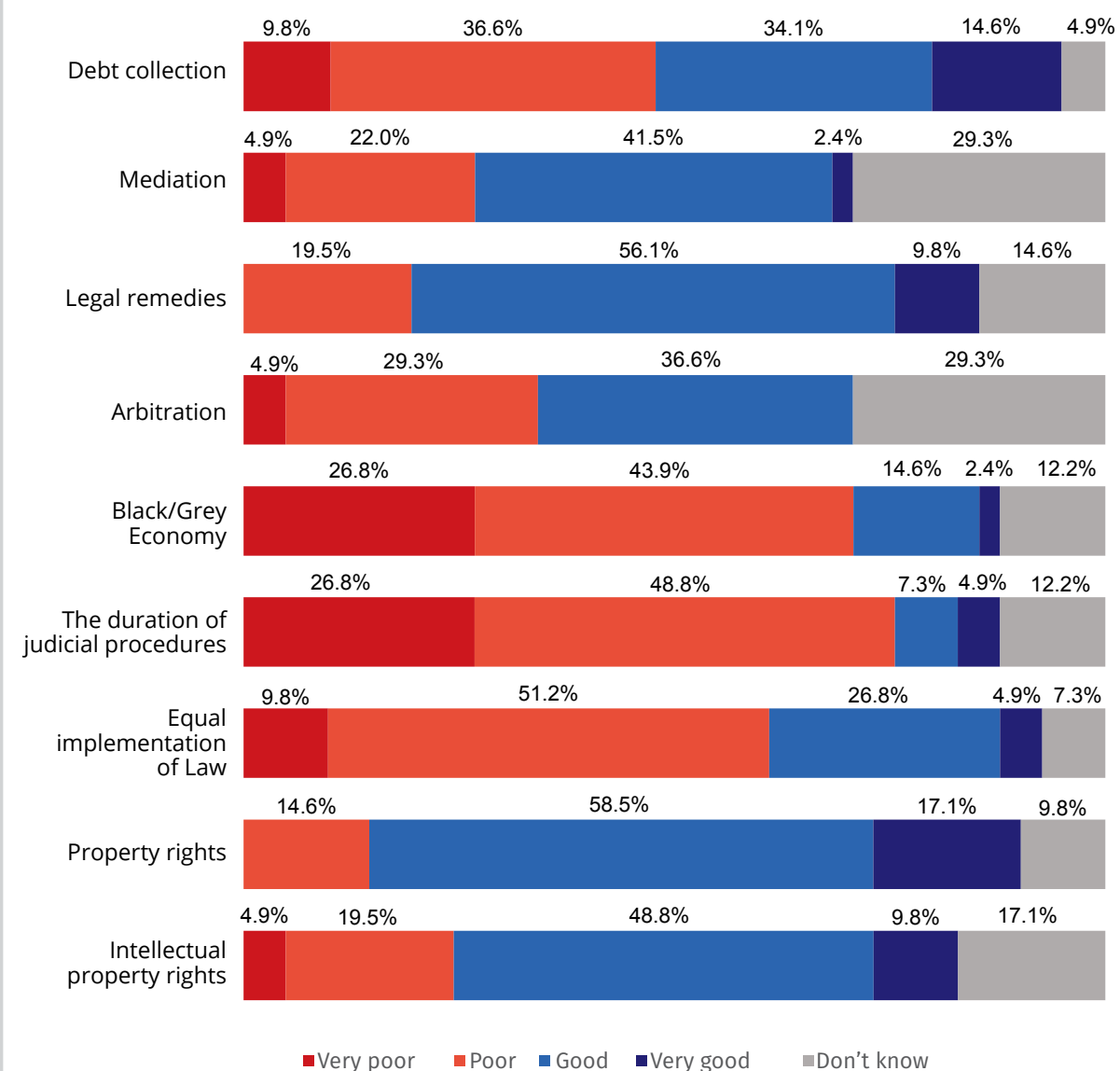
Grey economy has increased due to the increase of tax levies in 2017 (VAT and excise), a non transparent tax system and lack of a modern IT system within the tax administration, complexity of tax procedures, inadequate number of inspectorate personnel, lack of coordination among relevant state institutions

etc. Let us remind you that in order for more efficient work on fighting grey economy the Government has established the Commission for fighting grey economy. Both state and private sectors agree that it is necessary to find a model for measuring the scope of grey economy and its participation in GDP.

Just like in the previous years, AmCham members are dissatisfied with the duration of the court proceedings (76%), grey economy (71%) and unequal implementation of the laws (61%). 73% of AmCham member companies believe that the conditions for doing business when it comes to the duration of the court proceedings and unequal implementation of the laws have not changed in the past two years.



... RULE OF LAW – CONDITIONS FOR DOING BUSINESS



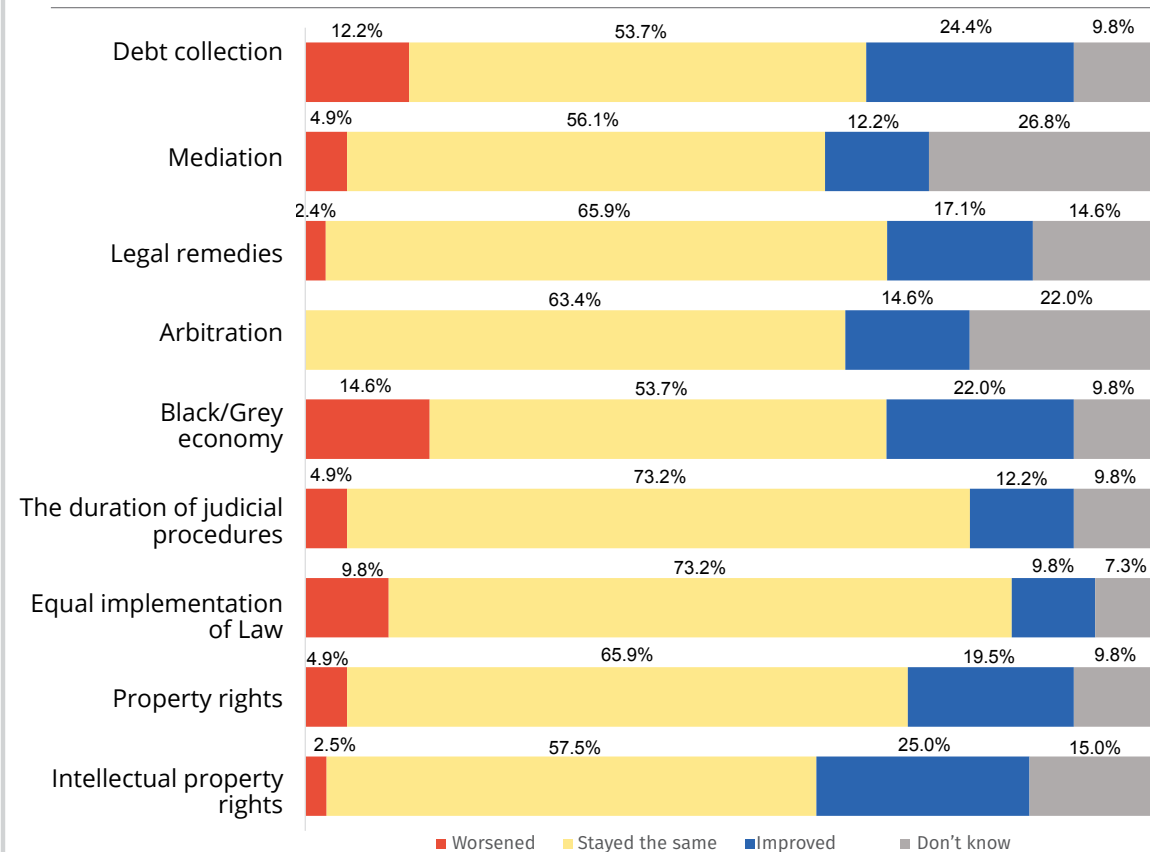


In the area of debt collection, AmCham members' satisfaction has increased to 49% for the period 2017-2018 compared to 42% for the period 2015-2016. Compared to four years ago, AmCham members' satisfaction has significantly increased because the BCR for the period 2013-2014 reported only 18%. In addition, a significant increase in AmCham members' satisfaction has been recorded with reference to mediation and accessibility of legal remedies. It is positive to have a growth trend present in the area of

private property rights and intellectual property rights which means that conditions in these segments have improved. It has been estimated that Montenegro has achieved progress in further harmonization and coordination of the relevant authorities in charge of intellectual property rights issues. On the other hand, it is necessary to further strengthen the capacities of inspectorate services in order to have a visible progress in the implementation area as well.

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RULE OF LAW – CHANGES TO THE CONDITIONS FOR DOING BUSINESS



Human Resources



INTERVIEW WITH THE LABOR RELATIONS COMMITTEE PRESIDENT, MS. DRAGANA STOJKOVIĆ

Crnogorski Telekom

AmCham: How do you estimate the current state of affairs on the labor market and legislation in the area of labor relations in Montenegro?

Ms. Stojković: I believe that our labor market is ready for applying a more modern perspective on the labor legislation and regulations that shall be adapted to its needs. To that extent, I expect the new Labor Law to be adopted, since we have been working on its drafting for a long period of time. Our Labor Relations Committee shall take a great interest in analyzing the draft of the new Law once it is published, and we shall continue to give our comments and propose solutions which should be improved. I hope that the new text of the Law shall promote responsible employers; that it will introduce flexibility in the labor relations and that it shall abolish the current administrative barriers simultaneously not imposing new ones.

Speaking about the legislation, I do not believe that the current situation in this area is a good one. I am under the impression that there is a significant gap between what is written in the

laws and collective agreements on one hand and what is actually needed on the market, what responsible employers need and what the employees who want to earn money need on the other hand. Labor relations are dynamic and therefore the practice is truly a diverse one. Market imposes the need for specific skills and thus establishes occupations that did not even exist until a couple of years ago. Certain skills that so far have been recognized as special working requirements are nowadays normally considered as being obligatory. Such conditions require new rules. Employers become more aware of the fact that they have to invest more in development and relations with the employees. On the other hand, employees increasingly become aware of the fact that formal education is just one step forward so that self-improvement starts once you become employed and takes all the time before you get retired. It is also necessary to invest more efforts in the implementation of the regulations because employers who do not apply or selectively apply regulations are in a more favorable position compared to the responsible employers, which means an unfair competition in the first place, which must not be ignored.



AmCham: Which activities have been implemented by AmCham Labor Relations Committee in order to improve the business climate in the labor area?

Ms. Stojković: Through the joint meetings within the program “Partnership for a Better Business Environment” we have been giving our contribution with proposals and making comments onto the proposed solutions during the process of drafting the new Labor Law. Apart from that, during the public hearing, Labor Relations Committee has forwarded to the Ministry of Labor and Social Welfare more than 50 comments which has shown our great and serious interest in this topic. We have given our contribution to the realization of the above-mentioned program which is undertaken by AmCham Montenegro in cooperation with the Ministries in the Government of Montenegro, among others the Ministry of Labor and Social Welfare. To that aim, we have had regular meetings with the representatives of the Ministry in question and I believe that the result of those meetings is reaching a satisfactory level of understanding the need for timely consultations with the private sector in the process of establishing the regulatory framework. I would also like to emphasize that we are proud of the members of our Committee who, thanks to the excellent cooperation with the representatives of the Ministry of Education, have given a significant contribution to the development of dual education at the university (tertiary) level in Montenegro.

AmCham: Which legal solutions should be additionally improved in order for Montenegro to be competitive on the labor market?

Ms. Stojković: First of all, I believe that the concept establishing that past labor should be an obligatory basis for increasing the basic salary should be reconsidered, which means for the time being that two employees covering the same position have different salaries only because of the past labor. This is especially important because salaries should be dependent on the results achieved. Apart from the above-mentioned, it is quite complicated to understand the legal basis of the labor relations in Montenegro because, apart from the Labor Law and several levels of collective agreements there are also other regulations which either directly or indirectly regulate labor relations. Therefore, we believe that it would be ideal to have all the existing regulations transposed into a smaller number of regulations as it would make it easier both for the employees and employers to understand better their own rights and obligations. Let me also draw back onto the solutions which are a part of the draft of the new Labor Law which, however, may cast another shadow onto all the good solutions which that text definitely contains. Namely, what I find to be somewhat problematic is a solution which implies that, when it comes to norms and benchmarks for valuation of the results of the work of employees, a difference is made between those employers who have a representative Labor Union (who, in that case, should regulate this issue within the Collective



Agreement) and those employers who do not have a representative Labor Union (who in that case regulate this issue by the general acts adopted). In addition, we believe that regulating the salary issues has overcome the framework of gender equality in terms of providing a guarantee for equality which limits both employers and employees who are being limited in terms of their respective rights relating to contracting the conditions of the labor relations (including salaries). The solution by which agreement on the termination of employment comes into force as of the day of being certified by the Notary Public, a court or a state agency is not a good solution in our opinion, because that imposes unnecessary red tape and costs in line with the current Law, therefore imposing sanctions onto the responsible employers for the sake of a few bad ones, which is not a good message. I would also like to emphasize that the Labor Relations Committee has communicated these and other issues on many occasions to the line Ministry, supported by valid arguments, which, I sincerely hope, shall be taken into consideration.

AmCham: What is your estimation of the relation between the existing education system and the needs of the labor market?

Ms. Stojković: Education system has been wisely and steadily adapting itself to the labor market needs. This is a time consuming process, however, apart from the strategic solutions, regulations and general opinions, it is also necessary to have this system become sustainable in practice. In order to achieve

this, it is necessary for all the stakeholders to understand the benefits from this system. The best example of improving the education system is the introduction of dual education system. This is exactly the issue that deserved a significant attention from our Labor Relations Committee in the past two years. Namely, in 2017 the working group dealing with the development of the dual education model for the university level education was established and it achieved a successful cooperation with the representatives of the Ministry of Education. We are very proud of this cooperation model because it represents the best example of the partner relations which, we are positive, shall bear specific results in this area. We have recognized great capacities of the dual education because it represents an incentive for development of the entrepreneurial spirit among university students who therefore can be 'moulded' by the potential employers at the very first stage of their academic development in order to meet the specific needs of those potential employers later. Finally, market therefore gets experts who will be able to meet contemporary business challenges. I believe that we should invest more efforts in promoting the so called STEM (Science, Technology, Engineering and Mathematics) knowledge and skills among the youth when they are about to make decisions about which career to pursue by choosing the adequate department at the university, because these areas have been recognized as ones which almost definitely guarantee them a future employment. Let me remind you that this year the American Chamber



of Commerce in Montenegro has successfully completed the eighth year of the AmCham Internship Program that enables students of the final year of their undergraduate studies to gain practical experience of working in a real business environment before they graduate

from the university. The success of this program is perhaps best seen through the fact that every year there is an enormous interest of the universities, employers and students, whereby around 200 students have already successfully completed their internships program.

»» HUMAN RESOURCES – SURVEY FINDINGS

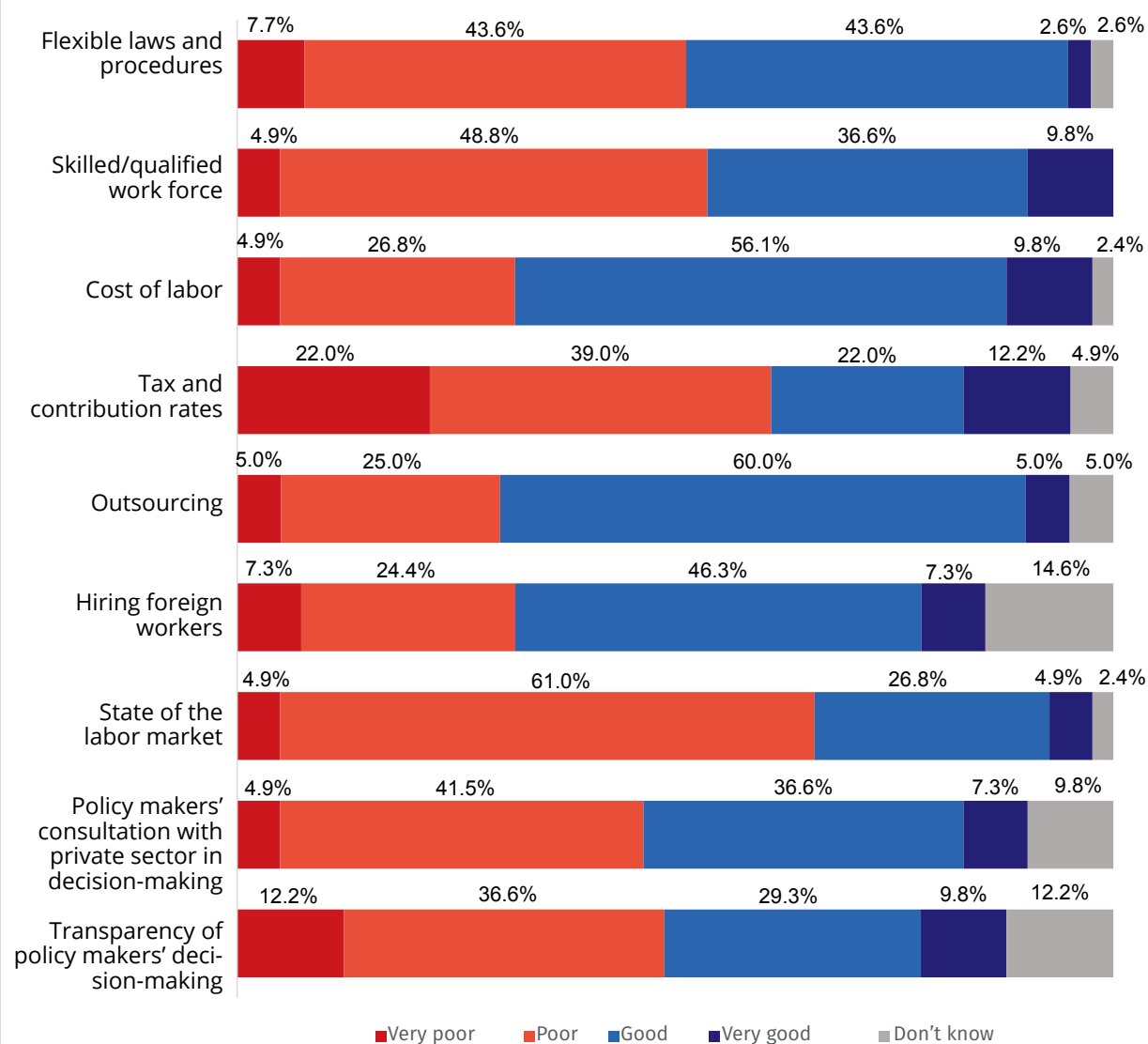
The past two years have been marked by the intensive work on the Labor Law in a form of a dialogue among social partners regarding the disputable legal solutions. Although it had been planned to have the new Labor Law adopted in the fourth quarter of 2018, it has been postponed for 2019. AmCham members believe that the new Labor Law shall better regulate certain solutions (for example monetary claims becoming void) but that, with the concept of past labor and existence of the General Collective Agreement still present, the new Labor Law cannot possibly be considered a modern law which could as such serve as a basis for creating a competitive labor market. In addition, there is a reasonable fear that certain solutions presented, for which those who have proposed them believe that they will contribute to decreasing undocumented labor and enable transition from the informal into the formal sector (such as the obligation to have a document on the systematization of posts and obligatory certification of the agreements on termination of employment with the Notary Public), are not efficient and that they in fact represent a business barrier.

AmCham member companies also believe that the current state of affairs on the labor market is still bad. It is necessary to invest additional efforts in creating human capital in order to improve competitiveness. Although education reform is in process, it is necessary to invest greater efforts in order to resolve the issue of discrepancy between the skills required on the labor market and those offered. Secondary vocational education has been updated by adoption of the amendments to the Law on Vocational Education, which introduced the model of dual education inclusive of the practical training with an employer. Having that in mind, AmCham's Labor Relations Committee last year established a working group dealing with the development of the dual education model for tertiary education in cooperation with the Ministry of Education. Dual education is important because it provides conditions for gaining, improving and developing competencies in line with the needs of the labor market and thus contributes to creating better connections between economy and the educational system.



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HUMAN RESOURCES – CONDITIONS FOR DOING BUSINESS

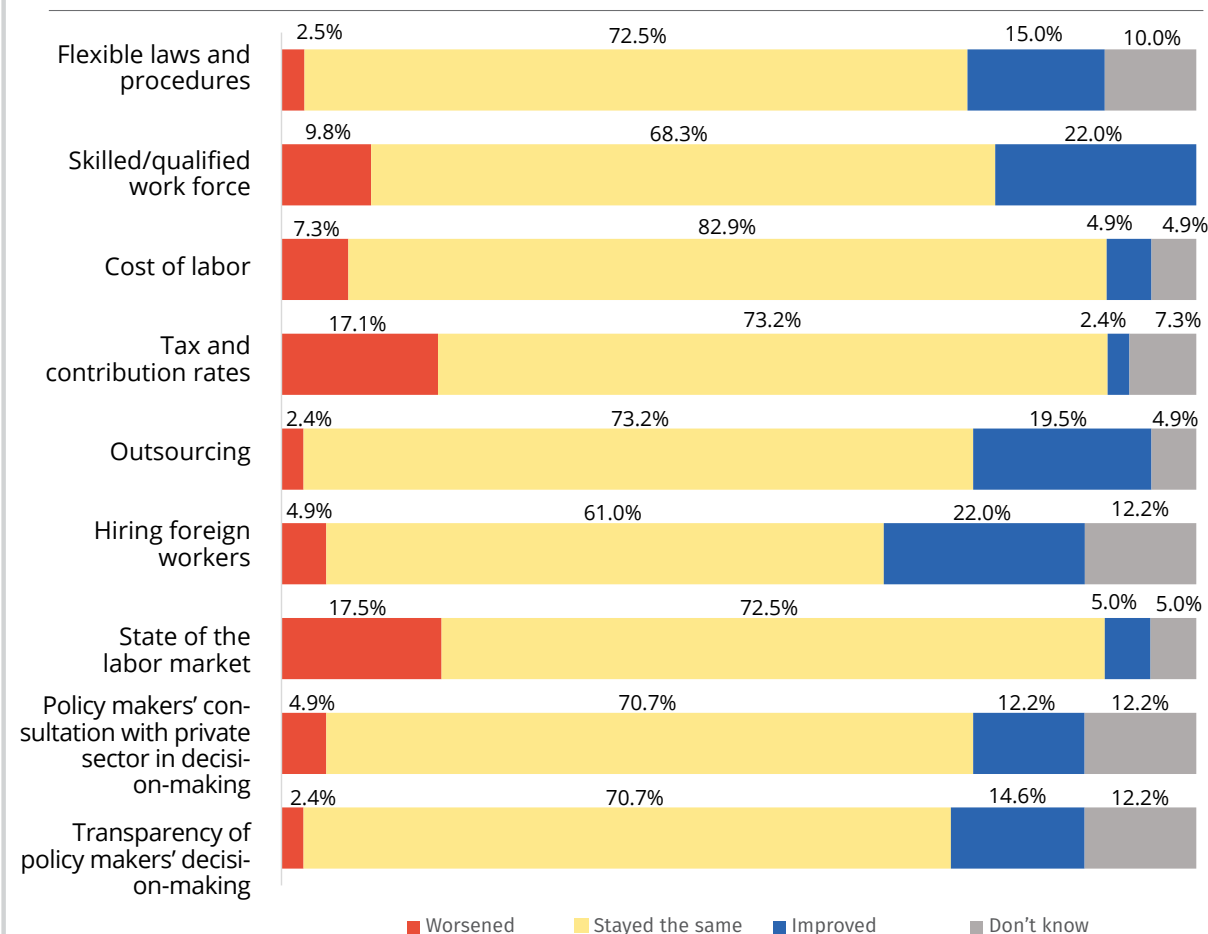


As it can be inferred from the given table, AmCham member companies have positively assessed cost of labor and the transfer of work onto subcontractors (outsourcing). Opinions, however, have been divided, when it comes to the flexibility of the laws and legal procedures, as well as the consultations with the private sector in the decision making process, although there is a significant trend of improvement when

it comes to the latter, having in mind the fact that in the previous Report this condition for doing business was actually positively marked by 29% of AmCham member companies while in this Report 44% of AmCham member companies marked it as positive. Tax rates and contributions, apart from the general conditions present on the labor market, are considered by AmCham member companies to be a serious problem.

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HUMAN RESOURCES – CHANGES TO THE CONDITIONS FOR DOING BUSINESS



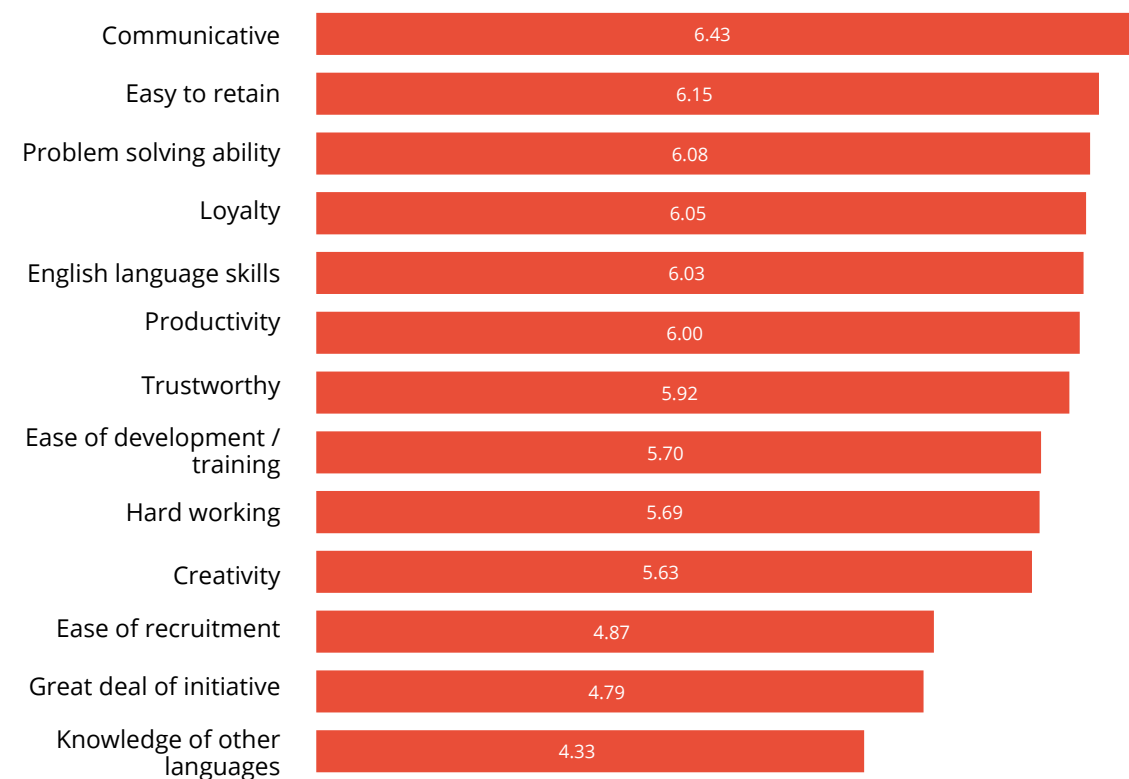


When considering changes which took place in the past two years, it seems that small progress has been made in the area of working conditions. Although they are still dissatisfied with the knowledge and skills of the labor force

in Montenegro, 22% of the AmCham member companies believe that the conditions in this area have been improved. They have confirmed progress made in the area of employing foreigners, as well as job outsourcing.

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HUMAN CAPITAL IN MONTENEGRO PRESENTED ON THE SCALE RANGING FROM 1 TO 10



When speaking about the competencies possessed by the labor force in Montenegro, the best rated are communication skills, just as it was the case during the previous years. It is easy to retain personnel in Montenegro, they are capable of resolving problems and

loyal and they have good English Language skills. As opposed to that, their other foreign language skills are not commendable (apart from English); they do not show a high level of self-initiative and they are not easy to recruit.



Taxation



INTERVIEW WITH THE TAX COMMITTEE PRESIDENT, MS. SVETLANA VUKSANOVIĆ

Philip Morris - Montenegro

AmCham: How would you describe the current state of affairs in the area of taxation in Montenegro?

Ms. Vuksanović: Strong economy is built on the bases which, among other things, include adequate tax system which can support building of strong economy and development of the private sector. That is why, for years, I have been using my professional capacities to advocate for decreasing the existing tax levies and eliminating numerous taxes which are not for the benefit of competitiveness increase, increase of employment, stable and, in a long term, sustainable state development.

AmCham: Which issues in your opinion are still important to be resolved in order to improve the business environment in the area of taxation in Montenegro?

Ms. Vuksanović: I always emphasize that it is necessary to additionally work on creating a predictable and sustainable business environment. This involves decrease of tax levies imposed on salaries as well as fighting

informal economy. In that way, we can provide for significant budgetary income through higher number of taxpayers who can substitute a majority of unpopular measures imposed. Stimulative measures in economy should be pursued in order to additionally develop private sector, decrease the number of employees within the state administration, which is a problem that has been over a longer period of time presenting the biggest expense in the area of public finances.

AmCham: We always mention taxes as the main factor taken into consideration by investors in order to penetrate the market and remain on it. To which extent do the additional levies influence the business environment in Montenegro?

Ms. Vuksanović: The levies associated with the regular business practices of companies are very high, numerous and therefore represent a significant financial problem for the entrepreneurs (in terms of possibilities to meet all of the imposed levies), but at the same time they also represent a very serious administrative problem because entrepreneurs cannot always



follow frequent regulatory changes, which is especially the case with small enterprises. This is the problem which requires urgent resolution. It is understandable to expect strategic actions of the state in a way of creating specific measures and policies aimed at creating stable and stimulative business environment – both

for the development of the existing and opening of new companies. Without such an approach, we cannot expect to have economic growth, strengthening of competitiveness, increase of employment and security in relation to the existing jobs and thus the overall development of the Montenegrin society.

»» TAXATION – SURVEY FINDINGS

Government of Montenegro presented consolidation of public finances as a precondition for the financial stability of the state in 2017. Therefore, in July of that year, the Fiscal Strategy for the period 2017-2020 was adopted. The Strategy defined various measures and dynamics for their implementation such as increase of VAT from 19% to 21%, further increase of cigarette excise duty, increase of excise duty on sparkling water with added sugar or other sweeteners or aromas, as well as introduction of the excise duty on coal etc. We believe that these measures should have been timely communicated to the private sector. We also reiterate that stable and predictable state tax system is of a vital importance for investors to make decisions when choosing potential investment destination. In addition, existing investors should be timely informed about the changes to the tax regulations in order for them to be able to plan their business activities and adapt themselves to the new demands of the market. Due to the increase of the above-mentioned excise duties, it was understandable to expect the rise in commodity

prices, as well as decrease in sale of products on the legal market. Although it is necessary to introduce measures of fiscal consolidation, business community believes that focus should be on fighting grey economy by increasing capacities of the inspectorate services and increasing efficiency related to tax collection. In 2018 doubts about the efficiency of the measures introduced proved to be justified, so that due to unfavorable market fluctuations the Government reached a decision to redefine its excise policy.

For the above-mentioned reasons over half of surveyed AmCham member companies estimated that the transparency of the decision making process in the area of taxation was either bad or very bad. It is also estimated that consultation with the private sector in the decision making process remained at the same level as in the previous Report. Therefore, we would like to point out that communication related to taxation policy has to be significantly improved. Moreover, it is necessary to introduce tax exemptions for certain market players.

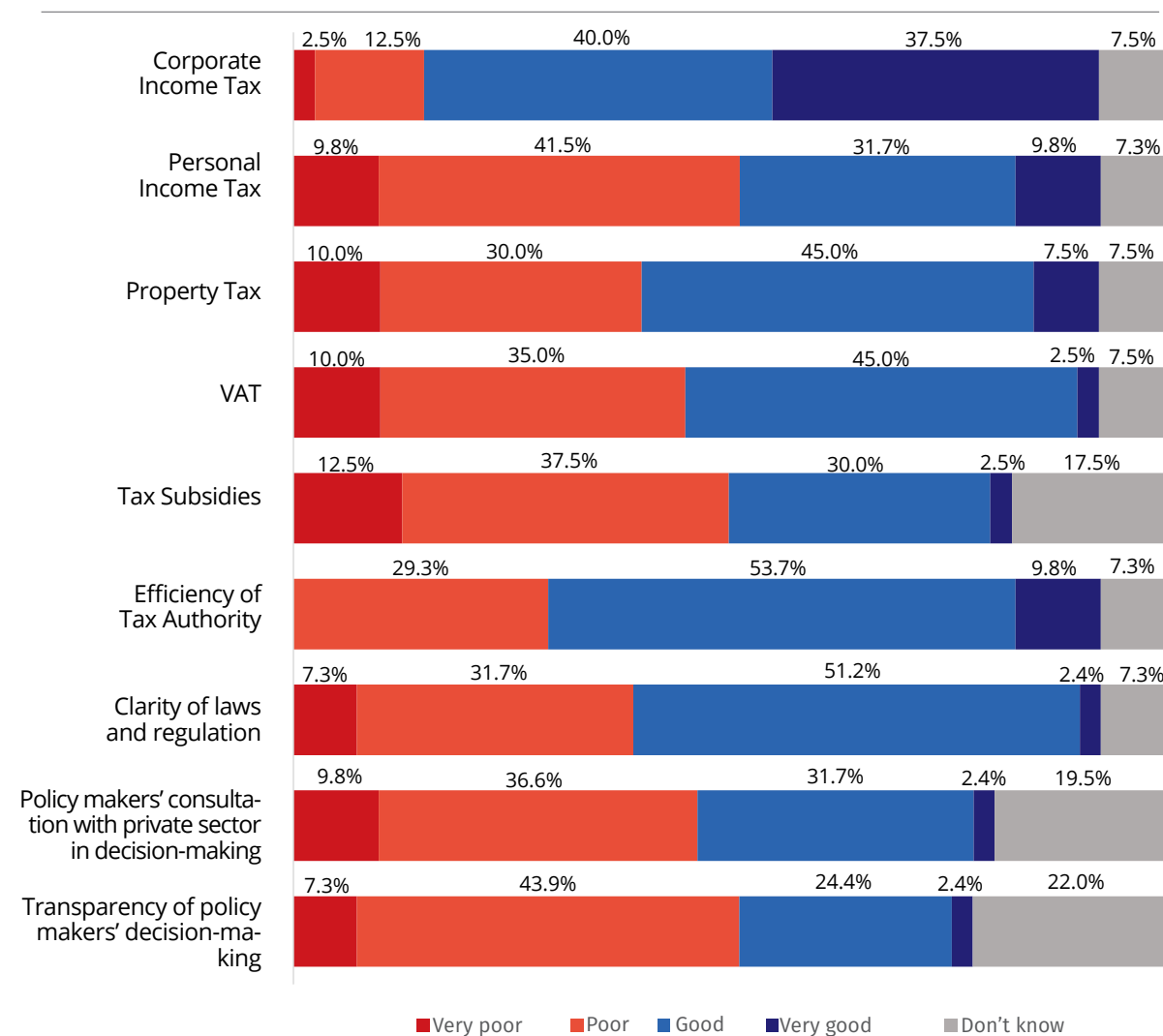


Income tax has remained one of the most attractive elements of doing business in Montenegro. Efficiency of the Tax Administration has been marked by continuous growth compared to the reporting

periods 2013-2014 and 2015-2016. The Tax Administration had been undertaking activities to improve the IT system as a preparation for establishing interconnection and interoperability with the EU systems, with

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TAXATION – CONDITIONS FOR DOING BUSINESS

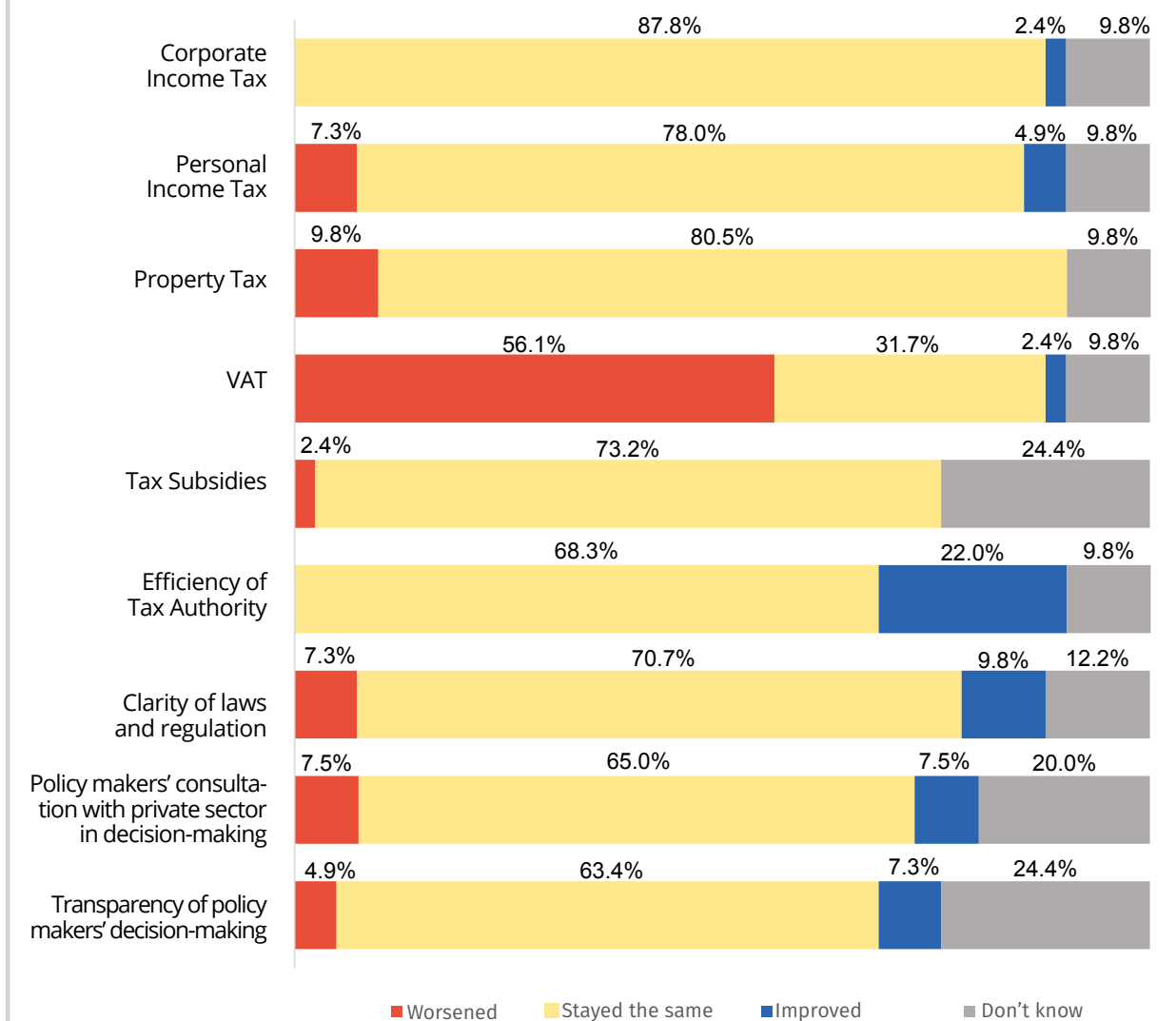


an aim to further harmonize tax regulations with the EU Acquis. More than half of surveyed AmCham member companies believe that the conditions for doing business have

significantly deteriorated due to the increase of VAT, while the conditions related to the income tax, personal income tax and real estate tax have remained unchanged.

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TAXATION – CHANGES TO THE CONDITIONS FOR DOING BUSINESS





Construction and Real Estate



INTERVIEW WITH THE REAL ESTATE COMMITTEE PRESIDENT, MR. SAVO ĐUROVIĆ

Adriatic Marinas

AmCham: How would you describe the current state of affairs in the area of construction and real estate in Montenegro?

Mr. Đurović: Strong progress in construction, which had been initiated before, has continued and includes, apart from the southern and central parts of the country, even its northern parts. There is an evident interest of both local and foreign investors in investing in real estate which is incentivized with a very liquid banking sector. A general overview is that there will be continuation of great investment progress, having in mind the fact that Montenegro, for numerous reasons, has been and has remained very attractive for investment both by local and foreign investors (for example: continuation of Qatari Diar's investment in Montenegro, rehabilitation of hotels at the coast and in the northern region, as well as big infrastructure projects which engage a significant part of our construction resources).

AmCham: We have waited for a long time for the new Law on Spatial Planning and Object Construction. Do you believe that the new Law has managed to transform this area into a more efficient and transparent system in order to make business activities easier for investors?

Mr. Đurović: The new Law has significantly changed the legal environment in construction. By abolishing construction and exploitation permit as being redundant documents issued by the administration authority in the process of object construction, the procedure for so called „major investors“ has been significantly intensified and facilitated despite certain initial obscurities on the part of the Ministries and private licensed companies involved in that procedure. Major investors have welcomed significant and radical solution presented within the new Law because they understand the procedure which facilitates their work, however, what we have heard lately is criticism that such



solution has stimulated illegal construction due to the lack of the above-mentioned administrative regulation. However, with the consistent application of the Law by licensed companies, as well with abolishment of their license in case that they do not obey the Law, a full implementation of the law in the object construction procedure shall be provided. Existence of administrative regulations by itself does not mean less cases of illegal construction because those who construct illegally cannot be stopped by construction and exploitation permits, but only by the efficient work of the inspectorate services. Therefore, strengthening of the inspectorate services is necessary both in the implementation of this, but also other laws as well. A general estimation is that the Law enables maximum possible speed for the investor to collect documentation necessary for construction and that the procedure for collecting the necessary documentation has remained basically the same as before (all the laws relating to this area have been applied – such as regulations on the environmental protection etc.). However, unnecessary administration relating to issuing the very construction and exploitation permits has been avoided because the procedure is significantly based on the private sector, which is considered, by default, to be faster than the state administration. If the policy relating to abolishment of the license in case of the unprofessional work of the private companies involved in this process is fully applied, the new

Law will fully meet its goal to remove business barriers in this important economic sector.

AmCham: In which segments do you see improvement of the business climate in the past two years?

Mr. Đurović: As I have emphasized, the new Law has significantly accelerated the process of documentation collection which enables beginning of object construction. In addition, increased professional responsibility of the licensed private companies leads to a higher quality of their work i.e. increased competitiveness and consequently higher security for the investors and social community that the laws will be obeyed in the process of object construction. Apart from that, high level of liquidity of the banking sector as a secure sector for investment supports investments in real estate.

AmCham: Which issues have to be additionally resolved in order to improve the area of construction and real estate in Montenegro?

Mr. Đurović: It is necessary to significantly strengthen the inspectorate services which monitor object construction and apply the policy of license abolishment accordingly to the private companies in case that they perform their activities unprofessionally because that shall represent a demotivating factor for the investors who could potentially construct objects contrary to the approved plans.



» CONSTRUCTION AND REAL ESTATE – SURVEY FINDINGS

The new Law on Spatial Planning and Object Construction was adopted in October 2017 which created a new model of planning and object construction. Investors still face high costs of utility services. Although the procedures have been significantly accelerated and simplified by abolishing construction and exploitation permits, AmCham members believe that one of the negative aspects of doing business in this industry are complex bureaucratic procedures. Survey findings show that AmCham member companies are satisfied with the regulations in this area. On the other hand, it is necessary to invest additional efforts in order to increase capacities and competencies of the inspectorate services in order to have better implementation of the provisioned legal solutions and, finally, create legal safety in order to attract and retain foreign investors in Montenegro.

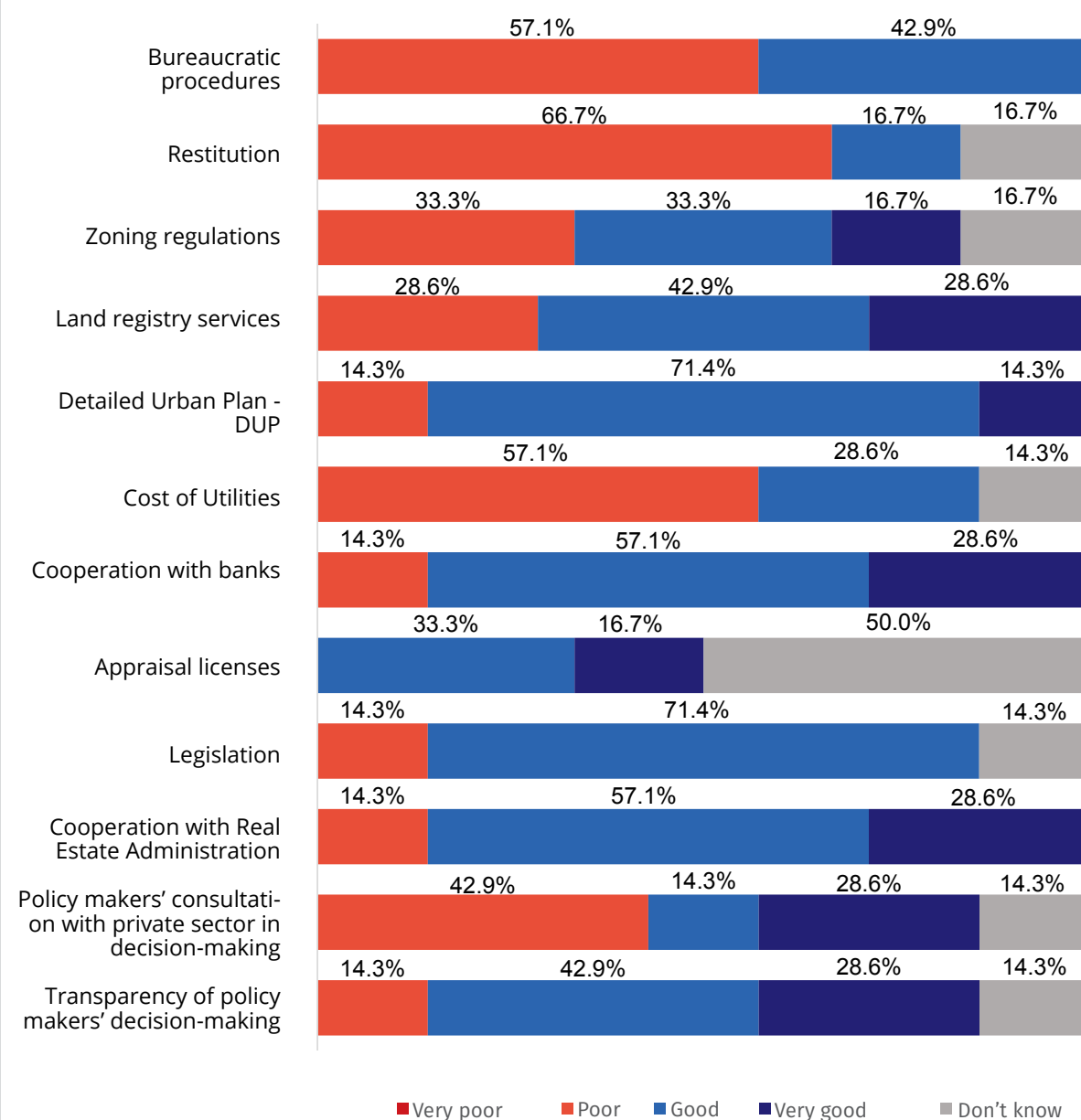
As opposed to the Report for the period 2015-2016, when 100% of surveyed AmCham member companies were dissatisfied with the consultation with the private sector in the decision making process, this Report shows that such dissatisfaction has been

significantly decreased since that percentage now is 43% of AmCham member companies. In addition, most conditions within the previous Report were predominantly marked as being very bad, while in this Report no condition for doing business in construction and real estate industries was assigned that mark, as it can be deduced from the table presented below. Surveyed AmCham member companies agree that the Real Estate Administration is doing an excellent job regarding keeping cadastre records, as well as that it is very much open for cooperation with investors.



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CONSTRUCTION AND REAL ESTATE – CONDITIONS FOR DOING BUSINESS

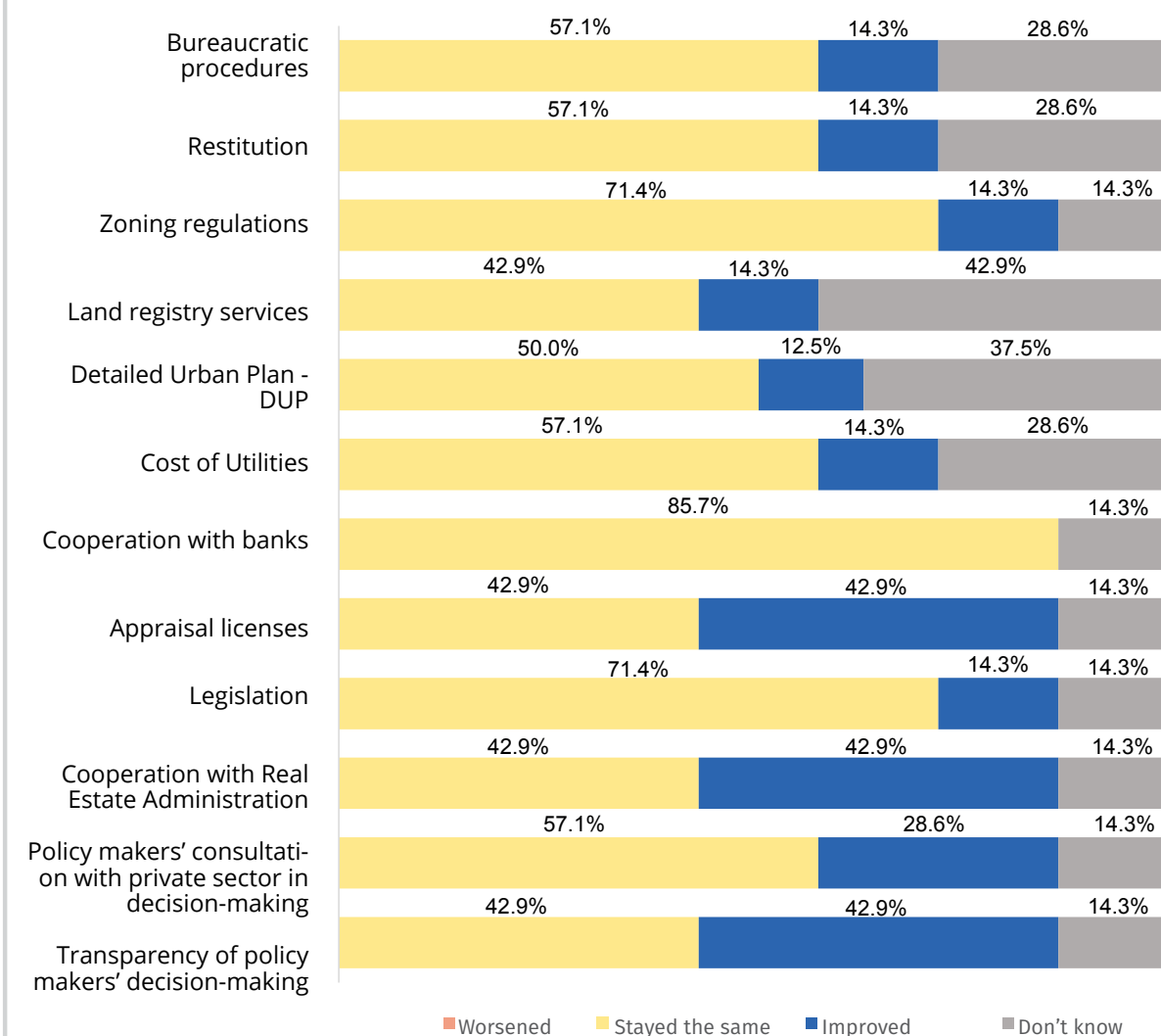


It is positive that none of AmCham member companies which answered parts of the survey relating to construction and real estate

believed that any of the conditions in that industry worsened, but in fact that they either remained the same or changed for better.

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CONSTRUCTION AND REAL ESTATE – CHANGES TO THE CONDITIONS FOR DOING BUSINESS





Health Care



INTERVIEW WITH THE HEALTH CARE COMMITTEE PRESIDENT, MR. MILOŠ IČEVIĆ

Hoffmann – La Roche

AmCham: What is your estimation of the current state of affairs in the areas of pharmaceutical and health policies in Montenegro?

Mr. Ičević: We should not forget that the issues promoted by the United Nations and the World Health Organization, as being an integral part of human rights, as well as overall health care coverage, represent both ambition and idea that require a serious cross-sectorial approach. That is why it is of utmost importance, first at the global level and then at the level of individual countries, to place health care high on their agenda. This is important because, in a long term, a healthy nation represents a basic precondition for the progress of a society as a whole. This situation is a complex one as health needs are growing and solutions in the health care sector require multidisciplinary cooperation. That is why systemic solutions are needed, whereby investment in health, prevention and treatment procedures shall logically increase economic activities of individuals

and the society as a whole. I would say that this has been recognized in Montenegro and that there are favorable environment and will to constantly improve things. It has been in the past two years actually that a significant progress has been made in this direction and especially in the pharmaceutical policy area. The health system is being transformed into a modern system, however, additional efforts should be invested in this process in order to provide for adequate financing and sustainability.

AmCham: Which activities did the AmCham Health Care Committee undertake in the past two years in order to improve conditions in this area?

Mr. Ičević: Before I point out the most important activities, I would like to mention that AmCham with its credibility and reputation represents the best platform to have all the above-mentioned cross-sectorial partners sit at the same table and facilitate health and



policy related changes which are in line with the western values positioning a patient in the centre of the health care system based on values. Through AmCham we have, above all, established mutual understanding, open dialogue and broad thinking. More specifically, the activities I am referring to were aimed at adopting better quality regulations - starting from enlisting medicines and taking them off the List, introducing price referencing in comparison with the neighbouring countries (Slovenia, Croatia and Serbia), differentiation of generic and innovative medicines and public procurement based on that, adoption of the new Law on Medicines up to the latest initiative aimed at supporting various stakeholders and decision makers in understanding various models and ways of implementation in order to provide for the accessibility of innovative medicines. Those who have the ultimate benefit from those partnership activities are Montenegrin citizens i.e. patients who need treatment. At the World Economic Forum in Davos, in February of the current year, I heard a statement nicely summarizing all of this, and thus let me quote it on this occasion: "If we make the world a better place for those who are most affected (such as patients with chronic illnesses) we have made it a better place for us all".

AmCham: Which issue should be further resolved in order to improve the health care sector in Montenegro?

Mr. Ičević: The area we should be most interested in are models of financing the health care sector that should provide for sustainability of the system and meet health needs of the citizens, which are becoming more and more complex. In any case, it is important to have quality legal framework which can be implemented in practice. If we take a look at the legislation in the pharmaceutical sector, it would mean continuation on further harmonisation of the vibrant system based on evaluation and harmonisation of inefficient measures. To that extent, quality practice should be pursued as well as quality reimbursement policies taken from the European countries with good availability of medicines while infrastructure for their implementation should be provided. Data, big data and registre areas have become very important in medicine because based on those data numerous decisions can be made and different models for enabling availability of medicines which save lives can be implemented. The way in which we collect and analyze data from the individual patient's medical records as well as the data on various health and illness determiners within the population shall give us many answers to the questions that we have. That leads us to the topic of digitalization which is a basis of the health care systems of the future. I have recently participated at one conference where one professor from the US when commenting on how fast he could make therapeutical decisions for his patients, said that he could,



even when travelling, from his mobile phone open the electronic medical records of every patient and have an insight into all data relating to his/her health condition and previous illnesses and procedures undertaken, whereby all those data were updated accordingly.

AmCham: Can citizens of Montenegro be satisfied with the availability and quality of the medicines that can be found on the market?

Mr. Ičević: Prior to answering this question I have to draw back to the fact that in the first decade of this century (from 2000 to 2009) lifetime span was prolonged for 1.74 years, whereby two thirds of that prolonged period have been achieved thanks to the new

innovative medicines. Therefore, it is obvious that medicines which in modern medicine based on values are achieved by certain interventions obviously hold a very important position. Montenegro has also been recognized in this sector in the region as well, and we are pleased to say that availability of medicines and quality of supply in our country are at admirable levels and are not different from those available to EU citizens. At the referent "Euro Health Consumer Index" list Montenegro had achieved the biggest progress in 2017. If we take into consideration the methodology of assigning marks at this list, we shall see that fast availability of medicines, especially for terminal illnesses such as carcinoma has a significant impact on the overall score.

»» HEALTH CARE – SURVEY FINDINGS

Quality, modern and safe health care system is a priority of every state. Therefore, we are pleased with the fact that the state of affairs in Montenegrin health care system has been significantly improved compared to the period 2015-2016. Montenegro is a small country and as such it is a favorable place for the introduction and implementation of new knowledge and experience in order to transform its health care system into a modern and efficient system which can fully meet the

needs of all the users of the health insurance system.

In 2017, the Health Care Committee had successful cooperation with the Ministry of Health within the program called 'Partnership for a Better Business Environment' and it mainly dealt with drafting the new Law on Medicines which should have been adopted in the same year. The Law still has not been adopted because it has been, until recently,



considered by the European Commission in order to have it harmonised with the EU Acquis. The proposed legal solutions should more clearly and precisely define regulations in the area of medicines in Montenegro.

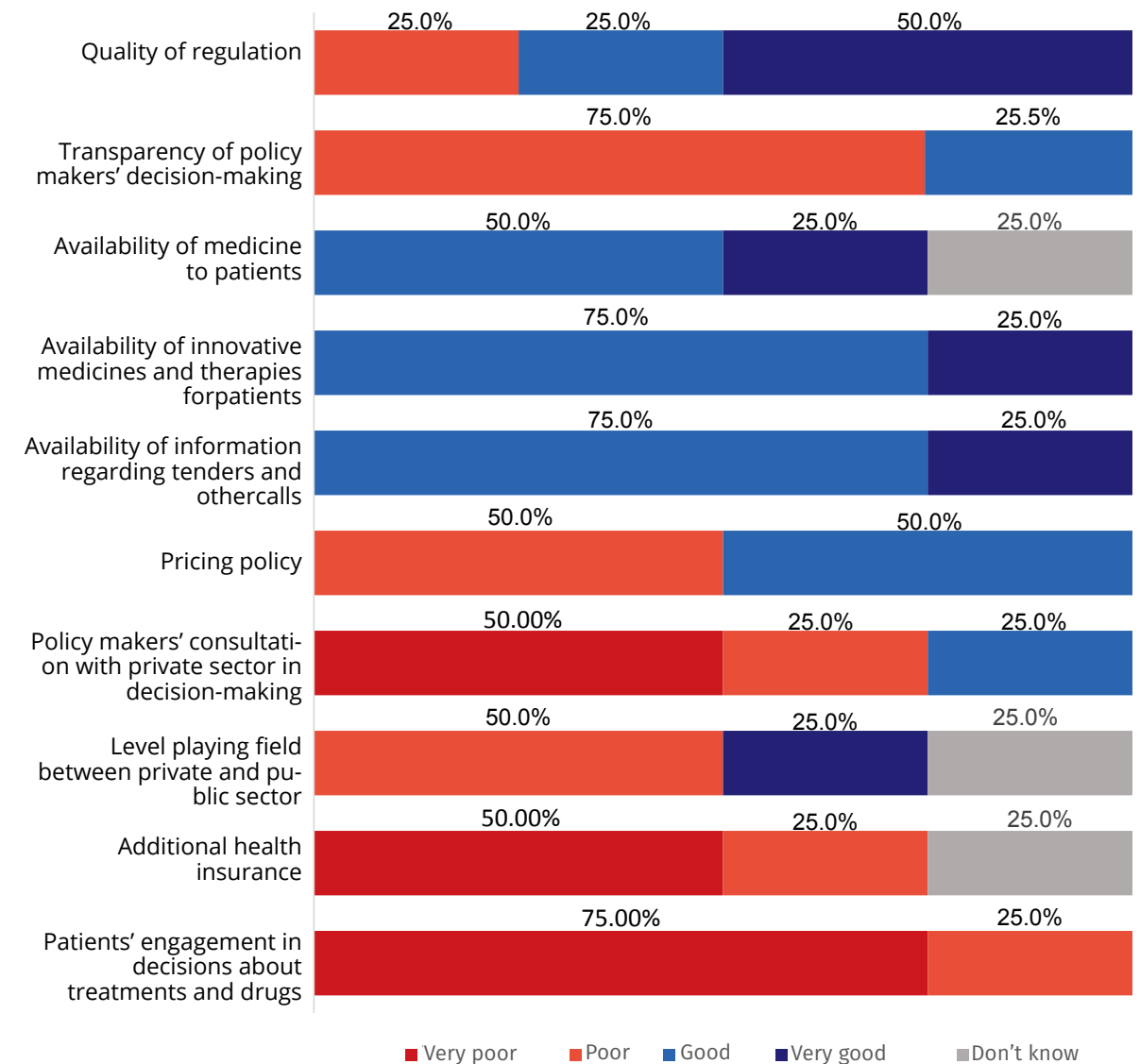
The adoption of the Basic and Additional Reimbursement Lists whose applications enable availability of quality medicines and therapies for the users of the health insurance in line with the modern medical technologies, marked the year 2018. Assessment about which medicines should be enlisted and which should be taken off the List must be done in line with provisioned criteria and international pharmacotherapeutic and pharmacoeconomic guidelines. A bigger challenge, however, is the way in which treatments undertaken by using innovative medicines should be assessed whereby those medicines contain new pharmaceutical substances which had not been used in treatments before or a new combination of active substances. It is the fact that numerous steps forward in the therapy possibilities in medicine have actually been enabled thanks to the pharmaceutical industry. On the other hand, innovative medicines are very expensive as required investments are too high. Therefore, it is necessary to introduce additional systems for financing health care which shall, in a long term, enable financially sustainable and stable development of the health care system.

Having this in mind, AmCham member companies surveyed regarding health care sector agree that availability of medicines and therapies to the patients, both classic and innovative ones, are at a very high level. AmCham surveyed member companies are satisfied with the availability of information regarding the tenders and other invitations to bid. When it comes to pricing policy, the opinions of AmCham member companies are divided.

As well as in the Report for the period 2015-2016, the companies are neither satisfied with the transparency of the decision-making process nor with the consultations with the private sector. They believe that patients in Montenegro still do not have an opportunity to get an additional health insurance but that they can only rely on the one which has been provided by the state. In addition, a serious problem is the fact, as assessed by our members, that the patients do not get involved at all in the process of making decisions about the medicines and therapies.



HEALTH CARE – CONDITIONS FOR DOING BUSINESS

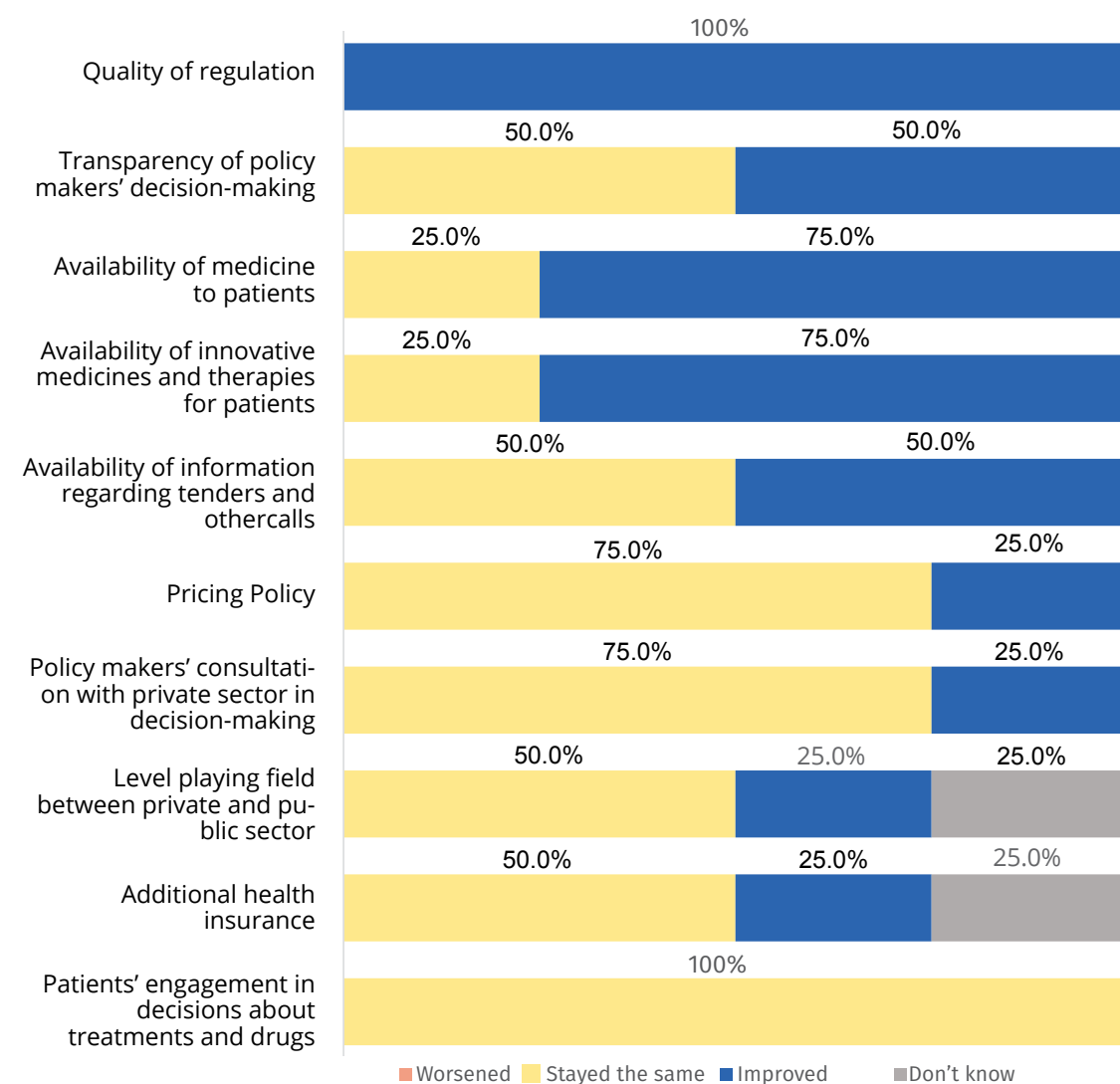




Members believe that there has been no deterioration in neither one condition of doing business in health, which is positive.

All AmCham members believe that the quality of regulations in the past two years has been improved.

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HEALTH CARE – CHANGES TO CONDITIONS FOR DOING BUSINESS



Environmental
Protection



INTERVIEW WITH THE ENVIRONMENTAL COMMITTEE PRESIDENT, MS. ANDREA RADONJIĆ

Coca-Cola HBC

AmCham: What is your assessment of the current state of affairs in the area of environmental protection in Montenegro?

Ms. Radonjić: It is evident that the country is paying more and more attention to this area, not only by pursuing European standards in this area but also in order to improve the quality of life of its citizens. It is important to point out that environmental protection becomes an issue dealt with at the highest level by the companies, NGO sector, media, but it is also the issue that the citizens become more and more aware of it. Environmental protection has finally got its deserved place at the top of the social agenda. Negotiating Chapter 27 shall be the most expensive one in the EU negotiations process and it shall require change of the awareness of every individual, starting from the households up to the companies we work in.

AmCham: Which activities have been undertaken by the AmCham Environmental

Committee in order to improve the situation in this sector?

Ms. Radonjić: Through the Environmental Committee the AmCham member companies give active contribution in order to improve this area. In September 2018, we prepared the Position Document aimed at raising awareness about the key issues in this area and removal of the regulatory barriers relating to the waste management, circular economy and other ecological policy issues. In this Document we gave recommendations as an answer to specific problems that the companies record in their everyday activities. We believe that these recommendations represent a good basis for our partners from the Government to work jointly on improving the regulatory framework in the area of environmental protection in practice. The Ministry of Sustainable Development and Tourism joined AmCham Montenegro's "Partnership for Better Business Environment" Program in September



2018 and we had the first meeting at which we presented the Position Document. We hope that by opening the Chapter 27 we shall intensify cooperation in order for Montenegrin legislation to be harmonized with the EU Acquis in this area.

AmCham: Which issues need to be further resolved in order to improve the environmental protection sector in Montenegro?

Ms. Radonjić: One of the priorities is establishment of the functional waste management system. The line Ministry is working on changing regulations in this area. In order to establish a functional waste management system, it is necessary to provide money for establishing infrastructure such as waste management centers. That is why it is extremely important to define clear and efficient economic instruments in order to systematically meet goals in the area of waste management. Another important issue is informing the citizens and economy with the circular economy model which has been applied in Europe since the end of 2015. Circular economy provisions for a number of measures aimed at having the products, materials and resources stay in the economy as long as possible with minimizing the possibilities for creating waste. The measures also provision for high aims relating to waste such as recycling 65% of the communal and 75% of the packaging waste until 2030, as well as decreasing waste disposal to 10% until 2030. It is necessary to

improve primary selection system for all types of waste in all municipalities. In addition, it is necessary to legally define work of the operators managing the packaging waste, as well to precisely set deadlines for the implementation of the local and regional plans for waste management. Inspectorate supervision should definitely be improved in order to avoid the situation where, within one authority, different inspectors undertake the same procedures in different ways. Having in mind the fact that industry largely finances waste management systems, we believe that participation of our representatives in the working groups and other forms, shall contribute to create, jointly with the state, the environment for the establishment of the functional system for packaging waste management.

AmCham: To which extent shall the transposition and the implementation of the EU regulations have an influence on our economy?

Ms. Radonjić: Application of the European standards in the area of environmental protection shall require significant financial means which the economy and citizens will have to bear. On the other hand, these investments in ecology shall repay themselves by multiple benefits in the years to come. The Environmental Committee shall stand for adoption of the best solutions in line with the practice and know-how of the EU.



>>> ENVIRONMENTAL PROTECTION – SURVEY FINDINGS

AmCham Environmental Committee was established in the end of 2016 with an aim to offer its know-how to the Government of Montenegro in order to improve legal framework and practice in the area of environmental protection. Member companies of this Committee have necessary knowledge and good business practice in the area of packaging waste, construction waste disposal and waste water treatment. In addition, The Committee in 2018 created the Position Document representing the position overview of AmCham Montenegro and its members from the Environmental Committee relating to waste management.

Provisions of the current Waste Management Law are imprecise and unclear and they are in collision with other current regulations, which leads to legal insecurity during the implementation process. The implementation of the above-mentioned Law is impeded by the institutional and administrative capacities, lack of financial funds for the realization of the legal solutions, inadequately developed cooperation between the state administration authorities and local government, as well as the lack of political will for efficient implementation. By the Program of Work of

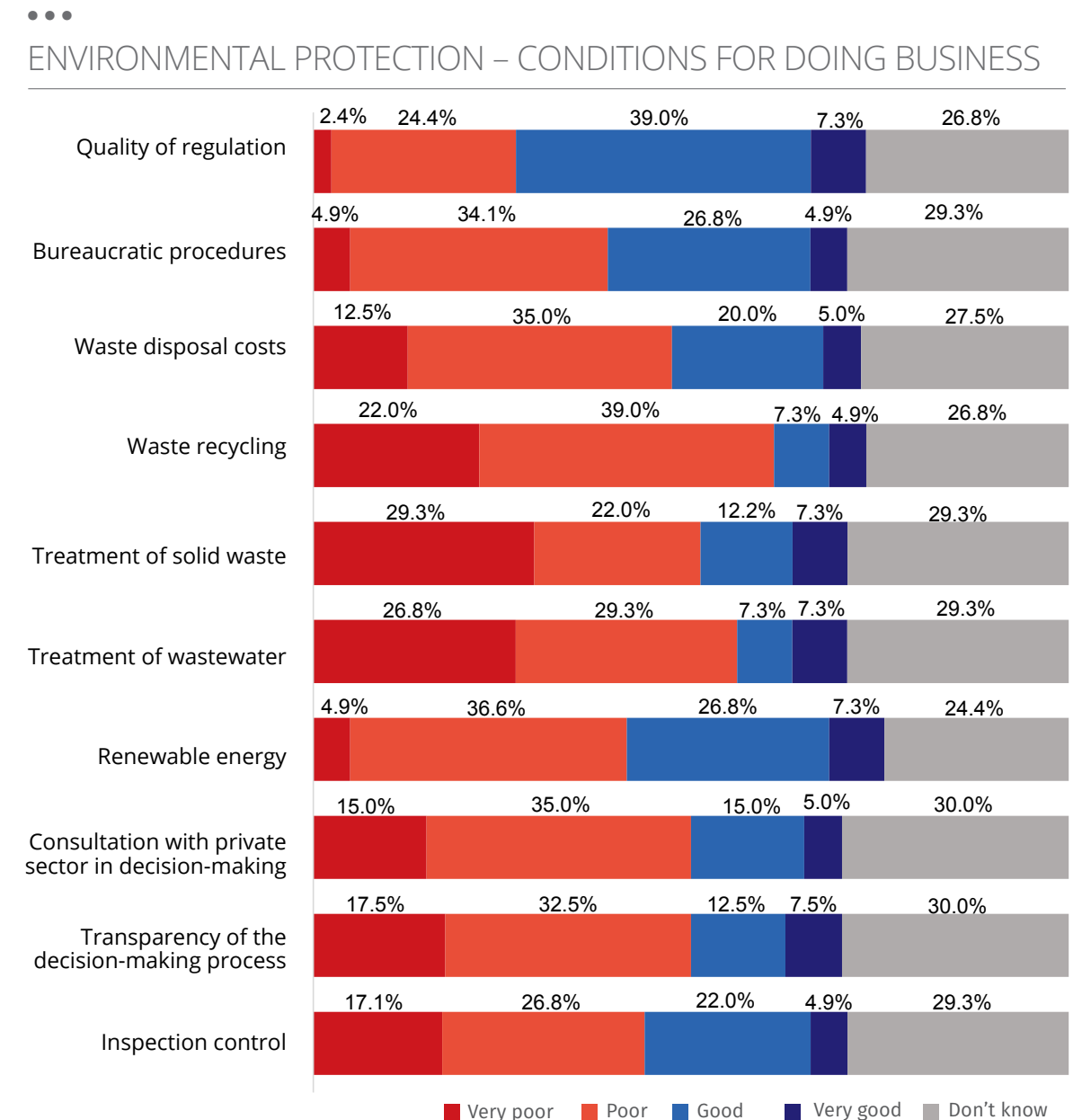
the Government of Montenegro for 2018 the adoption of the new Law on Waste Management was planned for the IV quarter, which shall continue harmonization of Montenegrin legal framework with the EU Acquis in the area of waste management, as well as defining new deadlines for meeting the goals defined in the EU Directives. Transposition and implementation of the legislation contained in the Chapter 27 requires significant financial funds which the economy and the citizens will have to bear. We would like to emphasize that waste disposal still represents a problem for certain local self-governances in Montenegro and decision makers have to resolve the issue of illegal waste disposal. It is necessary to establish infrastructure for separate waste collection and recycling as soon as possible.

Montenegro opened the negotiating Chapter 27 in December 2018. Some of the AmCham surveyed member companies are not familiar with the conditions of doing business in this area since this topic is just to become popular in the period to come. AmCham member companies agree that waste is not being recycled in a proper manner, as well as that solid water treatment and waste water treatment are also problematic. They believe that private sector



should be more consulted and involved in decision making and legal regulations adoption processes. In addition, the awareness about

renewable energy sources should be raised, as well as about the potential subsidies when implementing such systems.

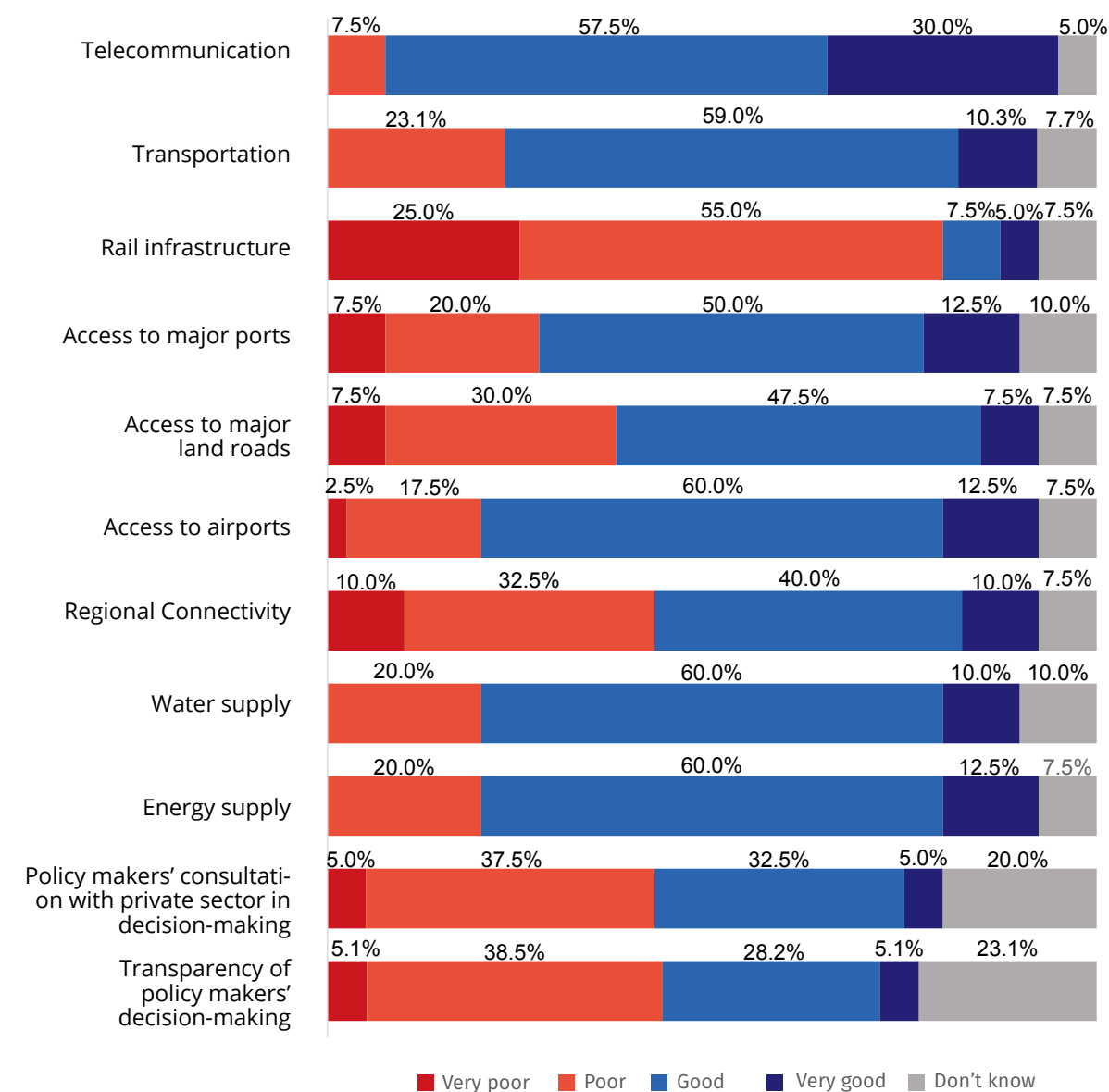


>>> Infrastructure



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INFRASTRUCTURE – CONDITIONS FOR DOING BUSINESS





Modern and developed infrastructure in the areas of traffic, energy and telecommunications represents one of the key factors of the economic development of the state and has a direct impact on the economy's competitiveness. Having in mind the fact that tourism is one of the most profitable economic industries in Montenegro, it is necessary to invest efforts into the development of road, railway and airport infrastructure. This especially refers to the railway infrastructure where rehabilitation is urgently needed since

the services provided are below European standards.

Just like in the previous Reports, most surveyed AmCham member companies are happy with the telecommunication infrastructure, since almost 88% of them marked it as either good or very good. In addition, water supply was marked as either good or very good. In the opinion of our member companies, private sector, however, is not consulted enough when it comes to infrastructure, while decision making process could be more transparent.



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Other Areas
of Importance
for Doing Business



In this survey, we have touched upon other areas which are also important for doing business. Some of them, such as public procurement and public-private partnerships were the subject of consideration within AmCham ad-hoc working groups which were established in order to deal with the new Public Procurement Law and Law on Public-Private Partnership.

Regulations in the public procurement area have been harmonized to a great extent with the EU Acquis except in the area of concessions (drafting of the Law on Changes and Amendments to the Law on Concessions is underway, thus being done in parallel with drafting of the new Law on Public-Private Partnership). Changes and amendments to the Public Procurement Law adopted in July 2017 without the public hearing decreased the level of its alignment with the EU rules. It is expected from the new Law to introduce the possibility for the electronic procurement which shall significantly improve transparency of the procedures. According to the findings of the survey, as many as 48% of AmCham member companies believe that current public procurement procedure is bad, while 45% of them believe that public procurement process is not equal for everyone. However, AmCham member companies are satisfied with the availability of information on public procurement.

It can be thus deduced from all the above-mentioned that it is necessary to adopt the new Law on Public Procurement as soon as possible in order to simplify public procurement procedures.

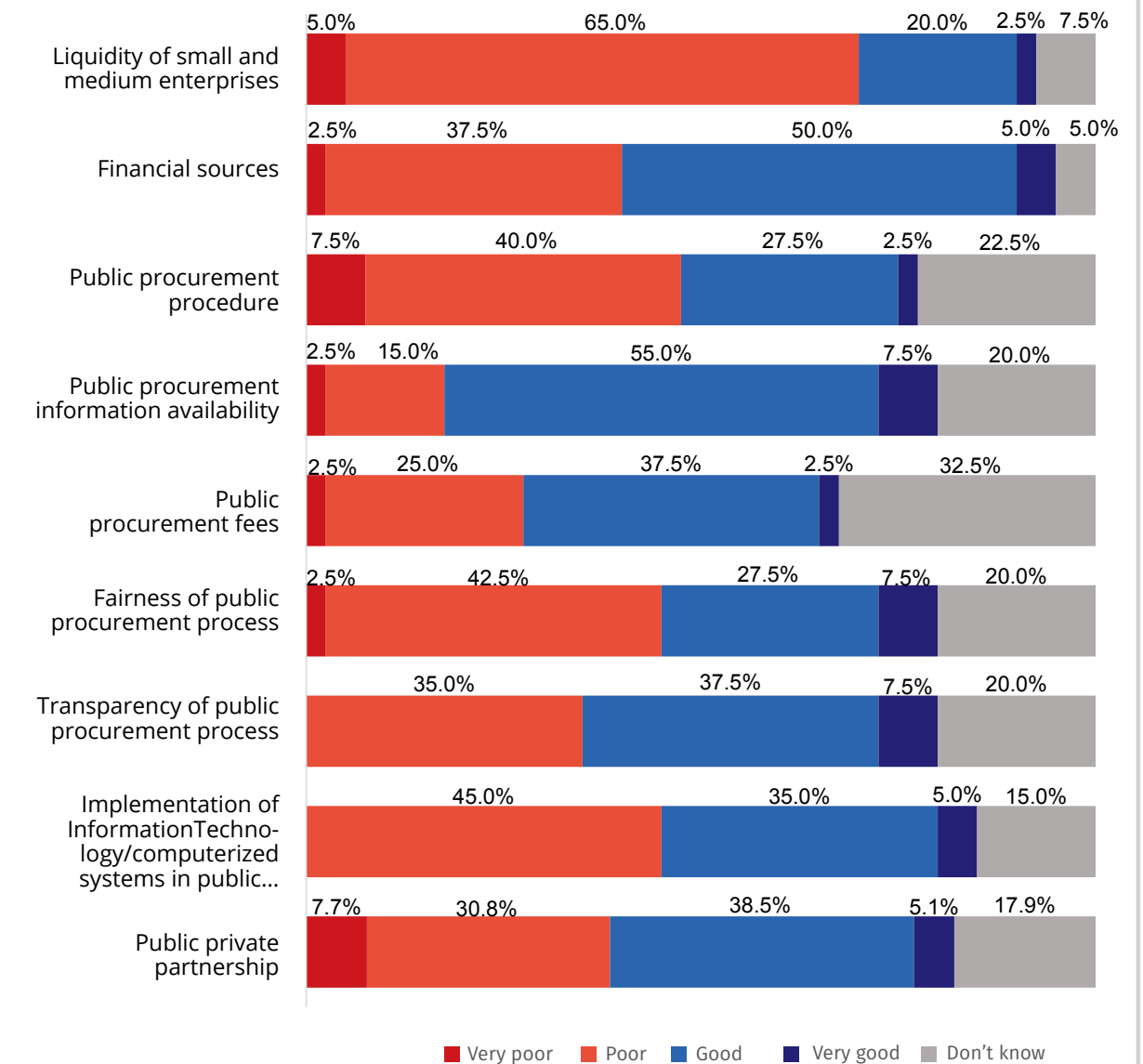
Speaking about the Information Technologies in Public Administration, the Ministry of Public Administration was established, which took over the authorities of the Ministry of Telecommunications and Information Society, and which has shown that the country is decisive to undertake digitalization in the area of Public Administration, i.e. in creating new e-services which shall boost the efficiency of work of the state authorities. Although dissatisfaction of AmCham member companies with the issues of the modernization process in the state administration is evident, the state of affairs in this area improved in comparison to the Report for the period 2015-2016.

Just like in the Reports composed so far, AmCham member companies state that a serious problem is the lack of liquidity of small and medium-sized enterprises (70% of the surveyed members), so that a repeated recommendation is to introduce additional sources of financing for those companies.



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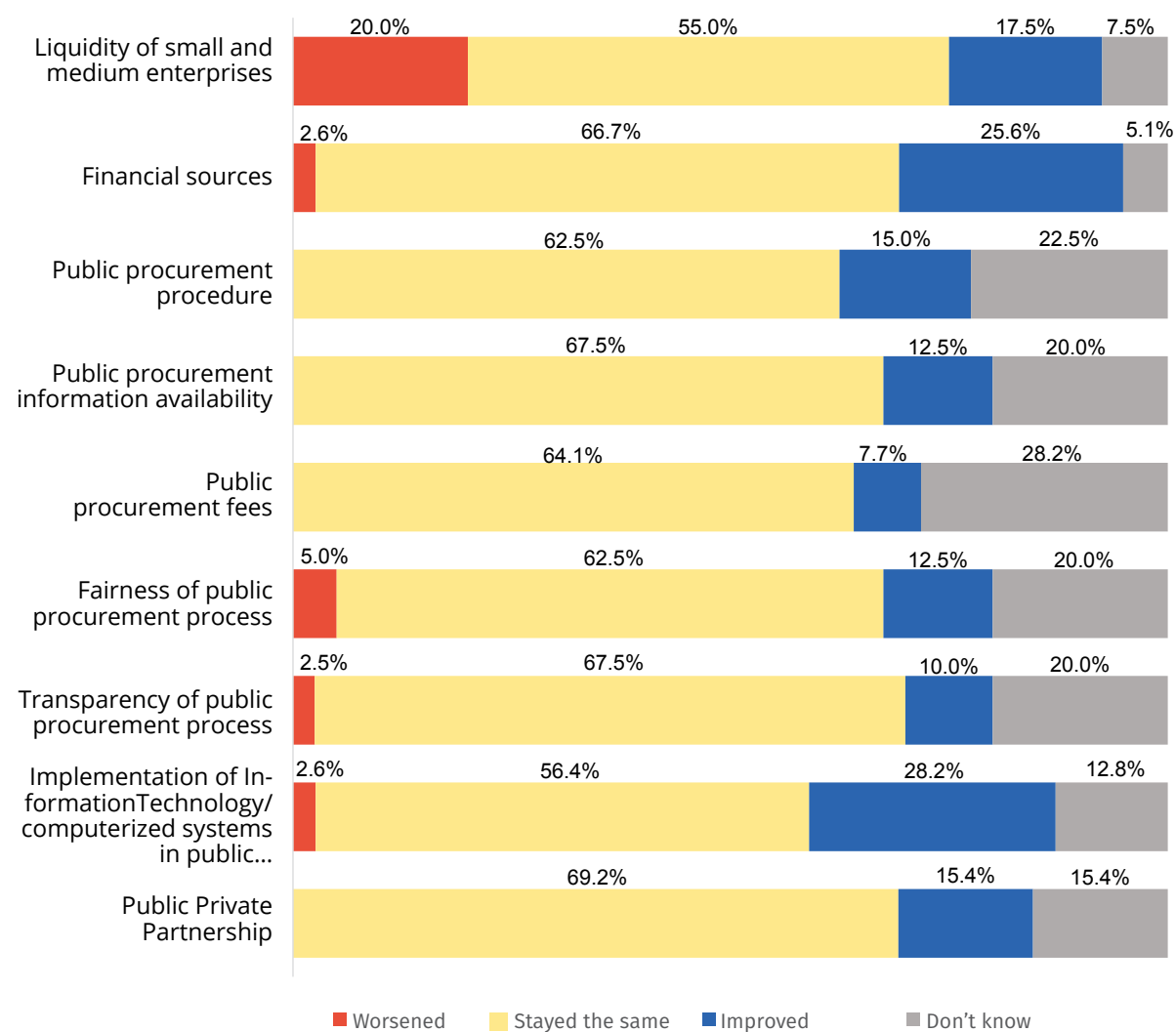
OTHER AREAS OF IMPORTANCE FOR THE BUSINESS COMMUNITY – CONDITIONS FOR DOING BUSINESS





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OTHER AREAS OF IMPORTANCE FOR THE BUSINESS COMMUNITY – CHANGE TO THE CONDITIONS FOR DOING BUSINESS



Key Findings and Recommendations

**>>> BUSINESS COMMUNITY IS NOT INVOLVED ENOUGH IN THE PROCESS OF DRAFTING REGULATIONS**

RECOMMENDATION: Representatives of the private sector need to be involved in the process of drafting and adopting the laws and other regulations which influence the business environment at an early stage. Public hearings should be obligatory for decision-makers and should be done in a timely manner. In addition, business community has to be involved in the preparation of the Regulatory Impact Analysis (RIA) form in order for the estimations of the regulations' impact to be more precise.

>>> THERE IS INEFFICIENCY OF THE PUBLIC ADMINISTRATION AND SLOW DEVELOPMENT OF E-SERVICE

RECOMMENDATION: Digitalization of the public administration should be set as one of the key priorities of the Government. By modernization of the state administration, through introduction of e-services, savings would be enabled through elimination of the parallel and overlapping processes; time needed for processing would be shortened; efficiency and availability would be increased, as well as transparency and quality of the services provided to citizens and economy.

>>> REGULATIONS ARE NOT EQUALLY APPLIED TO ALL, WHICH CREATES UNFAIR COMPETITION

RECOMMENDATION: A non-selective and consistent approach in the implementation of legal norms to all legal subjects has to be an imperative. In order to create fair competition, the same conditions for doing business have to be applied for the same activities to all market players. The European Conventions on Human Rights states that every rights provisioned by the law shall be enjoyed without discrimination on any basis. Therefore, it is necessary to increase efficiency of the administrative and court systems and additionally train judges in the area of market economy. It is also necessary to invest efforts in coordinating the work among relevant institutions in order for all the stakeholders to be equally treated.

>>> ENTREPRENEURS WHO DO THEIR BUSINESS LEGALLY AND REGULARLY, AND MEET THEIR OBLIGATIONS TO THE STATE ARE IN AN UNFAVORABLE POSITION COMPARED TO THOSE WHO DO THEIR BUSINESS IN THE GREY ECONOMY ZONE

RECOMMENDATION: Fighting grey economy should be done in a more resolute manner especially towards the subjects which are not registered for performing commercial activities. It is necessary to improve the efficiency of the inspectorate services, decrease labor costs and increase transparency of doing business through digitalization in both public and private sectors.

**>>> CURRENT LABOR LEGISLATION IS A BARRIER TO CREATING A COMPETITIVE LABOR MARKET**

RECOMMENDATION: It is necessary to work on the current solutions of the new Labor Law and have it harmonized with the best practice in the area of the EU labor regulations. Competitiveness on the labor market is affected in a negative way by the existence of the General Collective Agreement, the concept of prior working experience, inadequate mobility of the labor force, inflexible legal procedures, high tax and contribution rates, lack of harmonization between demand and supply on the labor market etc. In addition, it is necessary to raise the issue of the educational reform in order for the labor force to develop competencies which would be in line with the needs on the labor market.

>>> TIMELY CONSULTATION AND ANNOUNCEMENT OF CHANGES IN FISCAL POLICY IS LACKING

RECOMMENDATION: Although from the investors' point of view, low tax rates do represent a desirable characteristic of the tax system; investors give even more importance to the clarity of rules and predictability. Therefore, it is necessary to work on creating stable and predictable tax policy with a timely announcement of tax changes in order to enable entrepreneurs to adapt themselves to the newly created conditions. In addition, it is necessary to have public hearings as an imperative in the process of changing the state tax policy.

>>> INVOLVEMENT OF BUSINESS COMMUNITY IN THE PROCESS OF CREATING POLICIES AND REGULATIONS IN THE AREA OF HEALTH CARE SHOULD BE BETTER

RECOMMENDATION: International companies which possess the necessary know-how and best practice in the area of health care have to be consulted in order to transform this area into a modern and efficient health care system. Having in mind the fact that changes in this area have an impact on the society as a whole, it is necessary to involve companies in the decision-making process in a timely manner in order to provide for a stable development of the health care system.

>>> PUBLIC PROCUREMENT PROCEDURES ARE COMPLICATED AND SLOW

RECOMMENDATION: The new Public Procurement Law and introduction of the e-procurement should simplify the public procurement procedures as well as foster their transparency and efficiency.

>>> THERE IS INADEQUATE WASTE DISPOSAL AND LACK OF RECYCLING

RECOMMENDATION: It is necessary to improve the legal framework and practice in the waste disposal area and then establish infrastructure at the local governance levels for separate waste collection and its recycling.



Patron members



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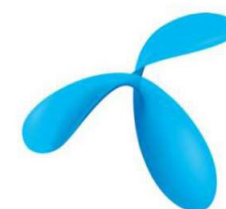


HIPOTEKARNA
BANKA

Vama posvećena



PHILIP MORRIS
MONTENEGRO D.O.O.



telenor



Zapad Banka
AKCIONARSKO DRUŠTVO - PODGORICA

