



AMCHAM  
MONTENEGRO

BUSINESS  
CLIMATE  
REPORT 2019–2020





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# PREFACE



**PRESIDENT OF AMCHAM MONTENEGRO  
BOARD OF GOVERNORS,  
MR. NIKOLA TRIPKOVIC**

Coca Cola Hellenic Bottling Company Montenegro

It is my pleasure to present AmCham Montenegro sixth Business Climate Report, which is prepared biannually and represents the overview of AmCham member companies' stances of the climate for doing business in Montenegro.

The report provides a comprehensive overview of the business climate and, as such, represents an important tool for potential investors on the Montenegrin market but it also gives guidelines and recommendations to decision-makers as to in which area the business environment should be additionally fostered.

Following the standard methodology of compiling this report, we had forwarded a

questionnaire to our members, containing a number of questions relating to the general conditions for doing business, as well as the conditions in individual areas such as the following: rule of law, human resources, taxation, construction and real estate, health care and environmental protection. Additional areas, as follows, were integral parts of the questionnaire as well, digital transformation, tourism and hospitality and public procurement, which were recognized by our member companies as the key areas for the overall assessment of the business climate in Montenegro. Apart from that, taking into consideration the circumstances which affected the global economy in 2020 due to the new COVID-19 pandemic, the effect

of corona crisis onto the local market was also analyzed in this Report. Therefore, the results of this Report have never before been more important for identifying the key reform processes which shall lead to improving the business climate and encourage investment activities as well as creating jobs.

The strength of this Report lies in the existence of comparable results from a two-year period which enables us to monitor the key reform activities, commend those reforms that were successfully implemented or point out the areas which have been stalling for years. The Business Climate Report for the period 2019-2020 will be presented to the key decision-makers

in Montenegro, representatives of other countries' governments, international institutions, business associations, potential and present investors on our market as well as to all those who have shown their interest in improving conditions for doing business in Montenegro.

In the end, I would like, on behalf of my colleagues from the Board of Governors and the AmCham Executive Office, to thank the member companies for the information and inputs provided for the compilation of this Report, from which we have derived specific recommendations representing a good basis for streaming the work of our Committees and activities in the public policy area.





# 2020 – The year which marked the global economy



In 2020 the global economy was almost stopped due to COVID-19 pandemic, leading to an unprecedented economic crisis. The global economy suffered the biggest decline in the past couple of decades, judging by the economic data from individual countries. The world financial institutions agree that gross domestic product (GDP) shall fall at the global level, however figures and prognoses change and remain uncertain due to the continuous situation relating to COVID-19.

COVID-19 pandemic is an entirely new kind of crisis that no country faced before so that countries do not have adequate experience that could help them mitigate the consequences to the economy and society at the global level. This crisis does not have a clear hotspot in the financial system that can be identified so that it could be treated with adequate policies and measures, but this is rather a health crisis caused by COVID-19 onto the economy. The prognoses for the economic recovery vary, however credible institutions foresee that it will take a long period of time for the global economy to resume its pre-pandemic level. Regardless of when the economic recovery will actually start and how long it will take, the fact is that the year of 2020 shall be remembered as a very hard one.

Global sectors of retail, hospitality, air traffic, tourism and foreign trade exchange have been severely hit by the pandemic in question. One of the consequences of COVID-19 crisis will

be the process of additional locking down of states and economies, as well as shortening the supply chains. In addition, it is estimated that COVID-19 will accelerate the Fourth Industrial Revolution by merging artificial intelligence, robotics, Internet, 3D printing, nanotechnology and biotechnology, quantum computing and other technologies that will fundamentally change the ways in which we live, work and in which we are interconnected. States dependent on tourism shall look for ways to decrease the effects of hospitality and tourism onto their economies.

Social distancing measures at the work place remain valid until the global immunization is implemented, which shall have a negative impact onto productivity. Economic activities are also affected by sharp decrease in demand i.e. consumption because many citizens were made redundant and they tended to shop less than before due to uncertain future.

Cooperation among governments, researches and producers was more intensive than ever in the last quarter of 2020 resulting in creation of the vaccines which may end this pandemic. After the regulatory authorities confirm the safety and effectiveness of the vaccines, the huge endeavor of vaccinating 7 billion people will follow. Experts foresee that it will take several years until the entire population is vaccinated, which means that testing, social distance and everyday use of protective equipment will remain our daily routine for a while.



# Montenegrin Business Climate Overview



COVID-19 crisis did not miss Montenegro either, which, being a country in transition, is even more affected than the so called developed states. The pandemics' economic consequences are even higher having in mind the fact that we faced the crisis with a relatively high unemployment rate, high participation of public debt in GDP and dependence on revenues from tourism and hospitality sectors. The health care system of Montenegro showed in practice, during the first half of 2020, its readiness, dedication and capacity to react in the epidemiological situation caused by corona virus when in June Montenegro was the only European country without a single active COVID-19 infection case. Unfortunately, due to failure to follow the epidemiological measures and increased spreading of COVID-19, by the end of the year Montenegro was again under strict measures. These measures included decreasing or total termination of economic activities for a certain period of time and therefore represented a significant blow to the commercial entities, especially small and medium sized enterprises. In the environment of insecurity and fear from the third COVID-19 wave, commercial entities continued to operate with certain reductions of their operational and production capacities.

Public administration stated that one of the following tasks would be restructuring of economy in order to enable better allocation and decrease dependence on tourism and

hospitality. On its path to attract investments from developed countries, Montenegro will face strong competition and therefore it will have to work hard on improving the business climate in the country.

The year of 2020 was significant because of the Parliamentary elections which took place by the end of August when more than three quarters of Montenegrin population exercised their right to vote. The voting process itself, upon which, after more than thirty years of having been in power, the ruling coalition became opposition, was administered peacefully with full observation of all epidemiological measures. Until recently the ruling Democratic Party of Socialists was the leading political party in Montenegro since 1991 and it headed the country at the time when it became independent from Serbia in 2006 and led it towards its membership in the EU. In 2017, Montenegro became a member of NATO Alliance. The present ruling coalition formed by the political parties which cherish differing political programs, formed the expert Government which represents a novelty in the composition of the executive power so far. The reorganization was done, as well as decreasing the number of Ministries by their merging, with an aim to achieve rationalization of costs and optimization of state authorities. All these events, although of political nature, significantly affected the business climate.

In 2019 and 2020 Montenegro continued negotiating process for the EU accession. In the negotiating process so far, it completed a significant task by preparing to undertake implementation of the acquis in many areas. Recommendations from the latest Progress Report of the European Commission relate to development of the functional market economy in order for Montenegro to get prepared to be competitive and face competition. This will be especially hard at the time in which COVID-19 led to serious economic challenges, thus posing significant pressure onto public finances.

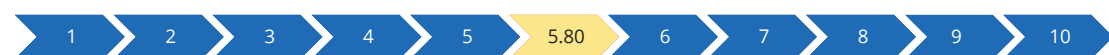
Through the AmCham Program “Partnership for Better Business Environment” established in 2017, communication with public administration was intensified in order to additionally develop dialogue between state and private sectors aimed at achieving openness and transparency on both sides. In 2019, additional three Ministries

joined the Partnership: Ministry of Public Administration, Ministry of Science and Ministry of Education became members apart from the previous partners: Ministry of Finance, Ministry of Economy, Ministry of Health, Ministry of Labor and Social Welfare and Ministry of Sustainable Development and Tourism.

In order to estimate the level of satisfaction of the business community with the business climate in Montenegro, we asked our member companies to estimate the business climate in general by using the 1-10 scale, as well as to estimate the specific industries that they operate in. The overall average mark for the business climate in Montenegro is 5.80 which is much lower than the mark given in the last Business Climate Report for the period 2017-2018 which was 6.29.

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### THE OVERALL MARK OF THE BUSINESS CLIMATE IN MONTENEGRO FOR THE PERIOD 2019-2020

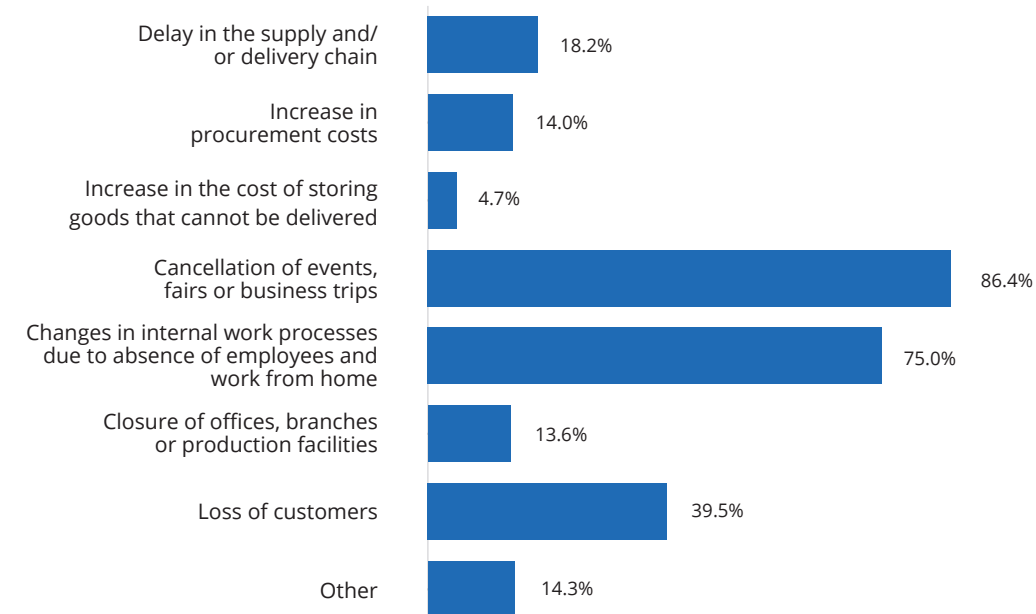


The main reasons for giving such mark, our member companies listed decline and stagnation of the market caused by COVID-19 pandemic and measures for fighting it. The economy is non-liquid, demand for services and commodities is decreased while financing assets with favorable interest rates are hard to reach.

The question posed as to in which way the COVID-19 pandemic affected the business activities in 2020 was answered by majority of the respondents that they had to cancel their business events as well as to reorganize they

working process due to the leaves taken by the employees and work from home. Around 40% of the respondents lost their clients while some companies faced delays in supply chains and deliveries, increase in the procurement costs and closing offices/branches and production facilities. As a consequence, lack of summer tourist season and tourists led to the decrease in turnover in related sectors, such as real estate and retail as well as to decrease in consumption of certain products due to decreased purchasing power of the population.

### INFLUENCE OF COVID-19 PANDEMIC ONTO THE BUSINESS ACTIVITIES IN 2020

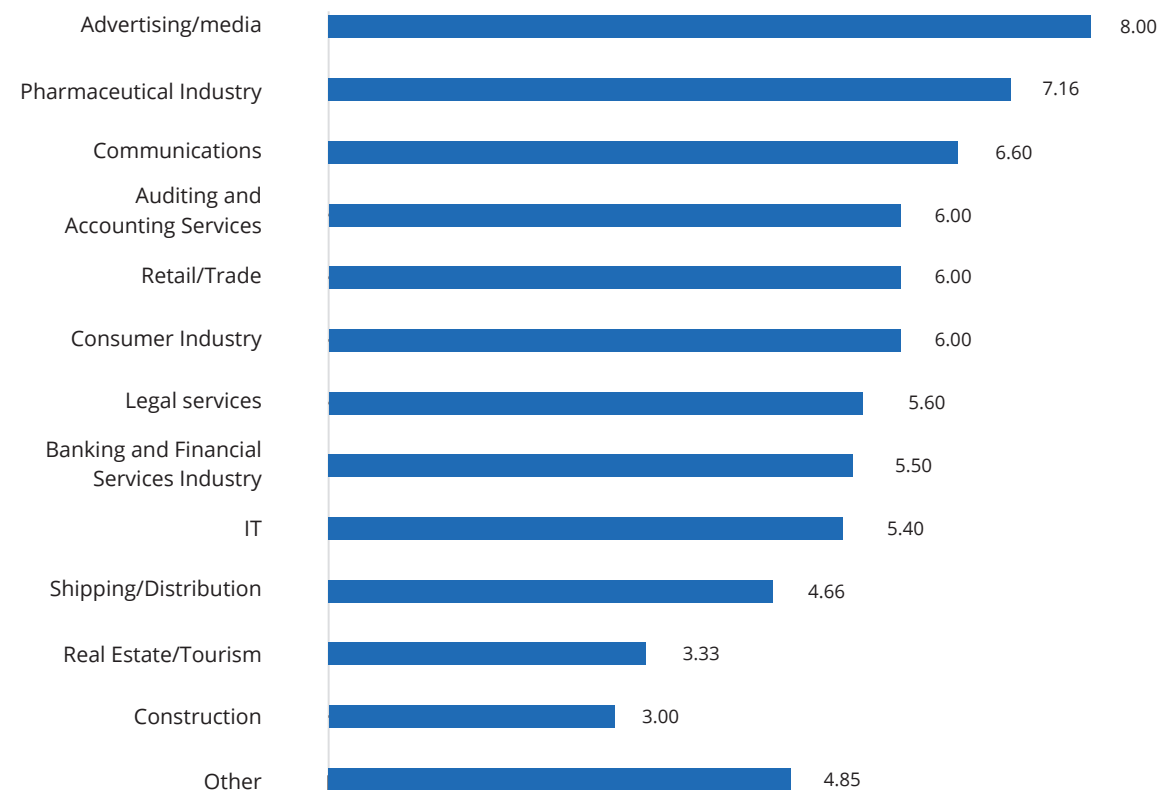




Sectors which have been marked as the most favorable for doing business are advertising/media and pharmaceutical industry. We are pleased to see that advertising/media sector is considered to be highly favorable for doing business since the Reports presented two years

ago and four years ago considered it to be the worst marked industry sector. While, during previous years, freight transport/distribution, real estate and construction and tourism were the best marked sectors, now the situation in these sectors is of concern.

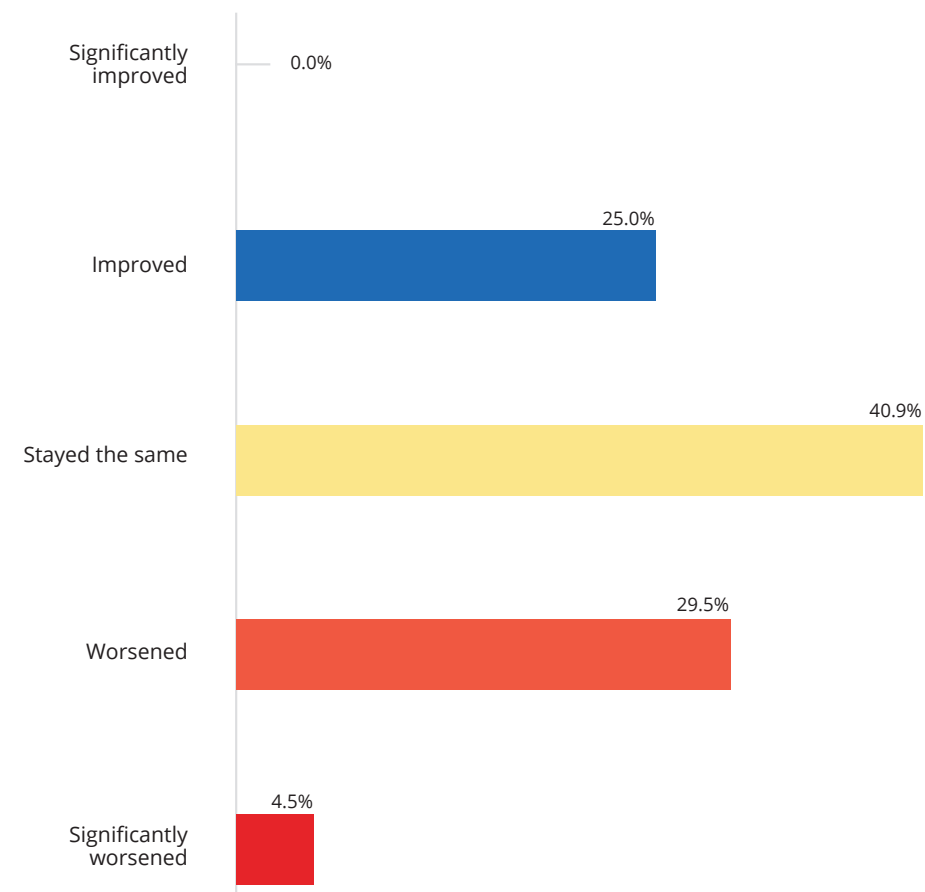
### ● ● ● BUSINESS CLIMATE IN MONTENEGRO AS SEEN BY INDIVIDUAL SECTORS (MARKS 1-10)



When it comes to the business climate in the past two years, around 40% of the member companies estimated that there were no changes while around 30% of the members believe that the climate has worsened i.e. around 5% of the member companies believe

that it significantly worsened. One fourth of the member companies which participated in the survey believe that the business climate improved.

### ● ● ● BUSINESS CLIMATE IN THE PAST TWO YEARS





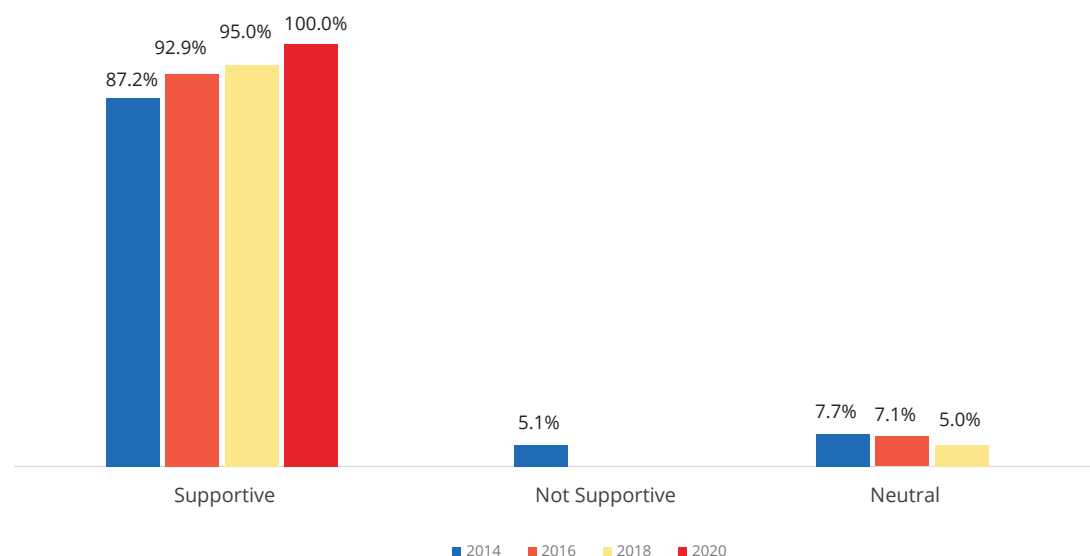
Just like in the previous Reports, the member companies point out that unfair competition still represents a huge impediment to creating a competitive market, which makes Montenegro an insecure destination for foreign investors. When it comes to the change of systemic laws, the member companies are concerned by the lack of timely policies and by unpredictability of their creation, as well as slow harmonization of domestic regulations with the EU legislation.

The benefits of investing in Montenegro as seen by our respondent member companies are favorable taxation system and currency stability, as well as state's natural resources, geographical

position, climate and tourism. Positive elements of doing business in Montenegro are continuous EU pre-accession process of Montenegro and its NATO membership which make it an attractive investment destination.

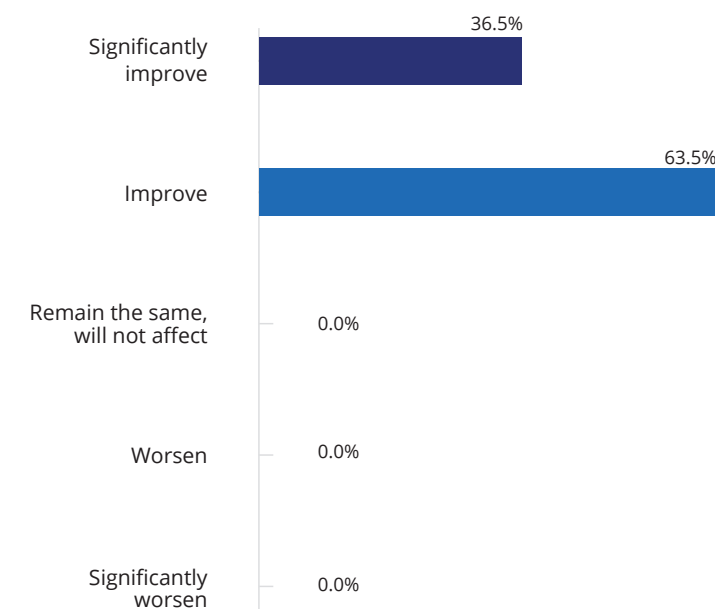
What is interesting is that business community 100% supports Montenegrin EU membership, which is a step forward compared to the previous years when the survey was done. All the respondent members believe that the conditions for doing business will improve i.e. will significantly improve when Montenegro becomes the EU member state.

### OVERVIEW OF THE AMCHAM MEMBER COMPANIES' POSITIONS ABOUT THE EU MEMBERSHIP IN 2014, 2016, 2018 AND 2020



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### INFLUENCE OF MONTENEGRIN EU MEMBERSHIP ONTO THE BUSINESS CLIMATE

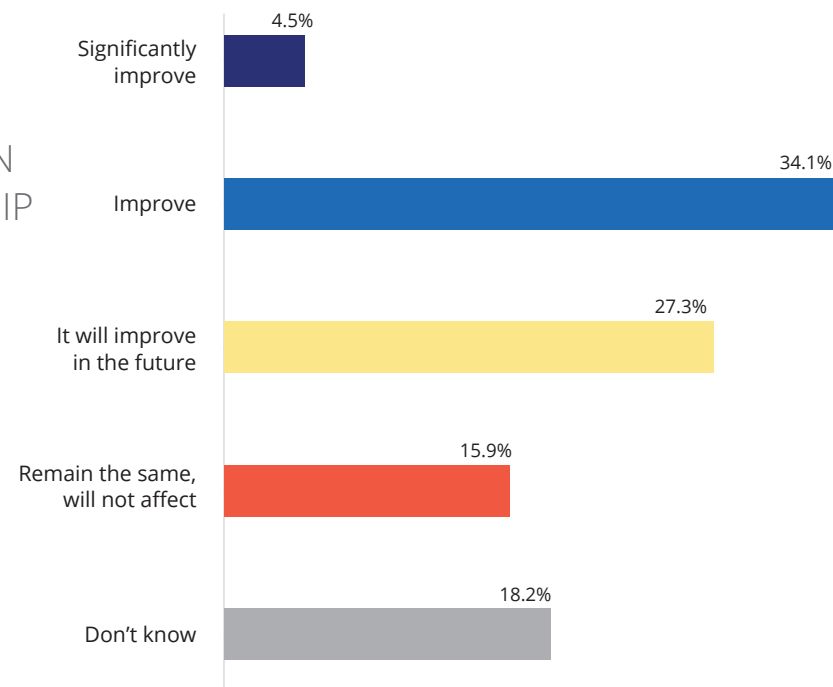


NATO membership is not a precondition for the EU membership but it represents a recommendation since Montenegro had to meet certain standards and requirements for NATO membership, which will be evaluated on its path towards EU membership, since these two processes are compatible. It is estimated that since Montenegro became NATO member country, foreign direct investments' inflow from NATO member countries doubled. It is evident from the conducted survey that almost 40% of the member companies believe that

business climate in Montenegro improved/ significantly improved by Montenegrin joining the Alliance, while one third of our member companies believe that the improvement is still to come. About 16% of our members believe that the environment did not change, while 18% cannot decide whether or not there were any changes at all.



### INFLUENCE OF MONTENEGRIN NATO MEMBERSHIP ONTO THE BUSINESS CLIMATE



AMCHAM

Digital

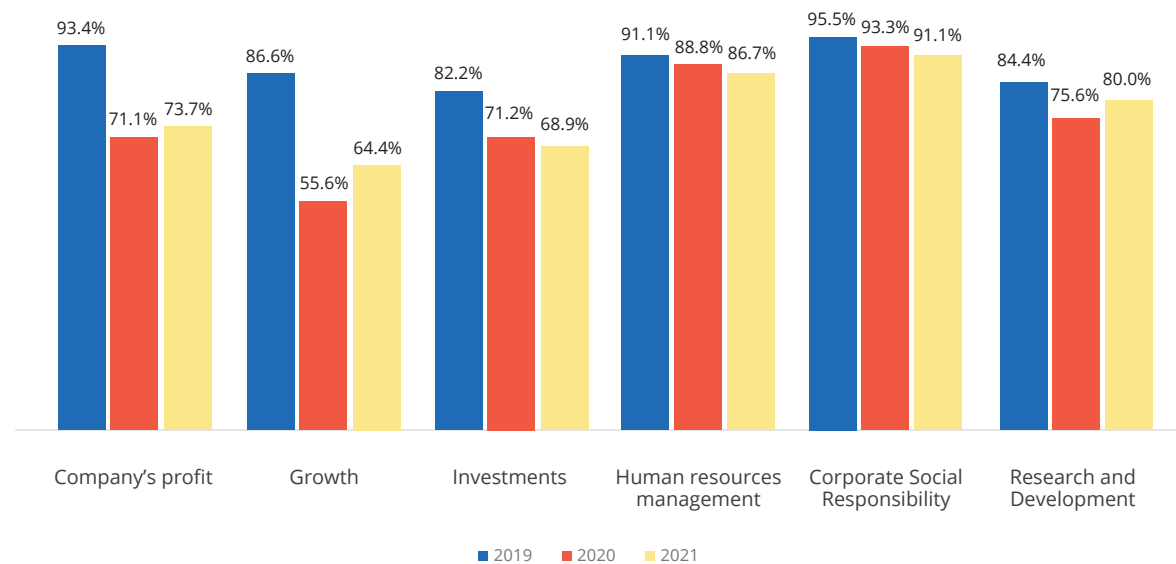
Shaping the Future of Health

[www.digital.amcham.me](http://www.digital.amcham.me)

In the questionnaire, the member companies estimated the results achieved by their respective companies during the previous and current years, as well as the results projected for 2021. Although 2019 was well estimated in the areas of company profits (93%), company growth (87%) and investments (82%), the positive trend did not continue due to COVID-19 pandemic where decline in these areas is evident – profit (71%), company growth (56%) and investments (71%). When it comes

to the forecasts for 2021, companies expect a slow increase in profits and company growth, as well as investment decline. Respondent member companies estimate their human resources management and corporate social responsibility as being good or very good one. The estimates that in 2021 the members will invest more in research and development than it was the case in 2020, are encouraging.

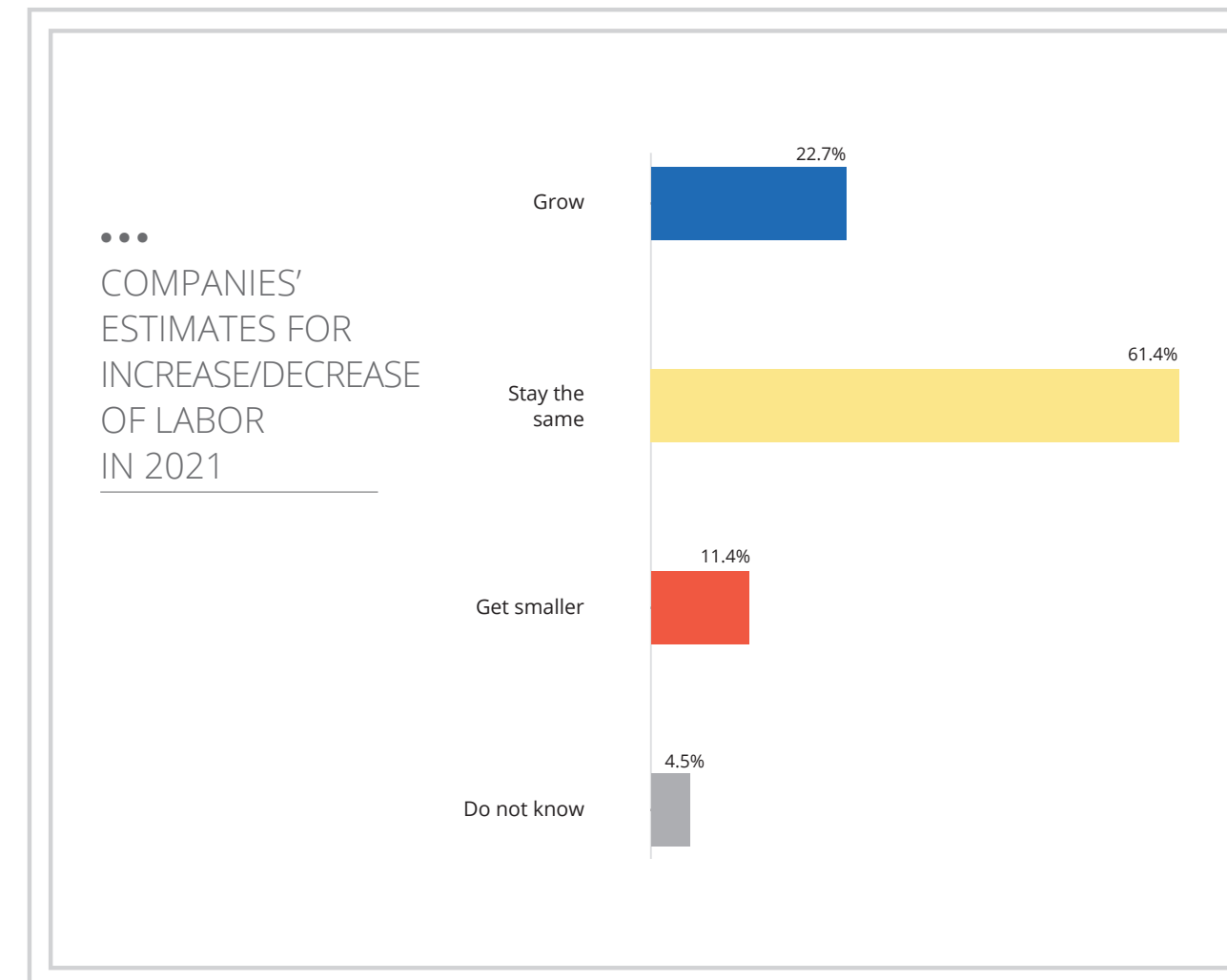
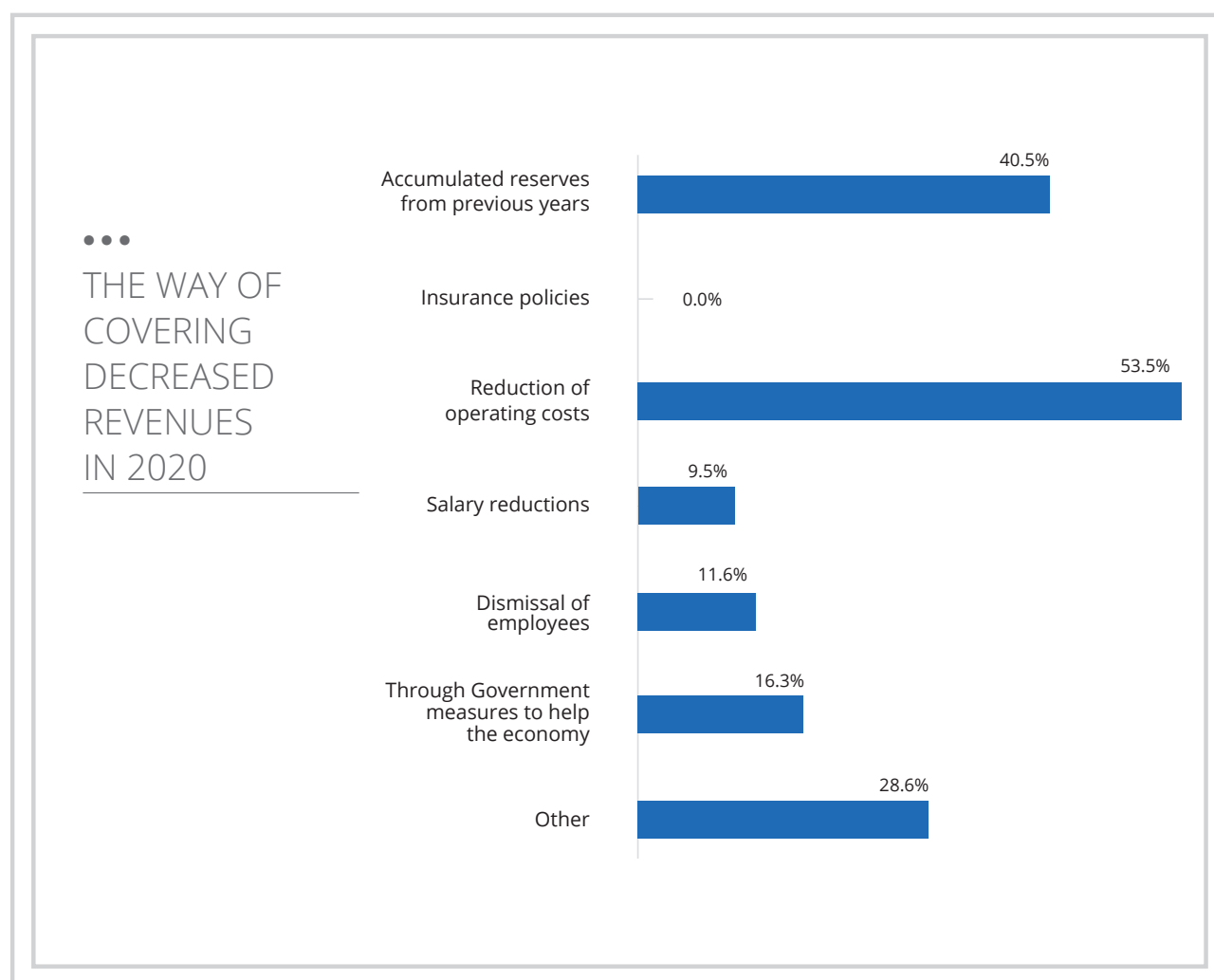
### COMPANIES' BUSINESS RESULTS ESTIMATES FOR 2019/2020/2021





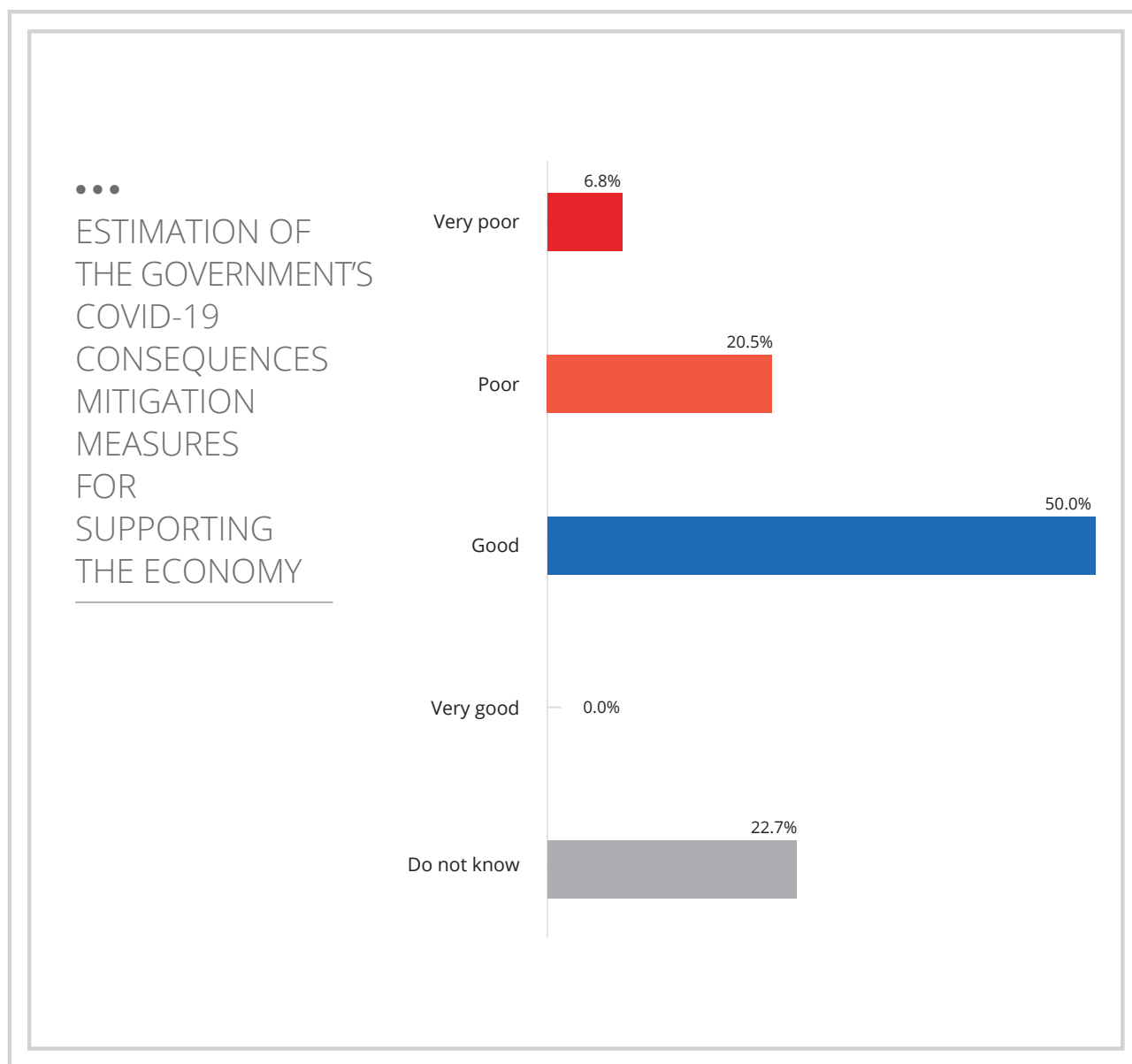
When it comes to decreased revenues in 2020, over half of our member companies plan to cover them through decreasing the operational costs, while around 40% of the member companies will also use accumulated reserves from the previous years. Somewhat over 16% of member companies intend to use Government subsidies for supporting the economy, while around 11% of respondents

will go for making employees redundant. In 2021, 61% of respondent member companies estimate that the number of employees will remain unchanged while around 11% plan to fire employees. What is encouraging is that almost 23% of respondent member companies said that they expected the number of employees to increase.



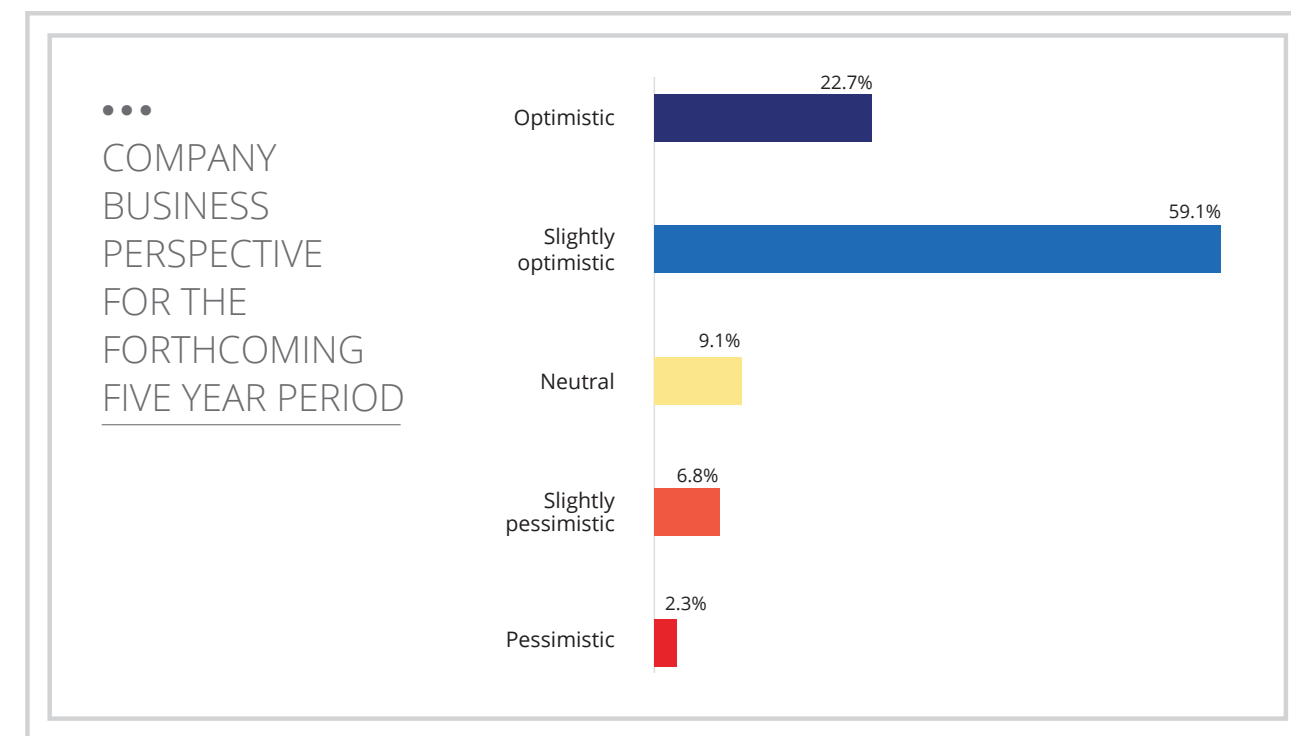
Half of the respondent member companies estimated that Government's COVID-19 pandemic mitigation measures for supporting the economy were good, while almost 30% of member companies were not happy with them,

estimating them as either bad or very bad. Around 23% of respondent member companies did not present their estimate because they said that they would not use them at all.



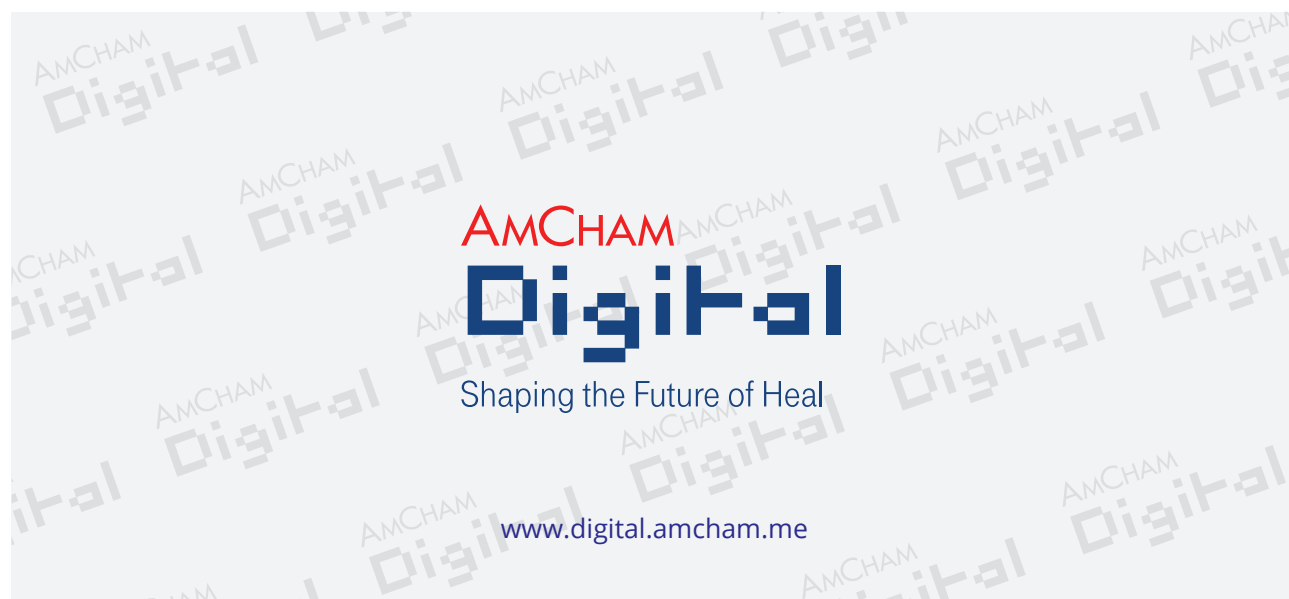
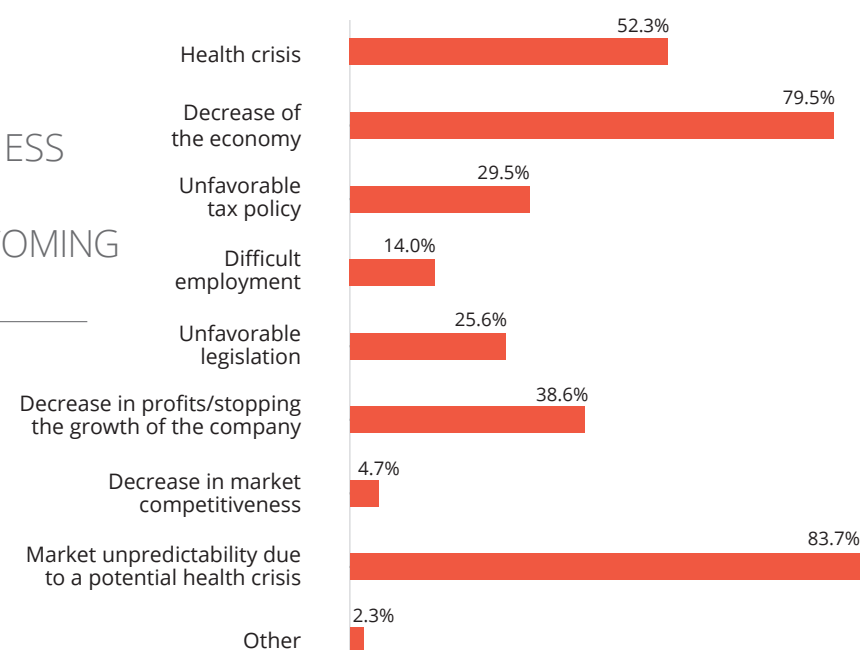
We asked our member companies to assess the business prospects for the forthcoming five year period and to comment on it. 23% of the member companies gave an optimistic estimate, while 59% of them gave somewhat optimistic estimate. As the main reason for their optimistic estimate, the member companies stated continuous reforms that were undertaken for the sake of Montenegrin EU accession process, which would lead to the improvement of all aspects of doing business, inter alia, through harmonization with the EU acquis. The member companies estimate that in the forthcoming period the grey market will be limited and that foreign direct investments coming from the western countries will be increased. Montenegro is characterized by

good regional connections, thus member companies estimate that the market will recover relatively soon and will resume its pre-pandemic level of competitiveness in the following couple of years. Around 9% of the member companies believe that the forthcoming five year period will be a bad one due to the economic consequences of COVID-19 pandemic and decline in tourism sector. The member companies are concerned by the increase in public debt, which undoubtedly will have effect on fall of the capital market, as well as on decrease of value and profitability of investments. Certain member companies expect rise in taxes and business costs in order to service public debt.





...  
MAIN BUSINESS  
RISKS IN  
THE FORTHCOMING  
PERIOD



»»  
Rule of Law



## INTERVIEW WITH THE GREY ECONOMY COMMITTEE VICE-PRESIDENT, MS. SVETLANA VUKSANOVIC

Philip Morris Montenegro

**AmCham:** How would you describe the current situation on the grey market or in the grey economy in Montenegro?

**Ms. Vuksanovic:** When speaking about informal economy, the state of affairs has not changed significantly since the previous Business Climate Report from 2018. High taxes and contributions discourage paying of tax obligations, while weak control absolves companies of risks leading to the situation where grey economy exceeds 30% of Montenegrin GDP. The lost tax revenues are not the only problem but their negative effects that are reflected onto the entire society. One of the effects of grey economy is unfair competition caused by the subjects doing business in the grey zone thus resulting in the situation where those companies that are doing business pursuant to the law and meet their obligations towards the state become less competitive on the market. In many sectors, moonlighting, smuggling and sale of illegal goods, lack of issuing the fiscal invoices etc. are still dominating the market.

All in all, such state of affairs leads to the situation where those entrepreneurs who operate legally are forced to reduce their business activities, lay off their employees, close their operations or opt for operating in the grey zone themselves.

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

**Ms. Vuksanovic:** As the process of our cooperation with the Ministry of Economy on drafting the Law on Commercial Companies is about to finish, we have continued to work on by-laws which will regulate the implementation of the Law, especially in the area of functioning of the Central Register of Commercial Companies. We have joined the working group of the Competitiveness Council Secretariat in charge of working on by-laws in order to simplify the process of initiating business activities. The aim is to decrease time necessary for company registration and

the number of steps necessary to do this. By the documents in question, a step forward has been made in order to achieve the ultimate goal which is registration of companies, whereby that entire process will be done electronically.

**AmCham:** Which areas or issues do you deem still vital to be resolved in order to decrease the volume of grey economy in Montenegro?

**Ms. Vuksanovic:** It is necessary that state authorities recognize fighting grey economy as one of their priorities in order to stabilize public finances. That, however, still has not been done successfully in Montenegro, not even after numerous announcements, strategies and action plans. It is necessary to promote the principle of equality before law for all subjects, being one of the core principles of the rule of law and state of law. There is a serious institutional problem in terms of the lack of inspection personnel, which has to be resolved as soon as possible, since the state has to increase control over all potential detrimental practices. In line with that, good implementation practice has to be followed by adequate court decisions and penalties reached by the judiciary.

Since 2021, electronic fiscal taxation will be in place which should enable the Tax Administration to have an insight into entrepreneurs' doing business in real time. We will see if online fiscal taxation improves tax

collection and therefore leads to decrease in informal economy, as it had been announced by the Ministry of Finance when the overall process of tax administration reform was initiated. From the point of view of economy, I would like to reiterate that it is necessary to include commodities and services turnover with those subjects who operate illegally, therefore the Law onto itself shall never be enough to fight grey economy in Montenegro.

**AmCham:** Do you believe that COVID-19 pandemic will have consequences onto grey economy as well?

**Ms. Vuksanovic:** It certainly will. COVID-19 pandemic affects already low living standard of majority of the population, whereby all decrease in citizens' purchasing power significantly affects strengthening of grey economy. According to the analysts' estimates, high unemployment rate and poverty represent a fertile ground for booming of the grey market, especially in the area of excise goods' turnover. Moonlighting is of special concern, since those working in that way will face additional safety risks, being exposed to health risks at work by often working without adequate protective equipment and due to the lack of following adequate protection measures. All of those additionally endanger efforts of the state and the society to put the epidemic under control.

## >>> RULE OF LAW – SURVEY FINDINGS

Just like in all previous Business Climate Reports, survey findings show that it is necessary to invest much more efforts in order to improve rule of law representing a core prerequisite for stabile economy growth. Adopting clear legislation, harmonized with the EU acquis, and its consistent implementation represent a precondition for creating attractive environment necessary to attract foreign investors. All systemic laws need to be adopted with comprehensive consultations with vocational and business associations in order to prevent frequent amendments to the laws caused by impossibility to implement them in practice.

Law has to be the same for all economy stakeholders, and legislative norms have to be implemented in a non-selective manner in order for the state to eradicate unfair competition. As many as 64% of respondent member companies believe that equal implementation of the law principle is badly applied.

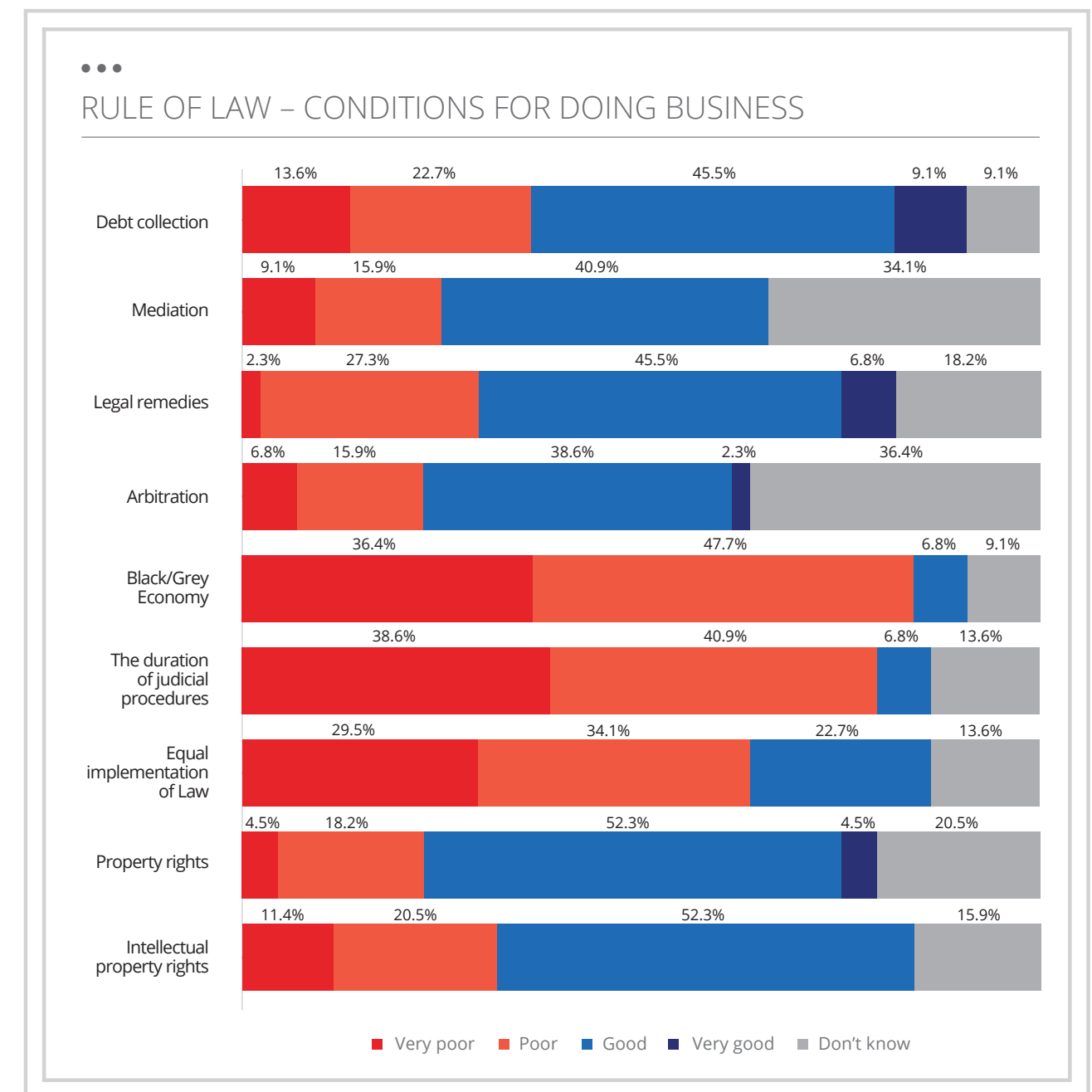
The existing norms have to be implemented in a more energetic manner, adequate penal policy has to be created and it has to be consistently implemented in practice. Let me remind you, in order to work more efficiently on fighting grey economy, the Government established a new Commission for Fighting Grey Economy

by the beginning of 2018, composed of the representatives of the state institutions and authorities. A year later, the composition was broadened to include the representatives of business associations, with an aim to include various stakeholders gathered around the same project – fighting grey economy. Unfortunately, this body has not been very efficient so far, it is estimated by the economic sector. In the area of rule of law, just like the previous years, member companies are not happy with the level of grey economy (84% of respondent member companies).

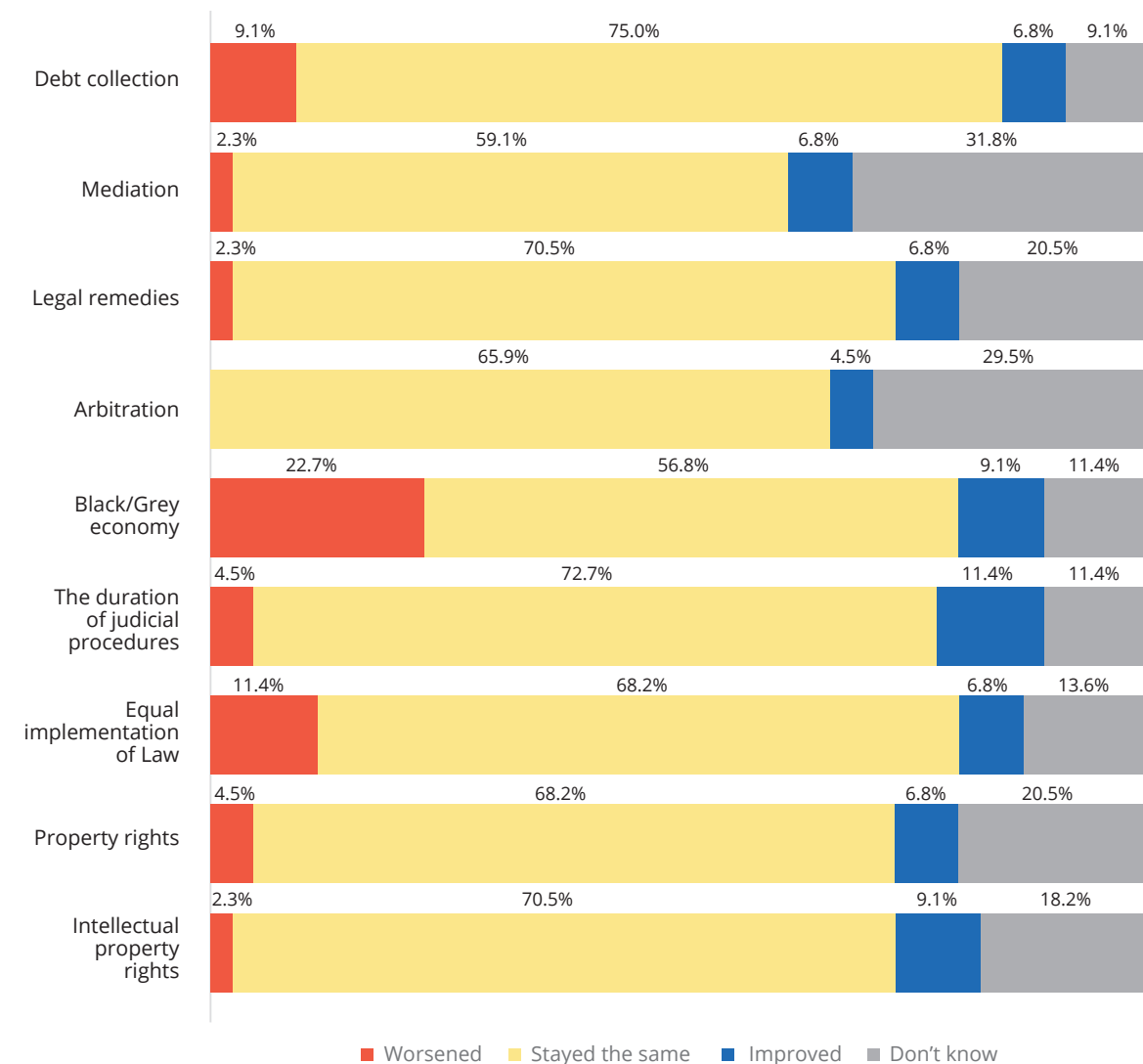
The member companies also considered the judiciary, stating that it was necessary to additionally strengthen independence of courts and prosecutorial offices in Montenegro, as well as institutions such as Judiciary and Prosecutorial Councils. Court decisions are different in the same or essentially the same court cases and therefore efforts should be invested in order to have training for judges organized. Member companies also believe that duration of court proceedings is a problematic issue (80% of member companies estimated this issue as being either a very bad one or a bad one). 73% of member companies believe that conditions for doing business in terms of court proceedings' duration have not changed in the past two years.

Over one half of member companies estimated collection of debts to be positive, as well as availability of legal remedies, private and

intellectual property rights, thus we can state that there is a continuous improvement in these segments of rule of law.



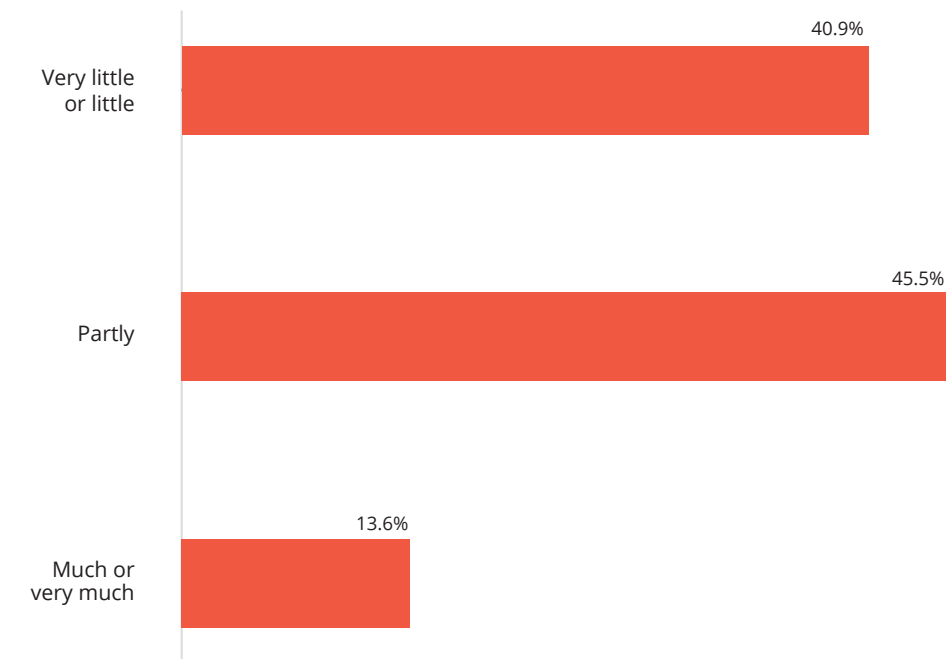
### ● ● ● RULE OF LAW – CHANGE TO THE CONDITIONS FOR DOING BUSINESS



Within Rule of Law chapter, member companies estimated the effects of corruption onto their business activities in Montenegro. Expressed in percentage, almost 41% of member companies estimated that corruption had very little or little effect on their business, while 45% of

them responded that it had a partial effect. Unfortunately, around 14% of the member companies believe that corruption has either much or very much effect on their activities.

### ● ● ● EFFECT OF CORRUPTION ON BUSINESS ACTIVITIES IN MONTENEGRO







# Human Resources



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

Crnogorski Telekom

**AmCham: What is your estimate of the current situation on the labor market and legislation in the area of labor relations in Montenegro?**

**Ms. Jovovic:** As for the legislation, by the beginning of 2020 the new Labor Law came into force, whereby its implementation followed, which soon showed both advantages and faults of this regulation. Although numerous segments were improved by the new Law, there is still room for improvement, especially having in mind circumstances imposed by COVID-19 pandemic.

As we from the Labor Relations Committee have pointed out on numerous occasions, the new Law should have been established on the bases promoting responsible employers rather than trying to put an end to the business practices of those who do not obey the regulations, by imposing new administrative barriers. As I said two years ago when we had an interview, there is still a certain level of imbalance between demand and offer of labor available on the market, although some steps

forward are evident. To that extent, there has been a constant work on developing dual education system which represents a good basis for improving the quality labor offer. Changes on the labor market happen fast, certain professions are not in demand any more, however in the meantime the new ones emerged and we have to adapt to changes. We witness the high number of those made redundant around the world due to COVID-19 pandemic, however the crisis also makes jobs in other areas more in demand and we should be ready to meet that demand.

**AmCham: Which activities have been undertaken by the Labor Relations Committee in the past two years in order to improve the business climate in the area of labor?**

**Ms. Jovovic:** Labor Law was published in the Official Gazette of Montenegro by the end of 2019, preceded by intensive communication with the line Ministry and with other business associations as well, whereby we came to the common conclusions about the priority issues

that needed to be amended in the Law. The common stance of the business associations was also presented and supported at the Competitiveness Council's meeting, but I cannot say that decision-makers took into consideration the final proposals that we had forwarded to them. Nevertheless, we will continue to advocate for those solutions that we believe should be improved in the Law, in order to have a clear and liberal legislation harmonized with the European standards passed.

It goes even without saying that 2020 was rather challenging for all, including us who deal with human resources management. We all – employees, companies and even the state had to adapt to the new labor circumstances and to organize distance work i.e. work from home. A large number of employees, for the first time, were given the opportunity to work from home, which, under these circumstances, is considered to be a health care benefit. As far as this issue is concerned, business community demonstrated a responsible attitude because, in a record deadline, employers, taking into consideration recommendations of the authorized bodies, created conditions to organize work from home for all jobs for which it was reasonably possible. Work from home implies numerous challenges because we bring work home where we have been trying to synchronize on the one hand professional obligations and constant presence on the

digital communication platforms with our responsibility towards our families and everything that our home represents for us on the other hand. Some managed to adapt well, others were less successful, however COVID-19 situation was a novelty for all of us who manage human resources that we learned a lot from. We will see if those systems of work are viable once all of this is over. I can say that we found a great support in each other and thematic meetings of the AmCham HR community called AmChaT where we exchanged practical experiences regarding organization of work in line with the measures for fighting COVID-19. At those meetings, we discussed reorganization, optimization and simplifying of new business models, measures and activities for increasing productivity and decreasing costs, but also emotional issues of our employees and how to help them cope with the new circumstances of working and living.

**AmCham: It has been a year since the new Labor Law came into force. Which legal solutions have to be additionally improved in order to increase competitiveness on the labor market?**

**Ms. Jovovic:** I shall repeat what we discussed two years ago – regulation of labor relations in Montenegro is problematic from various points of view. Therefore, we can say that there is a huge normative hierarchy since labor relations are regulated by the Labor Law, General

Collective Agreement, Branch Collective Agreements and individual i.e. Collective Agreements with individual employers. This means that an answer to a seemingly simple question from the area of labor relations has to be looked for in four different regulations that are often not harmonized with one another and they exclude one another. Only a couple of months after the Law came into force, COVID-19 pandemic revealed to us lack of harmonization between the Labor Law and General Collective Agreement at the moment when the following question was posed: How long and how much in terms of salary is an employer obliged to pay to an employee in case that employment was terminated without any guilt on part of an employee?

In addition, numerous issues that were previously regulated by the General Collective Agreement were terminated by coming into force of the new Labor Law, with an obligation to sign the new General Collective Agreement within one year as of coming into force of the Law in question. 2020 is about to end and new General Collective Agreement was not signed. A situation like this, raises the issue of harmonization of the branch collective agreements and collective agreements with employers (which also has to be done within one year) because these regulations are also related to the General Collective Agreement. In order not to have such issues happening again in the future, our proposal was, and it still

is, to have all the issues relating to the labor relations compiled under the Labor Law.

In addition, the new Labor Law kept as a provision the obligation on the part of the employer to increase employees' salaries based on the past labor. Past labor, being a basis for increasing salaries represents a legacy of a past era that is not recognized by modern European legislature. The case is just the opposite one: employees' salaries should be a subject to performance achieved and results of work and not the mere fact that an employee has previous working experience.

I would like to use this opportunity to mention that it seems that the new Labor Law had detrimental effect on the issue of estimating the work performance of employees because it disabled those employers who have a representative Labor Union, since they are obliged to regulate the issues of work performance estimating measures and norms by Collective Agreements. That means that those employers who within their companies have the representative Labor Union have to obtain the consent of that Labor Union if they want to regulate the issue of employees' work performance. Other employers, however, who do not have representative Labor Unions regulate this issue by their general regulation – i.e. they do not need a consent from the Labor Union.

Although short lived, the implementation of the Law so far has shown that certain solutions were not precisely regulated, which faced the business community with different interpretations of the same norms, this being a matter of concern. As we have emphasized on numerous occasions: we need precise, clear legal solutions which will bring down the need for interpretation to the lowest possible level and we also need norms that shall reflect the real life situations and follow them; otherwise, this all is just talking the talk and not walking the walk.

**AmCham: To which extent have the existing provisions of the labor legislation proved to be flexible under the changed working conditions caused by COVID-19 pandemic?**

**Ms. Jovovic:** This is a very interesting question. Governmental measures relating to the limitation or banning of work and movement, measures relating to the paid leave for certain categories of employees and recommendations given to employers to organize work from home to the extent possible, required an urgent reaction on the part of employers with numerous dilemmas derived from them and relating to the area of labor relations. Nobody foresaw the pandemic nor could have anyone foreseen it, including the new Labor Law. Therefore, when it comes to labor relations, business community was often left alone to try to give answers and find the best solutions to these issues. I will

give the example of work from home which is indeed regulated by the new Labor Law, however that legal solution is not applicable to the pandemic conditions. Therefore, it is necessary to regulate this issue in a more liberal manner – the manner which, for example, will enable occasional work from home and shall not require such work to be registered with the Tax Administration. Therefore, business community needs a solution that will regulate the real situation that we all now live in (which, however, represents a grey zone from the point of view of regulations) in a way that will enable interests of both employers and employees to be protected. Montenegro is not alone in the fight against pandemic, all the states are in the same boat, but developed states reacted fast and tried to mitigate the negative effects of the pandemic onto the employers by amending the labor regulations. They started amending the regulations in the area of labor relations regarding regulating the work from home issues, flexible working hours, regulating leave etc. It is necessary for Montenegro to follow these examples and that the line Ministry recognizes numerous challenges that employers are currently facing. COVID-19 related situation indeed represents a precedent when it comes to labor relations, and it is therefore necessary to urgently introduce more flexible conditions relating to the amendment of the agreed working conditions. Of course, business community is ready to support this process and offer the best solutions based on their best practices.

## »» HUMAN RESOURCES – SURVEY FINDINGS

The new Labor Law came into force by the beginning of January 2020 after numerous consultations among the social partners. The Labor Law was also the main topic on the agenda of the Government's Competitiveness Council where the entrepreneurs, through their elected representatives in the business associations, pointed once again that certain solutions had to be revisited being the basis for creating a competitive labor market. Notwithstanding the insisting on the part of the economy subjects, the General Collective Agreement still remains the integral part of the current labor legislature, while past labor still represents a basis for the increase of the basic salary. AmCham Montenegro communicated these issues, as well as the other ones, on numerous occasions to the Competitiveness Council as well as to the line Ministry.

Having in mind the importance of this regulation for the employees, employers and all the citizens of Montenegro, Ministry of Labor and Social Welfare opened a special e-mail address for the interpretations or clarifications of the new Law to be addressed there, whereby all the queries are posted online, which represents an excellent practice that should be applied by the other state authorities as well.

Around 64% of the member companies estimated in the questionnaire that the situation on the labor market was either bad or very bad, which is equal to the estimate from the previous Business Climate Report. One of the biggest problems in Montenegrin labor legislation are inflexible legal solutions and procedures. Flexibility of the labor market should be seen as one of the ways to reduce unemployment. At the time of exponential changes on the market, when many jobs and professions get closed and annulled, while new models and approaches arise, the lifelong learning concept has to be given a vital role. Apart from this measure, in order to increase employment, it is necessary to better network all the institutions in charge of education in order to harmonize their work with the employers' needs and their market demand. The respondents believe that decision-makers lack transparency in the process of work while business community is still not adequately involved in the decision-making process.

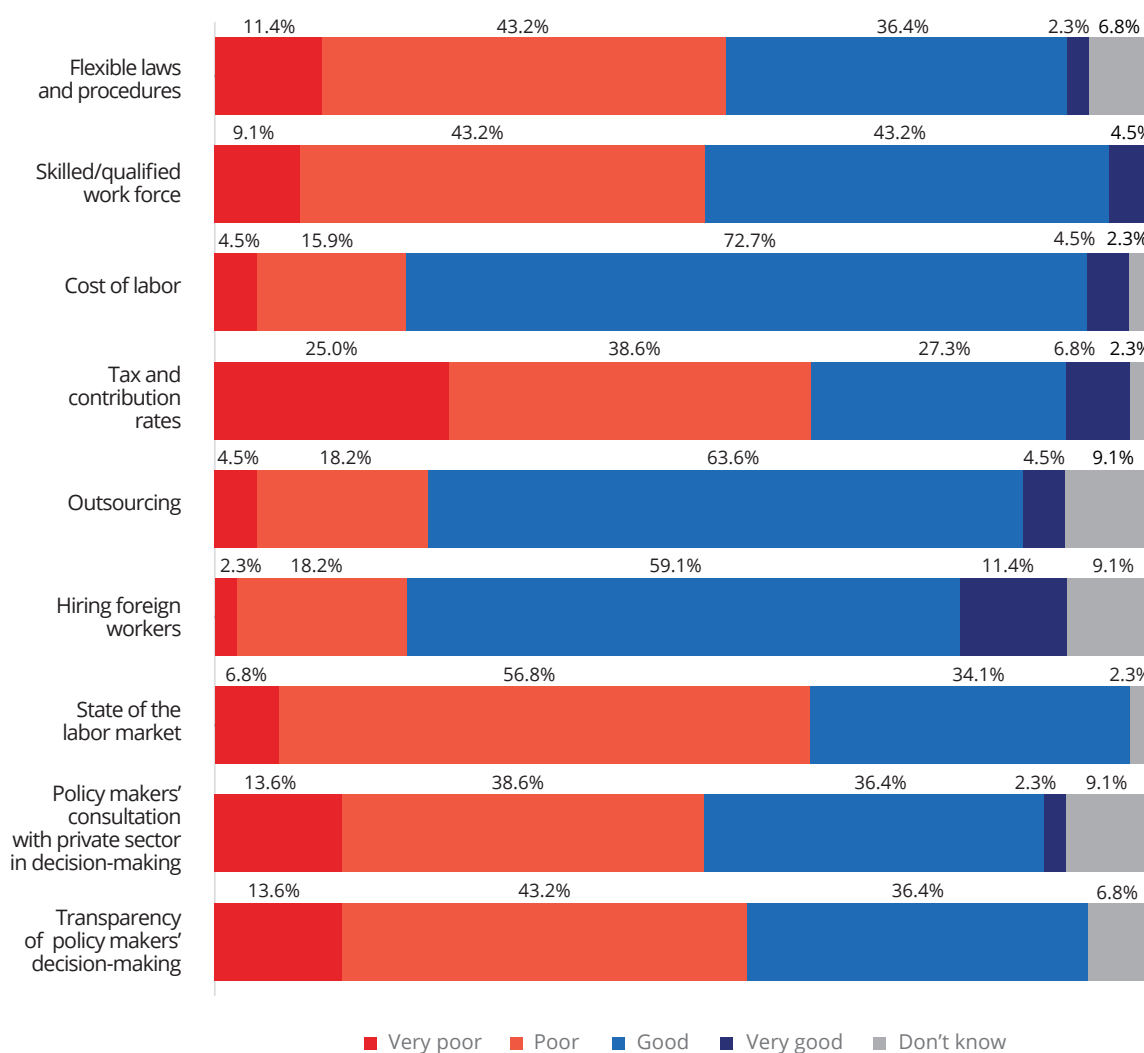
What is positive is that labor mark is estimated by 77% of respondent member companies as being either good or very good, which represents a significant step forward compared to the findings of the surveys from 2018 (66%) and 2016 (56%). Amendments of the provisions for employing foreigners represent a step forward

in the improvement of Montenegrin business climate through increasing competitiveness and employing foreigners. This aspect of doing business was estimated as being either good or

very good by around 71% of respondent member companies, while there is an evident trend of satisfaction increase compared to 2018 (54%) and 2016 (53%).

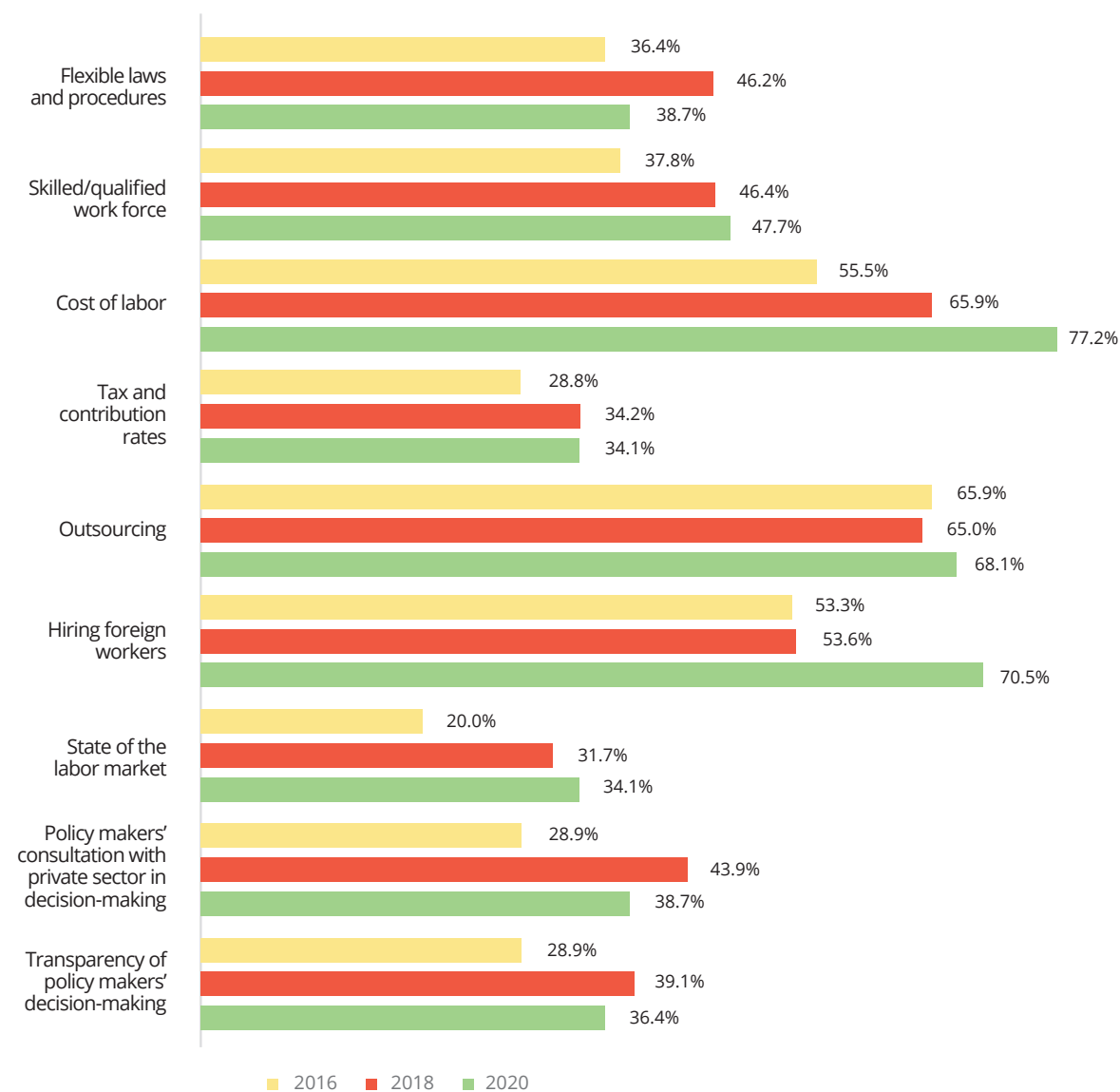
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## HUMAN RESOURCES – CONDITIONS FOR DOING BUSINESS



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## HUMAN RESOURCES – CONDITIONS FOR DOING BUSINESS, COMPARISON OF THE SATISFACTION FROM 2016, 2018 AND 2020



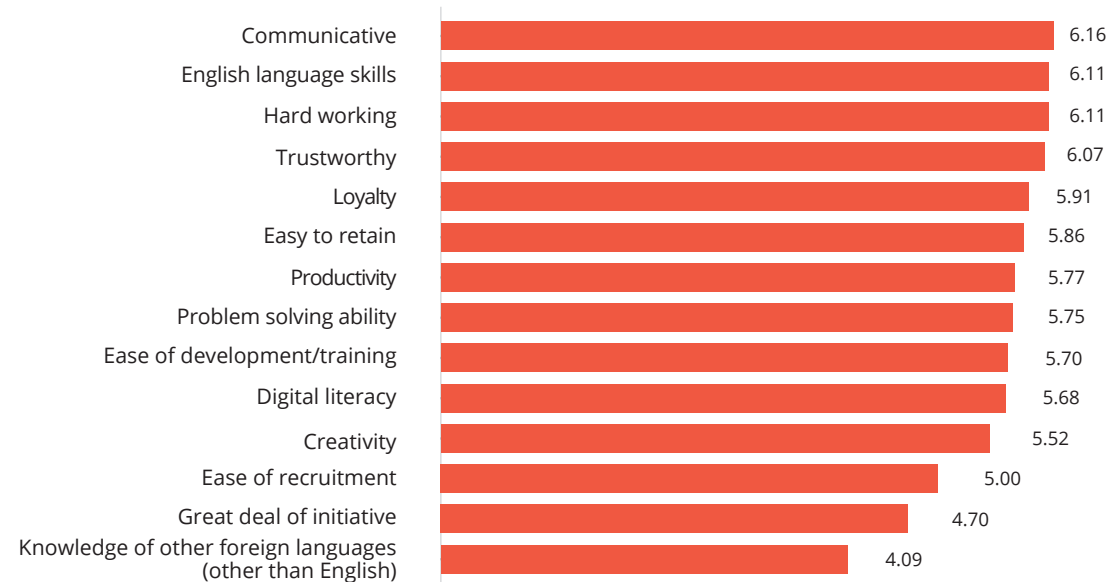
Just like in the Reports so far, the member companies believe that efforts should be made in order to change educational curricula, but also to change the way of learning in the educational institutions. Education needs to be updated and modernized in order to bridge the gap between employers' needs and offer on the labor market. The youth have to be increasingly informed about new jobs and potentials available in the employment sector, whereby entrepreneurial spirit and private sector have to be promoted as the main driving forces of economy. Montenegrin market is deficient when it comes to professions which require specific knowledge and skills such as data analysts, system engineers,

administrators, AI and VR programmers, quality control and customer relations engineers etc.

Within this survey, we asked the respondent member companies to mark the human capital in Montenegro by using the 1-10 scale. Personnel are communicative, work oriented, responsible and loyal and it is easy to retain them. Their knowledge of the English Language is a fairly good one, however the worst marks were given for speaking other foreign languages. Apart from that, they lack self-initiative and creativity when performing working tasks, while their digital literacy also has to be significantly improved.

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### HUMAN CAPITAL IN MONTENEGRO, USING THE 1 TO 10 SCALE



# Digital transformation





## INTERVIEW WITH THE DIGITAL TRANSFORMATION COMMITTEE PRESIDENT, MR. DMITAR CULAFIC

Saga NFG

### **AmCham: How would you describe the current situation in the area of digital transformation in Montenegro?**

**Mr. Culafic:** I always try to point out that digital transformation first of all implies transformation of the society as a whole because it brings not only the technological but also social challenges and it affects the life of every individual. We are witnesses that current pandemic is the best accelerator of digital transformation throughout the world, including Montenegro. Companies have found new distribution channels; citizens have been given the opportunity to finish their tasks in an easier and much faster manner, whereby digital transformation has been given a momentum. Now all of us, as a society, have to make efforts not to stay at the initial momentum but to make a further step forward and to discover new benefits of the digital world and to use them to our advantage.

### **AmCham: Which activities have been undertaken by the AmCham Digital Transformation Committee in order to improve the situation?**

**Mr. Culafic:** As we have defined when we established the Committee, the AmCham Digital Transformation Committee's mission is, first of all, to create digital friendly environment in Montenegro. I am pleased that in the past two years we managed to gather around thirty modern and successful companies, both international and local ones, which represent the driving force of economic growth in Montenegro.

As our main activity, I would like to emphasize that we have initiated, together with other business associations, establishment of a highly positioned Governmental body, which will deal with digital transformation of the state. Decision-makers within the previous Government's composition, recognized the importance of this initiative and gave

the green light to establish a body that will head the process of digital transformation of the state and I am positive that the new composition of the Government will position this issue high on its agenda.

As for the cooperation with the state administration, AmCham's Program "Partnership for better Business Environment" was joined by the Ministry of Public Administration, Ministry of Science and Ministry of Education and therefore we are looking forward to opening our Committee to the partners from the state administration. Upon the invitation from the Ministry of Public Administration, AmCham nominated the representative in the working group for drafting the new Strategy of Digital Transformation of Montenegro, as well as a representative in the Government's e-administration Council. It is very important to create modern and legal framework when it comes to numerous issues with the prefix "e-"; therefore this Committee actively and continuously participates in drafting regulations. I have to say that I am pleased to have one lawyer's firm among our Committee's member companies so that our proposals for amending the legislation are strongly supported from the point of view of law.

Apart from that, by using their own expert and business capacities of the AmCham member companies, the Committee members have realized numerous activities aimed at familiarizing commercial companies which

operate in Montenegro with the need for digital transformation. Using digital technologies in daily business practices enables companies to significantly improve their business processes and that is what we have been familiarizing with this those entrepreneurs who may not have recognized yet potential advantages in the areas of productivity and competitiveness, in order to support and accelerate transition from the classic economy to the digital one in Montenegro.

### **AmCham: Have you planned further activities in order to improve this area in Montenegro?**

**Mr. Culafic:** It is necessary for the state to lead the transformation process in the forthcoming period in order to meet the challenges before us in a systematic way. Of course, AmCham Digital Transformation Committee shall do its best to be a reliable partner in this process and therefore we plan to intensify the cooperation, especially with the Ministry of Public Administration, through the Partnership Program, in order to create a bigger number of e-services and their better availability for both citizens and economy.

It is necessary to enable the transformation to be more open to the citizens as well as it is necessary to transform the education process so that new generations are ready for digital by default way of thinking. Therefore, in cooperation with the Ministry of Education,

science, culture and sport we plan to organize mini workshops with high school students in order to enable these young generations, who are just about to opt for a certain career in life, to see in which way digital transformation will influence all professions. In that way, they would get the full picture of how the system and the process function, whereby the companies would certainly get novel ideas and fresh insight from someone who is a user of their products or services.

**AmCham: How can we raise the level of digital literacy in Montenegro?**

**Mr. Culafic:** One of the sociological challenges of digital transformation is digital literacy which is a necessity i.e. a vital precondition. If we can say that so called ‘traditional’ literacy represents capability to understand concept, which implies reading, but also observing, writing and creating, then it can be also applied to digital literacy where we can say that, apart from understanding and simple connection online, capability to understand concept and possibility to create content are also needed.

Educational institutions should be responsible for raising digital awareness level with youth both at the global level and in Montenegro as well. Therefore, I am pleased to see that there are already some initiatives, even the entire projects, relating to the digital literacy so that we can say that future generations will be

ready and competent in terms of digital skills. I believe that the challenge will be our senior citizens who are currently “active” in terms of doing business, but who, during their own schooling period, did not have a chance to become familiar with the digital technologies. This is where I believe that business community, and I first have in mind business associations, should design a framework which shall include competencies requirements imposed by the digital transformation process and after that they should enable acquiring such competencies in cooperation with the Ministry of Education, Science, Culture and Sport. If we neglect acquiring competencies by our senior citizens, I am afraid that we will face a time gap where we will miss the opportunity even to discuss progressive economy, as well as accelerated growth and development.

## >>> DIGITAL TRANSFORMATION – SURVEY FINDINGS

Digital transformation, although it is an issue that has been discussed for the past couple of years only, is happening before our eyes, whether we like it or not. The question is not any more whether or not the state and the economy should enter digital transformation process, but when they should do that and at which cost. The sooner we initiate that process, the lower the price because further development of the business environment depends on our readiness as a state to get digitally transformed. Montenegrin economy has to be reorganized and transformed into the digital one as soon as possible, because digital economy does not need significant investment, plants and infrastructure because it operates based on the principle of assets, data and information, ideas and knowledge. Digital transformation is equally applicable both in economically highly developed countries and those characterized by lower or low level of economic development.

On the transition path from the analogue to the digital environment, the economy stakeholders believe that it is necessary to adapt the legal system and establish the body composed of the key stakeholders from the state, economy, research and development and academia, who

would coordinate digital transformation process in the state. Therefore, AmCham Montenegro, together with other business associations, in mid 2019, initiated the establishment of a coordination and advisory body in charge of digital transformation which would include the aforementioned stakeholders. Being a Council, this body would be highly positioned in the Government, due to the extreme significance of this issue, and according to our suggestion, it should be presided by the Prime Minister. The body in question would serve as support to the public administration in creating adequate legal framework and infrastructure, modern e-government, raising information security level, supporting start-up ecosystem, reforming education, health care, digitalization of the business processes, e-business etc. With successful digitalization implemented both in public and private sectors, Montenegrin competitiveness would be increased on the global market, whereby, in the end, we would become European point of reference for innovative individuals and companies. The Government and line Ministries welcomed the initiative regarding establishment of the body which would head digital transformation process in Montenegro, however, COVID-19 crisis stopped the formal establishment of this body. The economy



stakeholders agree that the state should head digital transformation process of economy and the society, therefore founding of this body is necessary to create overarching networking among economy, public sector and educational institutions, which would enable making steps forward towards creating a smart society.

In Montenegro, ICT companies, banks and telecommunication operators are in the centre of the digital ecosystem, however, it is necessary to broaden this composition and include all society layers. In the area of education, it is necessary to work on the activities aimed at raising digital literacy level. Digital education of the new generation by implementing digital technologies and economy's digital transformation shall enable establishment of new forms of competitiveness in modern doing business and keeping up with the global trends in the economic development. Programming knowledge shall not only be needed by those who decide to work as programmers, but also those who decide to work in any other areas such as health care, education, economy etc.

AmCham Digital Transformation Committee was founded by the end of 2018 with an aim to foster digital development of companies in Montenegro and facilitate the transition onto digital doing business, as well as to support state administration in the process of digital transformation of the state. The Committee serves as a hub for exchange of good practices and knowledge in this area and improving Digital

friendly environment in Montenegro. Apart from that, the Committee fosters development of an innovative ecosystem, which enables all citizens to deal with start-ups in order to be competitive on the global market.

We are witnesses that COVID-19 pandemic did more for digital transformation in Montenegro in one year than it had been foreseen by all strategic documents and action plans. Digital transformation accelerated in many business areas, as well as in health care and education, whereby the general knowledge and public awareness about the need to have digital transformation were raised. Due to their capacities to adapt quickly to changes, all those businesses which realized that they had to offer their services and products online and which transformed their business stayed operational.

Montenegrin Digital Transformation Strategy for the period 2021-2025 is being drafted. Being a member of the working group for drafting the Strategy, Digital Transformation Committee pointed out that the Strategy had to be established on the basis of the EU Digital Strategy. In line with that, measures for overcoming the main developmental gaps in the digital society of Montenegro have to be drafted, especially in the area of developing digital knowledge and skills; it is also necessary to create an ecosystem which would support both formal education (first of all primary and secondary school education) and informal education (lifelong learning), and all of that with an aim to create digital friendly

environment in Montenegro and inclusive digital society. It is also necessary to invest efforts in developing competitive digital entrepreneurship and digital private sector with an aim to achieve faster transformation of the industrial into digital economy, as well as it is necessary to invest efforts into faster and further development and diversification of electronic services offered by the public administration and their use in daily lives of our citizens. The said activities should be followed by secure cyber space and reliable environment in order to enable citizens to use digital tools knowing that their fundamental human rights are protected. It is commendable that private sector is involved in the work on this document because we strongly believe that only by having timely and continuous communication we can jointly reach quality and efficient solutions which will be applied in practice.

Member companies believe that, first of all, state authorities have to be better connected in order to have access to information which they are in charge of. It is necessary to improve digital literacy in the state administration, which is not at the satisfactory level, in order for the state officers to be able to use and understand importance and benefits from e-business (becoming familiar with electronic seal, for example).

In addition, member companies believe that stronger support of the state to the economy is needed in the area of digital transformation, especially to the small and medium sized

enterprises in order to enable them to transform their business practices and be innovative by using new technologies. At the same time, it is necessary to decrease costs of implementing new technologies. It is necessary to emphasize the importance of the IT sector for further development of digital transformation process. There is an interest on the part of foreign IT companies to Montenegro to outsource a part of operations in Montenegro, however, big taxes and salary contributions represent business barrier, as well as lack of interest on the part of the state, to establish mechanisms which would facilitate business and introduce benefits for those companies which decide to invest in Montenegro.

When it comes to the process of managing digital transformation in Montenegro, the respondent member companies' opinions are divided: around 52% of them estimated the process as being either good or very good. The opinions are also divided when it comes to e-commerce in Montenegro (around 55% of member companies estimated it as being good or very good), as well as when it comes to accessibility and diversity of e-administration service. Around 61% of respondent member companies believe that the biggest problem with e-service is that the process in question is not entirely digitalized. It is of concern that 68% of member companies believe that population's digital literacy is either bad or very bad, while 59% of member companies estimated digital schooling/e-learning in the same way. Member companies believe

that there are not enough efforts invested yet in developing either artificial intelligence and advanced services or cyber security.

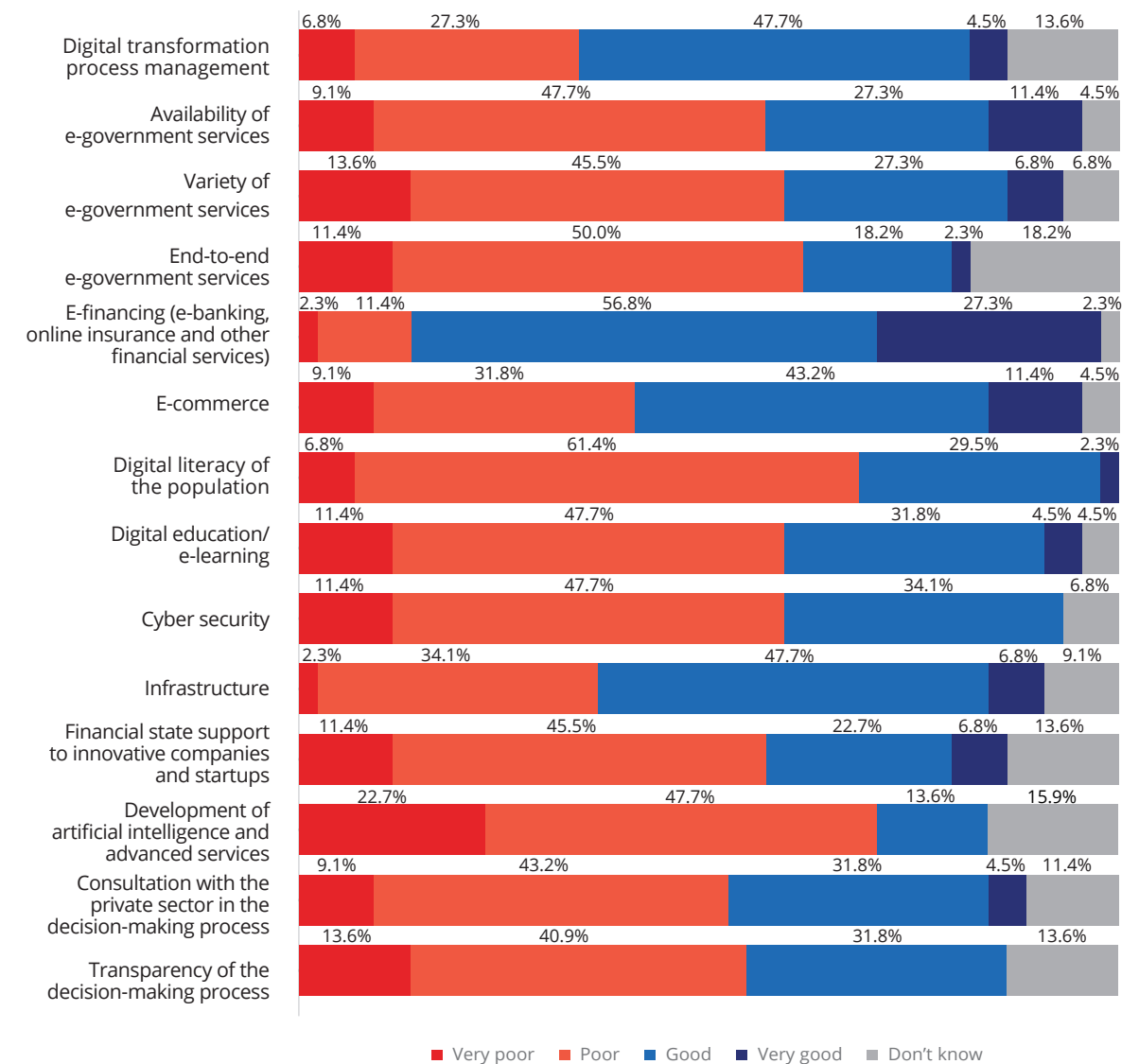
The best marked parts of the digital transformation process are e-finance i.e. e-banking, online insurance and other financial services offered by the banks and other financial institutions which were estimated by 84% of the member companies as being either good or very good.

In order to improve digital transformation process in Montenegro it is necessary to improve consultations with the private sector in the decision-making process, as well as transparency of the decision-making process itself. In addition, it is necessary to strengthen financial support to the innovative companies and start-ups, it was estimated by the AmCham respondent member companies.



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## DIGITAL TRANSFORMATION –CONDITIONS FOR DOING BUSINESS

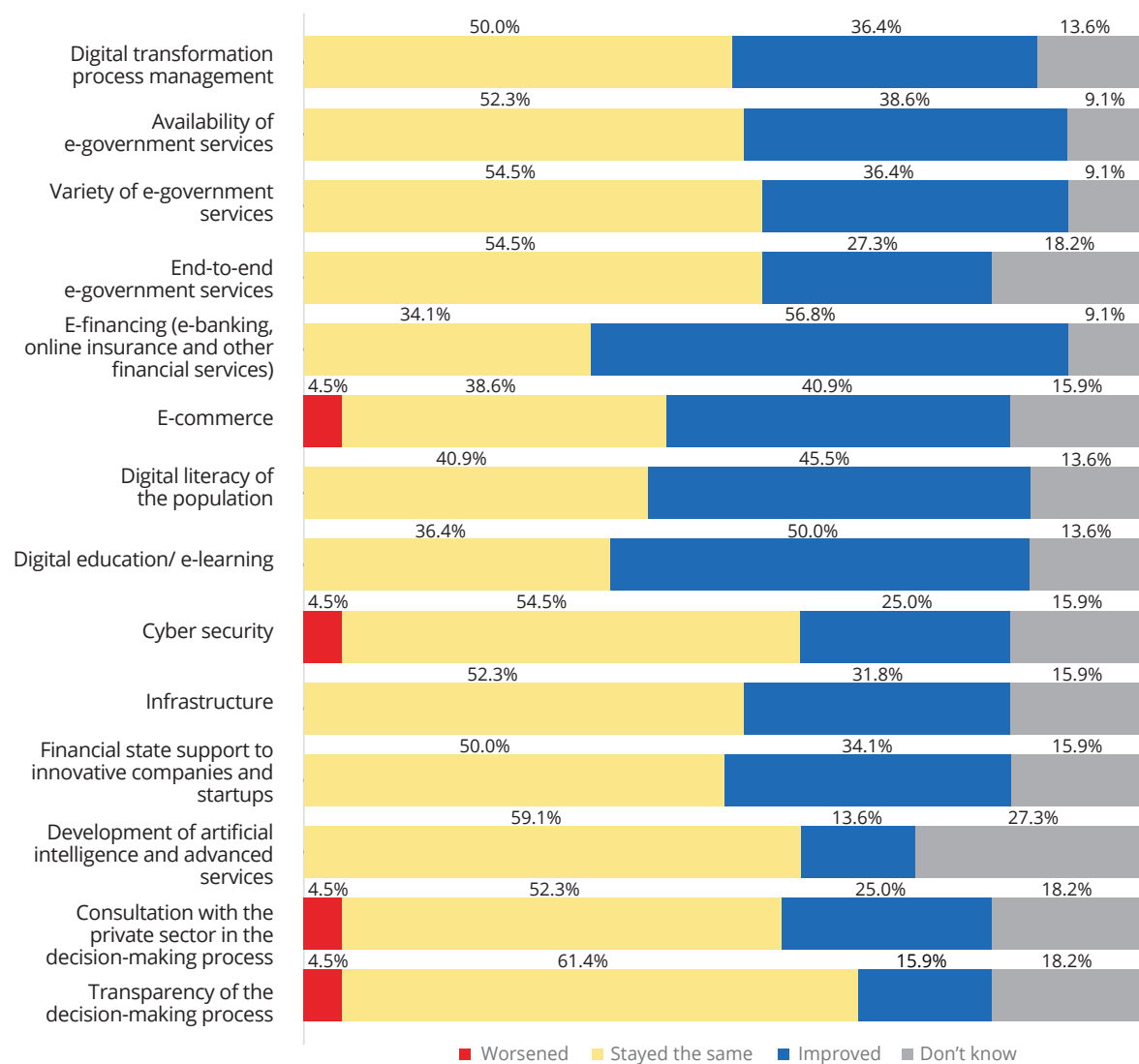


However, it is evident that Montenegro has made steps forward in the digital transformation process, especially in the areas of e-financing, digital schooling and

population's digital literacy, where the state of affairs has been improved compared to two years ago, it was stated by around half of the respondent member companies.

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### DIGITAL TRANSFORMATION – CHANGE IN THE CONDITIONS FOR DOING BUSINESS



# Health Care



## INTERVIEW WITH THE HEALTH CARE COMMITTEE PRESIDENT, MR. MILOS ICEVIC

Hoffmann – La Roche

### **AmCham: How would you estimate the current situation in the areas of pharmaceutical and health care policies in Montenegro?**

**Mr. Icevic:** It will be quite some time before we understand the full impact of the COVID-19 pandemic. However, the history of such crises tells us two things. First of all, the importance of prioritizing health and health care, being bases for prosperity. Second, it is a reminder that health care systems are facing unprecedented challenges with an aging population, an increased prevalence of chronic diseases, and that new communicable diseases and pandemics can emerge unexpectedly. This is imposing an increased demand for health care services and health interventions, including medicines, and a consistent need for innovation. To meet the upcoming demand, and to make the health care system more resilient in the future, it is necessary to create prerequisites for strengthening legislation and strategic investments.

When it comes to the regulatory framework in Montenegro over the past two years, we witnessed the adoption of significant amendments to the Law on Obligatory Health Insurance and Law on Health Care, and the latest, fully aligned with EU regulations, Law on Medicines.

Healthcare expenditure (HCE) in the 2020 state budget was the highest in our history, which certainly represents the valorization of 'health-as-priority'. However, HCE in Montenegro is still at the level of around 5% of GDP, whereas the EU average that we need to strive for is at 9.6%.

By reinforcing the value of innovation in medicine, patients' access to innovative medicines and diagnostics improved significantly over the past two years. Having in mind the fact that data from developed countries show that innovative medicines contributed to prolongation of life expectancy at 75%, I cannot find a better way to emphasize

how important this is for our patients and citizens. However, availability of those medicines is still not at the level of the EU, i.e. Croatia and Slovenia, but we are definitely on a progressive path and a leap ahead of most Western Balkans countries.

Speaking of innovation in digital health, progress has been made by introducing an increased number of e-services being available to the citizens, including telemedicine and teleradiology in the Main Referral Hospital i.e. Clinical Center and three General Hospitals. It is important to mention an ongoing implementation of an interoperable information system in the Clinical Center of Montenegro. This is a great basis for a future-proof health care system, but at the same time, there is a lot of important work ahead of us, which requires both speed and continuity.

### **AmCham: Which activities have been undertaken by the AmCham Health Care Committee in the past two years in order to improve situation in this area?**

**Mr. Icevic:** These two years have been really fruitful for the Health Care Committee with many activities and intense dialogue with decision-makers. We defined our strategic priorities under two pillars: Value and Access to Innovative Medicines and Digital Transformation of the Health Care System in Montenegro. Bold vision, assessment of

the current situation in Montenegro, region and worldwide best practice examples with proposed actions are captured in two Position papers of this Committee for both pillars. With reference to the first pillar, Value and Access to Innovative Medicines, the relevant Position Document was adopted by the end of 2019 with five activity areas: approval, pricing, the process of listing the medicines with the Republic Fund for Health Insurance (reimbursement), funding and importance of data digitizing and networking. We discussed this with all decision-makers, with focus on reimbursement and financing models. Importantly, we have also organized an educational workshop on novel pricing and payments models by using special Managed Entry Agreements, with the global director of the International Society of Pharmacoeconomic Research as trainer. The second Position Paper on Digital Transformation of Health Care System is under review, and it will bring a proposal of four activity areas, however it had been preceded by significant activities. We shall use it to propose key activity areas, starting from the National Strategy development, through curricula development for the employees in the health care system and students up to better data usage.

We have invested a lot of time into preparation of an international policy conference related to those two topics, but it has been postponed twice during this year due to COVID-19 pandemic. Nevertheless, huge work

was not wasted and opportunity wasn't missed as some activities were undertaken anyway. We are also about to launch a portal in the beginning of next year with credible content and speakers, education and dialogue with experts and general public. Importantly, we have created a great network with international opinion leaders and policy makers in these fields, which we will leverage for the future. The essence of all activities is continuous policy dialogue with all decision-makers based on evidence and meaningful experience exchange with other countries.

**AmCham: Do citizens of Montenegro have an access to innovative medicines and health care technologies?**

**Mr. Icevic:** As already mentioned, there has been significant progress in access to innovative medicines and technologies both for patients and citizens. With regards to medicines, after years of stagnation, in the past three and especially past two years, during 2018 and 2019 there were a few Reimbursement List updates that significantly improved patients' access in Montenegro. This is of particular importance for patients with diseases such as cancer and chronic conditions, as well as communicable diseases, that once were the main cause of high mortality rate and disabilities, whereby today they are successfully treated by innovative medicines. Here we do not only have in mind improvement in the results of medical

treatments, but also enabling improved family and socio-economic productivity.

It seems to me that those efforts are not recognized well enough by public, and therefore we have to do our best in order to understand added value both for patients and the society. Implementation of Managed Entry Agreements enabled increased accessibility and discount schemes for almost all new medicines compared with the legally defined maximum prices, which resulted in important savings for the system.

With regard to access to innovative medicines, there is one important segment that we discussed with decision-makers, which, however we didn't succeed to solve in 2020 – legal amendments regarding enabling reimbursement of medicines that are not on the Reimbursement List and funding of medicines for rare diseases. This is an urgent priority for 2021, as this was raised by patients' representatives, patients and caregivers as well. Since Reimbursement List's update in February, there were no discussions about new medicines, therefore we need to reestablish the continuity of the process which is both in the interest of citizens and the system itself. The pace of adoption is extremely important, even of vital importance, whether we're talking about the medicines or other technologies (such as digital technologies, diagnostics and therapies), because the pace of innovation is enormous. We cannot allow ourselves to lag

behind the developed world, because at one point the gap could be so big that it cannot be easily bridged, which is in fact the scenario that happens to some countries.

I will mention two examples, being a result of this. The World Economic Forum reported in its Annual report that the biggest gap in life expectancy between two countries was 33 years, while Swedish Karolinska Institute Pan-European research showed that 5-year-survival-rate from cancer varied from 40% to 64% in different European countries.

**AmCham: Which areas or issues do you still deem important to be resolved in order to improve business climate in the area of health care in Montenegro?**

**Mr. Icevic:** It is of utmost importance to prioritize health and health care, not only amid the current pandemic, but as a fundamental right of patients and citizens. In order to do this, we need a broad coalition of those willing to align on shared bold vision, and to commit to it by developing solid and modern long-term national strategies. This year was marked by the activities aimed at solving COVID-19 crisis. While these are still an ongoing vital priority, we cannot neglect other health care policies, but we need to apply the lessons learned from the pandemic and prioritize work on other health policies in order to ensure a resilient health care system and continuity of providing quality care

for all patients. The basis of these lessons learned and needs are prevention, access to innovative medicines and vaccines, digital transformation and increased efficiency of health care systems.

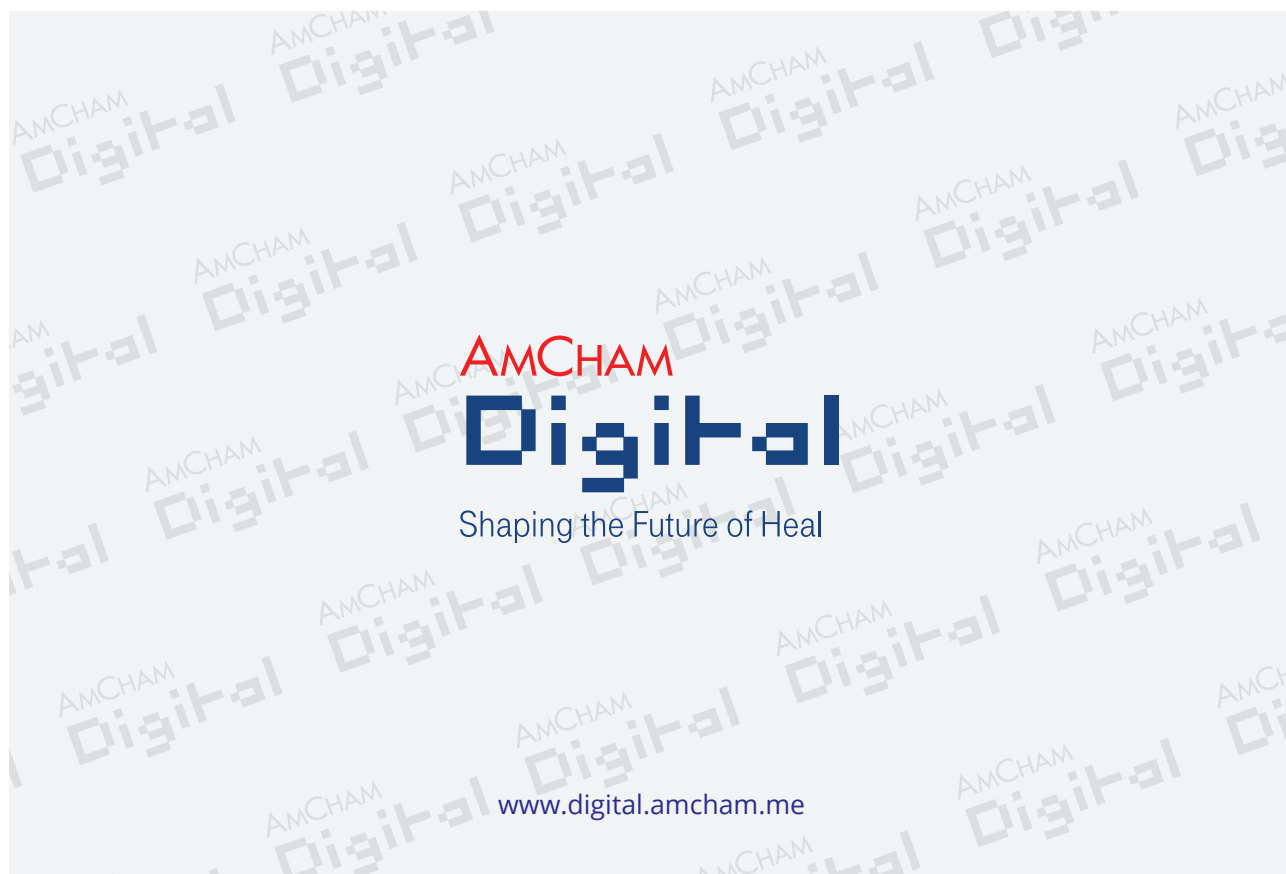
The European Commission paved the way for it with its Work Programs for 2020 and 2021 with: Europe's Beating Cancer Plan, Europe's Data Strategy (and European Health Data in particular) and Europe's Pharmaceutical Strategy which have been adopted this year. These documents address some of the key public health concerns that require immediate action (i.e. cancer) or the need to generate, collect and use large amounts of digitized health data in order to measure and improve treatment outcomes and achieve better health care efficiency. Europe's Pharmaceutical Strategy adopted at the end of November, following public hearing which had taken several months, positioned pharmaceutical industry, pharmaceutical innovation and affordable and accessible medicines for all Europeans, as the key priority in the forthcoming period. I would like to emphasize that these strategies were developed in collaboration between public authorities and regulators with industry, civil society, health care stakeholders, researchers, academia and many others. We need to use the same approach and principles to facilitate intense national dialogue, and an international experts' network for development of the national strategies for



fighting cancer, rare diseases and digital transformation of the system. As part of these initiatives, but also reflecting on Europe's Pharmaceutical Strategy, we will continue dialogue on reestablishing continuity of the reimbursement process.

I recently attended one global virtual symposium and the key message which I often quote is the following: the current public health crisis demands a remarkable level of cooperation across sectors and disciplines to prioritize health as a basis of

prosperity. This is exactly what the AmCham Health Care Committee will try to leverage in order to use the momentum to achieve our bold vision. Within this broad coalition we need to understand and look at health and healthcare not as a cost, but as an important investment. "Health is an investment, not an expense, although it will become an expense if we don't invest in it."



## >>> HEALTH CARE – SURVEY FINDINGS

After the breakout of COVID-19 pandemic throughout the world, for a justifiable reason, a lot of attention was paid to the way of operating of health care systems and comparing their efficiencies. Although the measures implemented vary across countries, depending on the particular social culture and health care system in question, the fact is that even the most developed countries of the world were not ready for the pandemic of this scale. COVID-19 crisis fundamentally changed the way of living and raised the issues of financing, care provision and managing health care systems.

For years, AmCham Montenegro has been pointing out the importance of having a quality health care system, being a key prerequisite for establishing a modern state based on sustainable development of the society as a whole. Even before COVID-19 pandemic, the health care system of Montenegro was facing numerous financial challenges, since health care allocation per capita is significantly lower than the EU average.

The situation in Montenegrin health care system has been significantly improved compared with the previous Business Climate Reports, it is believed by the respondent member companies

operating in the health care industry. By mid 2020, the Ministry of Health adopted the new Law on Medicines, harmonized with the acquis, regulating more clearly and in more detail medicines policy in Montenegro. The quality of legal framework regarding medicines in Montenegro, pricing policy and medicines accessibility were estimated by 100% of respondent member companies as being either good or very good.

Apart from that, as many as 86% of the respondent member companies have estimated accessibility to innovative medicines and therapies available to the patients in Montenegro as being good. Let us reiterate that, although innovative medicines research and production in the pharmaceutical industry obviously significantly contribute to the improvement of health in the society as a whole, under economic limitations circumstances, innovative interventions are usually considered to be expensive. Out of all industries, the pharmaceuticals invest most in research and development. Therefore, by such investments, treatment becomes more precise and more effective, thus decreasing side effects and long term consequences, while increasing life expectancy and increasing patients'

economic productivity and quality of life. The real role of innovation in the pharmaceutical industry became clearly evident only with COVID-19 pandemic, when it was necessary to find the means to fight the virus, i.e. to discover a vaccine.

In that regard, member companies commended the improved policy and practice undertaken in the past three years in the areas of listing the medicines on the List of Medicines that are distributed at the Cost of the Health Insurance Fund (Reimbursement List), with several updates that followed, however, they strongly believe that additional savings could be achieved by having even more regular updates of the Reimbursement List. In order to simplify this procedure, it has been proposed that the Ministry of Health adopts and updates the Reimbursement List in consultation with the Ministry of Finance for assessing potential effects on budget, since the current procedure of adopting and updating the Reimbursement List requires complex governmental procedures, thus disabling or slowing down some simple updates for small changes to the List.

In order to enable the sustainability of the health care system, the state has to respond by adopting a strategic and overarching health care policy. Therefore, it is necessary to adopt strategic documents at the national level (i.e. National Plan for Fighting Cancer and National Plan for Treating Rare Diseases) for

the diseases that, according to epidemiological data, represent threat to public health and, at the same time, represent significant burden for the budget, such as cancer or rare diseases.

Survey findings show that respondent member companies are very happy with the availability of information regarding invitations to bid and other tendering procedures. In addition, they are optimistic when it comes to transparency of the decision-making process and consultations with the private sector. Although in the Business Climate Reports for the periods 2017-2018 and 2015-2016 these conditions were not estimated as being good ones, the situation changed thanks to the timely and continuous cooperation between the AmCham Health Care Committee and the Ministry of Health within the Program “Partnership for Better Business Environment”.

It is necessary for the patients to be more involved in the decision-making process regarding medicines and therapies; it is estimated by the company members. Although this issue is regulated in Montenegro by the Law on Patients’ Rights, the findings of the Reports have shown for years now that there has been a significant disproportion in the decision making process when it comes to the doctor-patient relation. It is necessary to improve the dialogue between these two parties and to invest efforts in order to empower patients in the decision-making process. Among experts, the strongly promoted ethical approach is

the one where doctor and patient have equal share in the decision-making process, whereby it is strongly emphasized that the patient’s informed decision plays a key role in order for the patient to participate in decision-making on his/her own medical treatment. In addition, patients in Montenegro rely only on state insurance since the Amendments to the Law on Obligatory Health Insurance from 2019 erased the Chapter on Additional Health Insurance, with the exposition that the Analysis of the Efficiency of Implementation and Enjoying the Rights Derived from the Additional Health Care Insurance showed the aggravated economic circumstances and lack of interest on the part of the citizens for that form of health insurance.

When it comes to further improvements of Montenegrin Health Care System, the respondent member companies believe that, in order to create a modern, efficient and sustainable system, it is necessary to modernize and create capable health care system which is able to meet the challenges posed by potential future threats caused by epidemics. The COVID-19 crisis acted as an accelerator for introduction of digital technologies into the health care system, since smart applications and other digital tools played a significant role in providing aid and controlling spreading of the virus.

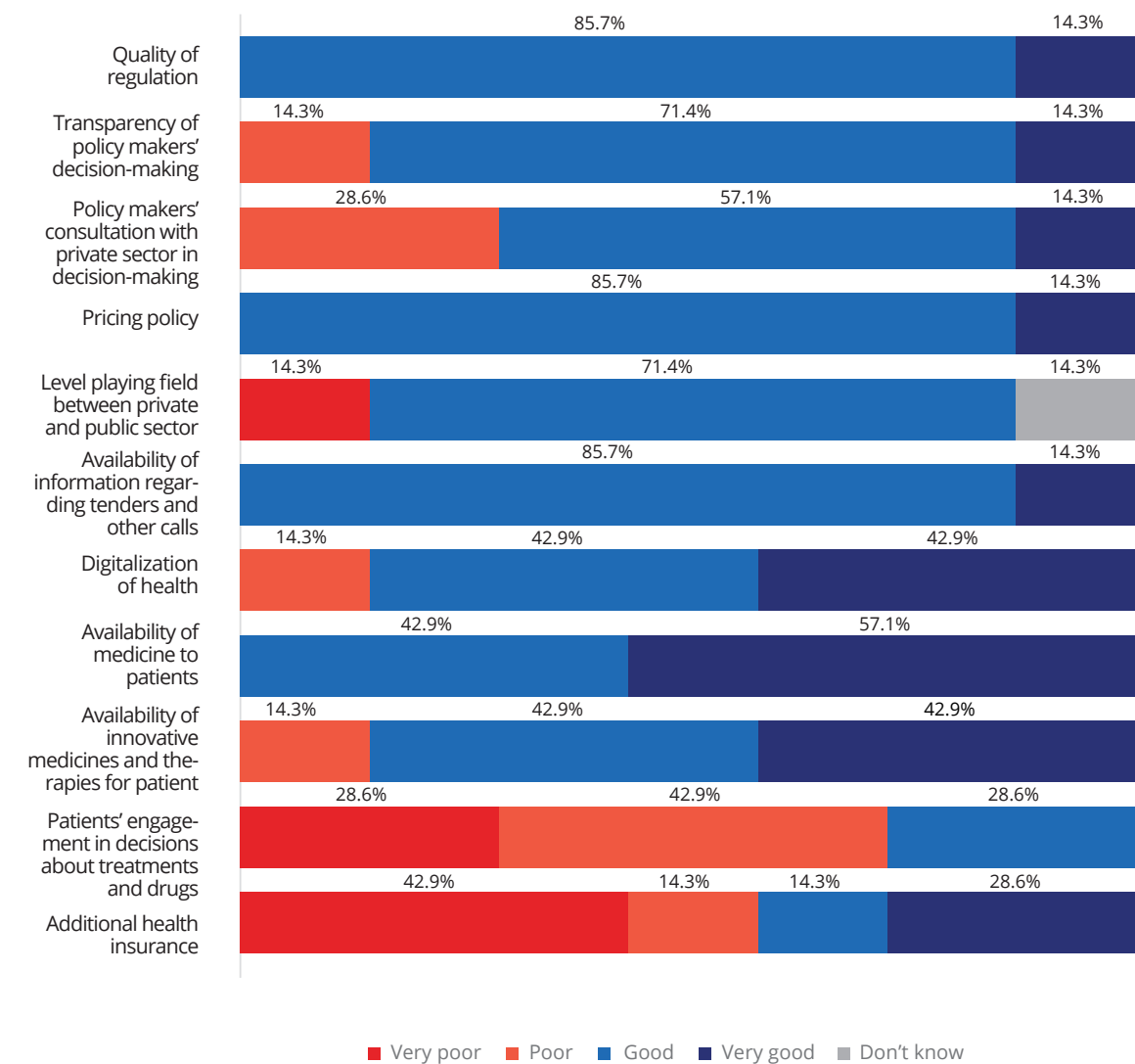
Montenegro has already achieved a significant progress in applying digital health care related services, which is evident from the findings of

this Report. The Ministry of Health recognized on time the necessity to implement health care digitization and its advantages, thus focusing on the implementation of innovative technologies. The new digital services which, first of all, enable increased accessibility to information and save time by less depending on the administrative work, were introduced under the auspices of the Health Insurance Fund. Apart from the e-health care services, Montenegro also implemented telemedicine and teleradiology systems between the Clinical Centre of Montenegro on the one hand, and three General Hospitals in Bar, Berane and Pljevlja on the other. Experts believe that adaptive model, within which telemedicine access is applied, has a potential to prove the most appropriate one as it enables the adequate response of the health care system to the potential pandemics. Therefore, the conclusion drawn is that it is necessary to have Montenegrin National Digital Health Strategy well developed in order to identify, set priorities and bridge gaps and obstacles in key factors of importance for the development of digital health in Montenegro. Adoption of the Digital Health Care System Transformation Strategy represents a key step towards creating a sustainable and efficient health care model which minimizes health risks both for the patients and medical personnel.



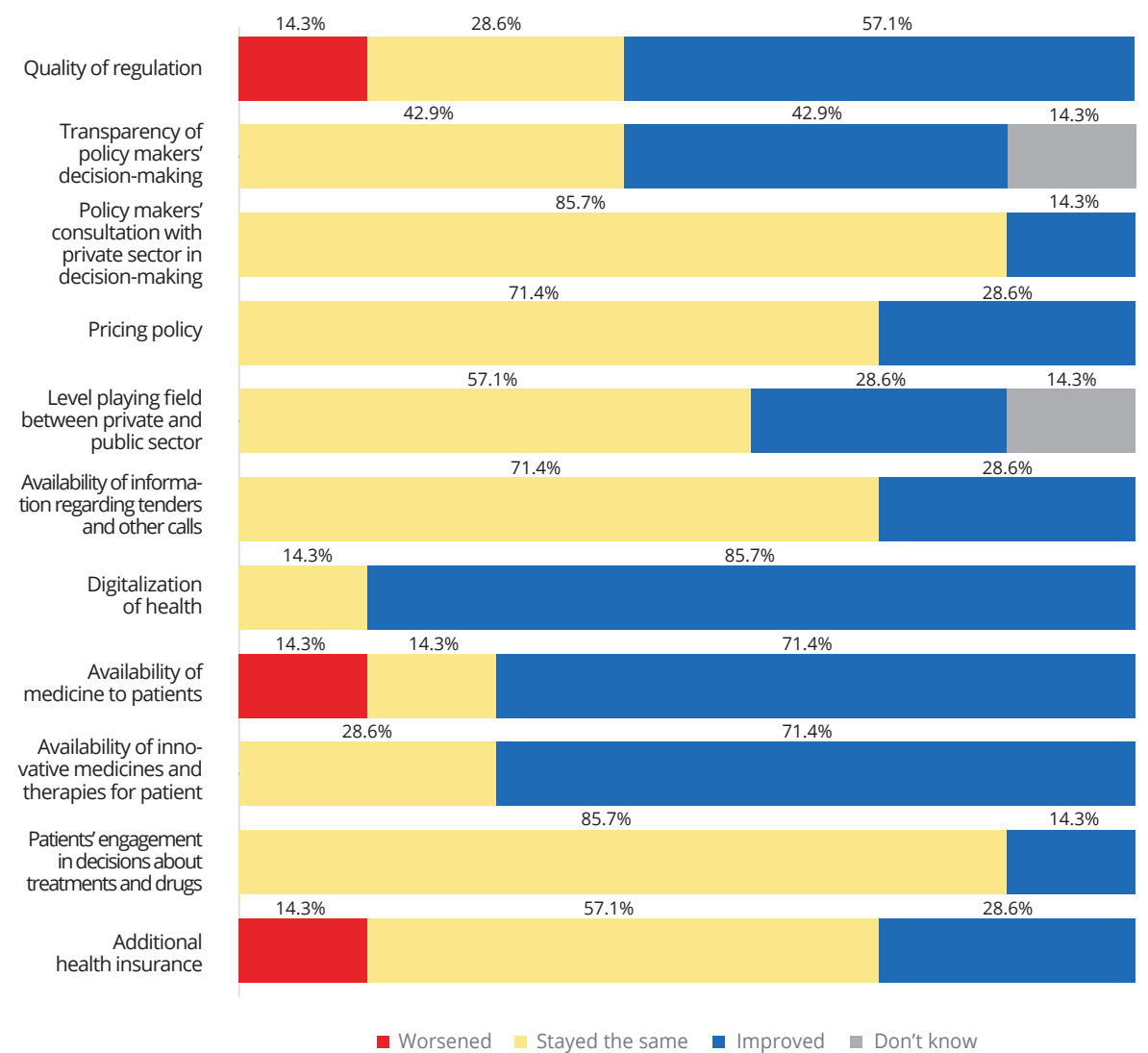
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## HEALTH CARE – CONDITIONS FOR DOING BUSINESS



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## HEALTH CARE – CHANGES TO THE CONDITIONS FOR DOING BUSINESS



# >>> Construction and Real Estate



## INTERVIEW WITH THE REAL ESTATE COMMITTEE PRESIDENT, MR. SAVO DJUROVIC

Adriatic Marinas

**AmCham:** How would you describe the current state of affairs in the areas of construction and real estate in Montenegro? What is the effect of COVID-19 on the real estate market in Montenegro?

**Mr. Djurovic:** Apart from tourism in a broader sense of the word, the areas of construction and real estate face extraordinary challenges at the time of COVID-19 pandemic. Prices of inputs in construction are significantly rising, while the real estate prices drop due to high offer and lower demand. Aggravated import, i.e. the impossibility to import material and to have the labor come to the country, during a significant portion of this year, led to significant problems in construction industry with still dubious duration of the crisis in question. On the other hand, the limited capacities of both the state and local administrations in resolving the issues related to real estate and their registration remain an obstacle both for investors and buyers of real estate. However, cooperation between the state and local administrations in other areas has

been very good, thus consistent quality of such cooperation in all areas represents a desirable ultimate goal.

COVID-19 pandemic significantly decreased the number of tourists coming to Montenegro, thus the number of potential clients to buy real estate, which was especially evident in the coastal region. Although the state project to support youth in obtaining a real estate somewhat made this situation on the market easier, decrease in the number of transactions and prices is evident due to lower demand. Our hopes lie in the pharmaceutical sector and discovering the adequate vaccine in order not to prolong the COVID-19 crisis, which otherwise would result in unprecedented problems for the construction and real estate industries in Montenegro, as well as in other states where these industries have a significant share in their national economies.

I have to emphasize that at the beginning the response to pandemic was a very good

one, however other states did better when it comes to opening the state borders, especially enabling tourists to come on yachts and that they managed to use that in order to achieve a positive outcome on their respective markets. Of course, striking balance between protection of public health and protection of economy represents a very demanding task for every state administration.

**AmCham: Which segments show the improvements in the business climate achieved in the past two years?**

**Mr. Djurovic:** With the introduction of the new system “No construction and usage licenses” and by having very professional licensed companies doing design revision and professional oversight over facilities construction, we have achieved significantly faster initiating of construction for responsible investors, as we had actually foreseen in the previous Report, with certain remarks that the state system could have achieved better control over facilities construction. As I said in the previous Report, we strongly believe that the existing system introduced by the new Law should be kept as it significantly lowers administrative barriers for responsible investors regardless of their economic power. There are certain unclear issues regarding very big construction projects i.e. combined hotel-residential-business premises which require construction in different rounds as well as they require different rounds in licensing their various phases and

that is exactly where we still see the ground for changes of the existing regulations. Such projects were not common in Montenegro, so that consequently there is lack of experience in this area both with the authorities and licensed companies, which leads to the situation where additional interpretations are needed; this may be achieved through amendments to the Laws regulating both facilities construction and tourism.

**AmCham: Which issues should be further resolved in order to foster the construction and real estate industries in Montenegro and to mitigate the consequences caused by COVID-19 pandemic?**

**Mr. Djurovic:** It is necessary to additionally increase flexibility through legal solutions not only in the area of permitting construction and usage of facilities but in procedure of amending planned documents which should not endanger public interest. Such solutions would undoubtedly attract additional domestic and foreign investors to construct bigger facilities for various purposes, which would be a desirable answer to the demand of both domestic and foreign markets being in turn very competitive. In addition, controlled and, from health point of view, safe import of material should be enabled short-term as well as entry of labor during this period of COVID-19 crisis until spring of 2021 i.e. until the current situation is resolved by having the adequate vaccine against COVID-19.

## »» CONSTRUCTION AND REAL ESTATE – SURVEY FINDINGS

**C**ovid-19 pandemic left its consequences onto the construction sector as well, where work due to its specific characteristics cannot be done from home. Construction industry activities slowed down and there are certain delays in construction material delivery and supply chains that construction work dynamics depend on. Investors faced decreased supply of labor force due to limited movements and lock downs, so that they had to focus more onto local resources. Construction and real estate sector is accelerator of growth of entire economy, therefore announcements coming from investors and decision-makers that investments in big strategic projects will not be stopped are encouraging.

Questionnaire findings show that member companies are very unhappy with the current state of affairs in this industry which was marked 3 on the 1-10 scale. Cadastre situation is dissatisfactory whereby investors still face challenges in terms of procedures and administration efficiency. Member companies operating in the construction and real estate industries believe that it is necessary to pay more attention to spatial planning, whereby green construction and less density principles

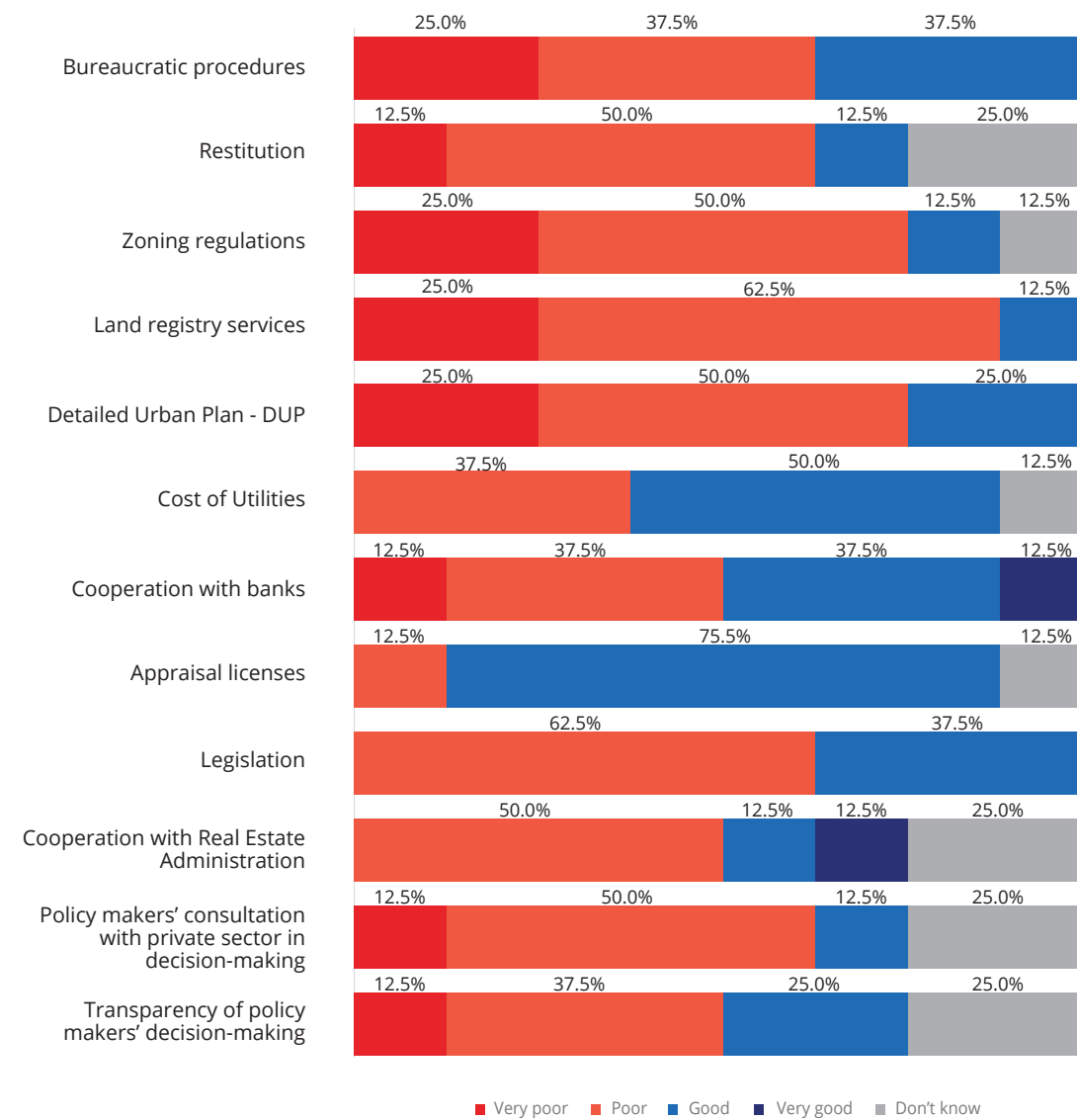
should be followed. Informal economy significantly affects construction and real estate industries, therefore certain member companies propose that Notaries Public should be networked with the Tax Administration in order to monitor tax payments.

It is necessary to significantly improve cooperation with the private sector in the decision-making process, as well as transparency in the work of decision-makers in order to better implement the existing regulations and strengthen legal security and investors' trust into the system.

Conditions for doing business in given industries mainly remained unchanged compared to previous two years, except for increased dissatisfaction of the member companies related to regulations and bureaucratic procedures.

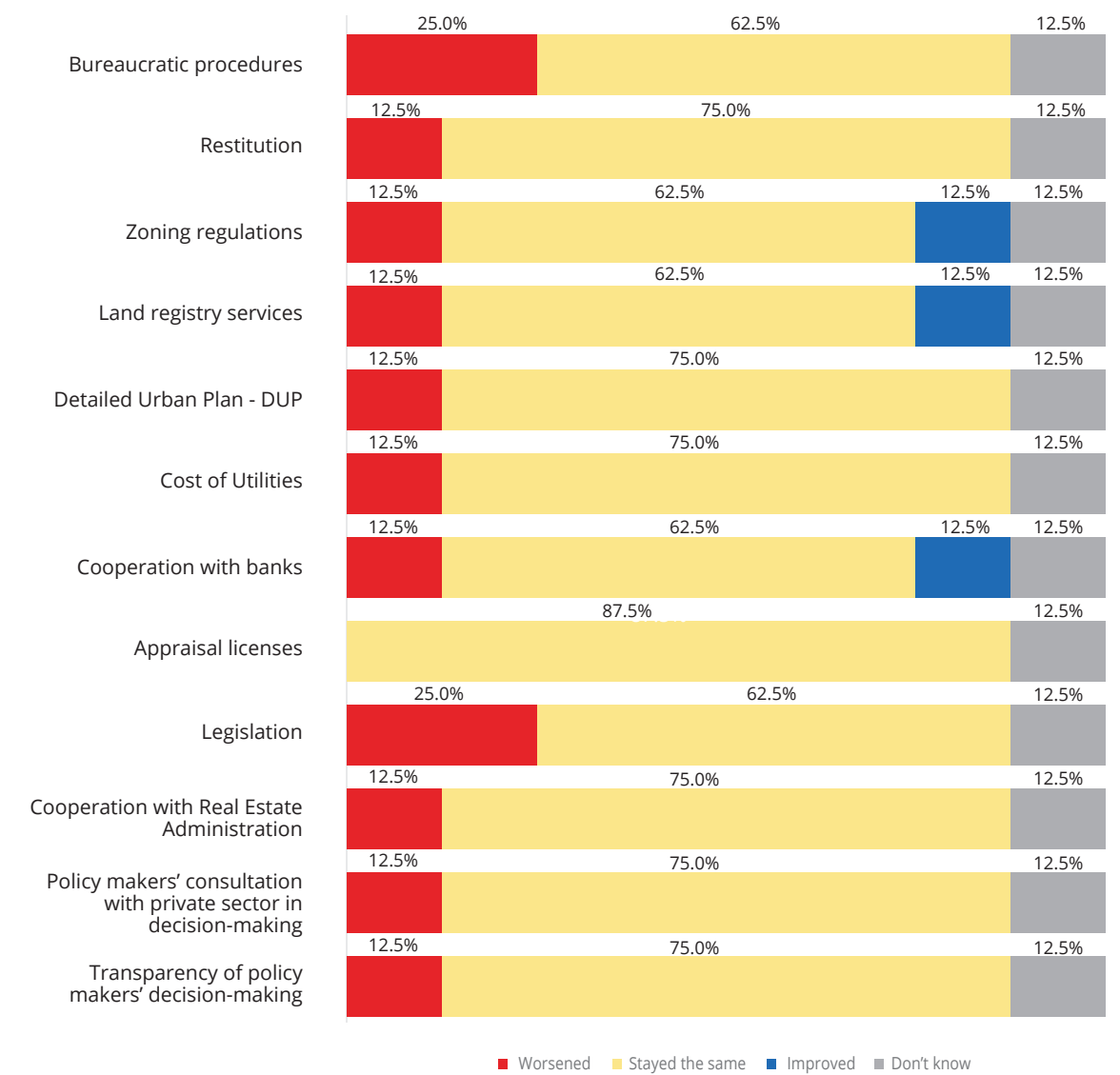
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## CONSTRUCTION AND REAL ESTATE – CONDITIONS FOR DOING BUSINESS



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



# >>> Public Procurement



AMCHAM AD-HOC WORKING GROUP FOR  
THE PUBLIC PROCUREMENT LAW PRESIDENT,  
MS. LJILJANA PEROVIC

Sava insurance

## **AmCham:** How do you estimate the current situation in the area of Public Procurement in Montenegro?

**Ms. Perovic:** A significant percentage of Montenegrin GDP relates to the overall value of public procurement. The EU recognized importance of this area because it is part of one of the negotiating Chapters since efficient and transparent public procurement system enables fighting corruption, unfair competition and lack of transparency in this area.

By establishing legal framework and administrative and institutional capacities for implementing public procurement procedures, progress was achieved in this area in the previous period. However, the weaknesses of this system were very much evident as small value procurement procedure, introduced in June 2017 by changes and amendments to the Public Procurement Law doubled part of the budget spent through non-transpar-

ent procedures. The Public Procurement Law was not applied to the procurements whose estimated value was equal to or lower than €15,000 and procurements whose estimated value was equal to or lower than €30,000. Instead, internal procedure of the Contracting Authority was applied, which led to the lack of transparency of this procedure. Public procurement procedure is extremely formal and it required acquiring a big number of evidence on meeting requirements and a huge number of repeated tenders due to noncompliance i.e. not submitting valid evidence and thus a huge expenditure in public funds, although those pieces of evidence were publicly available to contracting authorities and liable to inspection.

Solution presented within the new Public Procurement Law will represent a partial step forward in this area once the electronic public procurement system is fully implemented, because it will enable communication by

electronic means, free access, browsing, overview and downloading of tendering documentation, as well as access to the state administration data and data of other authorities in charge of public records.

**AmCham: Which activities were undertaken by the AmCham ad-hoc Working Group in order to improve the situation in this area?**

**Ms. Perovic:** AmCham acted proactively and upon the announcement of the amendments to the Public Procurement Law by the beginning of 2017, the Working Group in charge of dealing with this Law was established, composed of member companies with different portfolios. In cooperation with the Public Procurement Directorate, AmCham worked intensively on the new Public Procurement Law by the end of 2017 and beginning of 2018. Let me remind you that Public Procurement Directorate was closed by the end of 2018, whereby the authorities of then Directorate were overtaken by the Ministry of Finance, which in June 2019 gave significantly amended Draft Public Procurement Law for public hearing with a very short deadline, of only one week, for comments. However, AmCham gave comments to the Draft Law in terms of reconsidering exceptions to public procurement in the area of electronic communications, harmonization of the provisions regulating obligatory requirements for participating in the public procurement procedure and presenting

evidence on meeting obligatory requirements, as well as in terms of harmonizing deadlines.

**AmCham: New Public Procurement Law has recently come into force. Which issues have to be further resolved in order to improve this area in Montenegro?**

**Ms. Perovic:** Although it was announced that as of September 2020 the electronic public procurement system would be implemented, it hasn't happened yet. According to the latest announcements of the line Ministry, the electronic system will be in use by the beginning of 2021, which is encouraging since efficiency and transparency of the public procurement process will be significantly improved in that way. System digitization would also resolve the current problem of submitting compliance evidence regarding publicly available obligatory requirements, which indeed represents unnecessary red tape, additionally burdening already complicated public procurement process.

## >>> PUBLIC PROCUREMENT - SURVEY FINDINGS

Having in mind the importance of public procurement for public finance management, but also the importance that they have on fostering competitiveness in private sector, we recognized this area as a separate chapter in this Report.

Implementation of the new Public Procurement Law started by mid 2020. It represented steps forward towards harmonization with the EU acquis, especially in area of introducing new procedures provisioned by the Directives regulating public procurement area. In the EU Commission Progress Report for 2020, it was estimated that Montenegro was moderately ready in the public procurement area, with reservation that that capacities to implement the new Public Procurement Law were still hard to estimate.

Due to reorganization of the state administration in 2018, Public Procurement Directorate was closed, whereby the authorities of then Directorate were overtaken by the Ministry of Finance. By mid 2019, it submitted innovative Draft Public Procurement Law for public hearing with a very short deadline, of one week only, for comments. Having in mind the importance

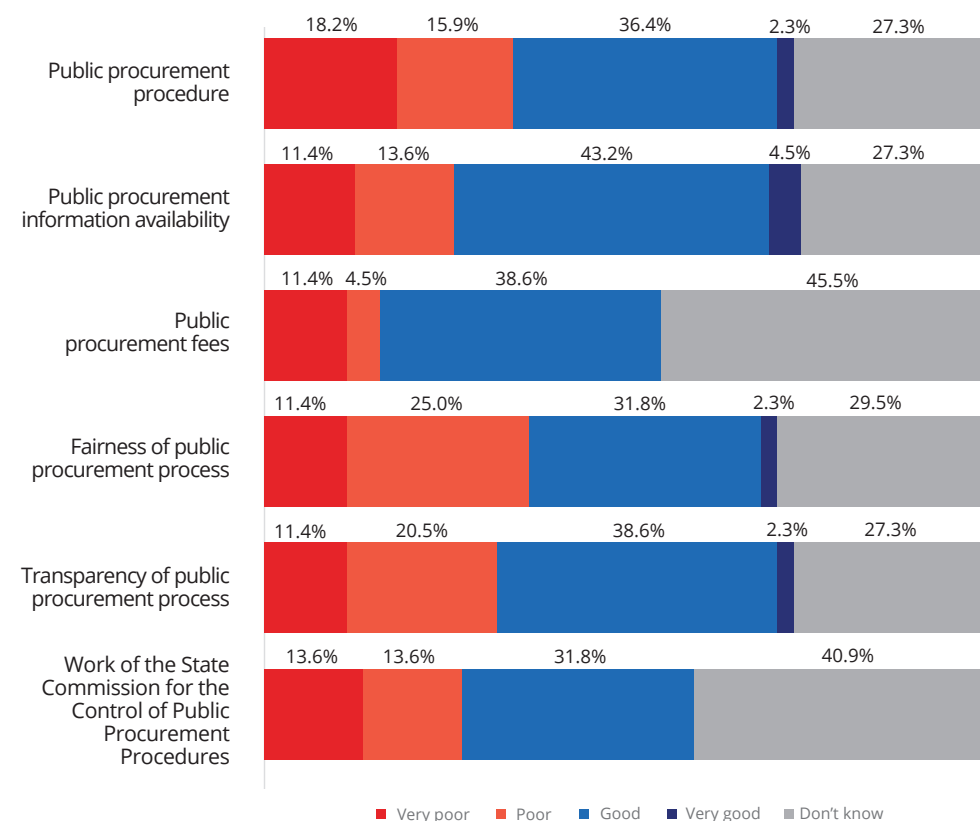
and complexity of this systemic Law regulating public procurement area, which has been recognized in Montenegro as especially risky one in terms of corruption, business associations all agreed that given deadline was too short in order to overview legal regulations in an adequate way, professionally and in detail, and in order to regulate better public procurement procedures in terms of the current Law.

Around one third of responding member companies assessed that public procurement process was bad or very bad in general, where the same number of member companies presented their concerns regarding lack of transparency and unfairness of this process. By introducing electronic public procurement process, documentation submission process would be much simpler, while transparency and higher efficiency of procedures would be introduced as well. Certain member companies estimated 'one size fits all' approach in the public procurement procedures as being bad, due to specific characteristics of certain commodities such as medicines, as well as the impossibility to apply the same criteria for assigning points at tendering procedures for all kinds of goods and services.



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## PUBLIC PROCUREMENT – CONDITIONS FOR DOING BUSINESS



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## Taxation



## >>> SURVEY FINDINGS

**M**inistry of Finance i.e. Directorate for Tax and Customs Systems is in charge of creating tax policy in Montenegro. Since 2018, VAT rates and Legal Entities Income Rates have not been changed, whereby standard VAT rate of 21% and decreased rate of 7%, as well as 9% tax rate on the Legal Entities Income are still applicable. Since the beginning of 2020, the so-called Crisis Tax to the Physical Persons Income in Montenegro was abrogated so that physical persons' incomes are being taxed at 9% rate of the tax base.

Questionnaire findings that we had undertaken in order to write this Report and previous Reports (from 2014, 2016 and 2018) undoubtedly showed that taxation of labor had been too high for Montenegrin economy. Taxation of labor in Montenegro is still significantly higher than in most countries of the region, and it is within the EU average. Taxation of labor costs significantly influences employment in the state and grey economy, especially in the states with relatively low salaries. High taxes increase the costs of formal as opposed to informal labor, therefore increasing moonlighting. Member companies' estimate is that taxation of labor should be decreased, as it is directly opposite

to competitiveness increase, employment increase as well as stabile and long-term state development. Therefore, around 61% of member companies believe that personal income taxation represents either bad or very bad basis for doing business in Montenegro.

It is necessary for the state to invest additional efforts in order to create a predictable business framework since frequent changes of taxation system and tax rates bring insecurity, unpredictability and additional costs, therefore representing a discouraging factor for potential investors to invest in Montenegro. The line Ministry in the area of taxation policy continued bad practice of adopting systemic laws without public hearings and without timely involvement of business community. Therefore, around 62% of member companies marked transparency of decision-making process in the area of taxation as being either bad or very bad, while over half of member companies estimated consultation with the private sector in the decision-making process as being either bad or very bad. Just like in previous years, we would like to point out that communication related to tax policy had to be significantly improved, therefore better cooperation with the private sector and its

greater involvement in creating tax policy would lead to more efficient tax collection and following tax regulations.

Over half of member companies believe that Tax Administration efficiency is not at the satisfactory level, where tax levies target only those employers who operate legally. It is necessary to improve collection from tax debtors and implement regulations in this area more decisively in order to fight grey economy.

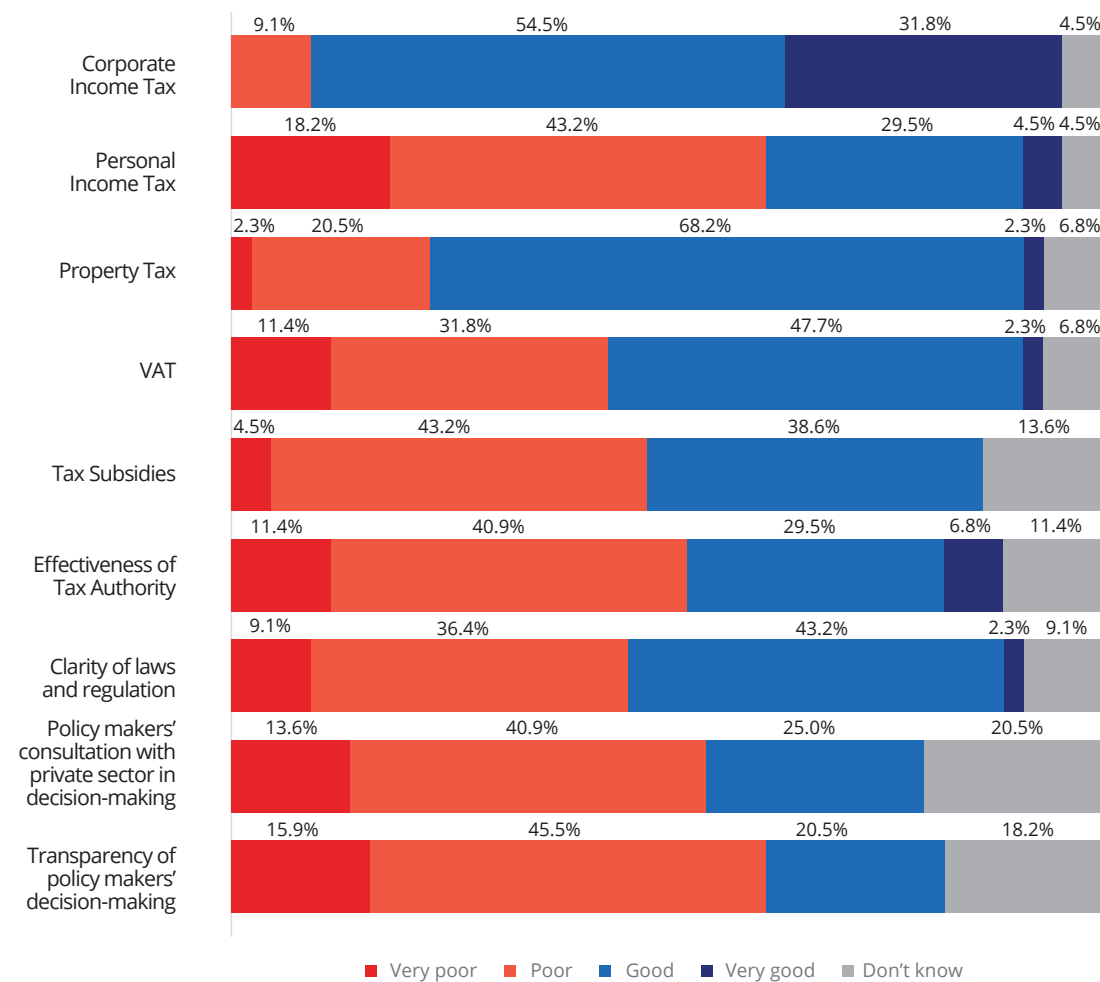
In 2019, Law on Taxation in Turnover of Goods and Services was adopted, which enabled legal basis for the electronic taxation project implementation, enabling submission of data on products and services turnover and fiscal invoices to the Tax Administration in real time by using internet connection and fiscal service. The Law was supposed to be implemented on January 1, 2020 but it was postponed for 2021 because tendering procedure for system procurement was not completed on time. Adoption of the Law in question was initiated in order to fight grey economy more successfully, to monitor tax payers' business practices in terms of their legality, to follow tax regulations to a higher extent and to bring the way in which the state administration communicates with economy in line with technological development and trends of automating business processes. As of January 1, 2021 Montenegro enters a new system of electronic taxation, however in order for the economy

to be given more time to prepare realization of this project, entrepreneurs asked, through business associations, for the implementation of the Law to be postponed. When it comes to fighting grey economy, the question posed is whether or not online taxation will manage to decrease grey economy, since legal regulations are only applied to turnover of goods and services of registered entrepreneurs, whereby businesses which are still in the grey zone remain outside this Law. Conditions for electronic taxation will have special effect on new businesses since initial costs for Internet, software, certificate etc. are increasing.

Profit Tax (9%) still remains the most attractive element of doing business in Montenegro, thus as many as 86% of respondent member companies are happy with that. Private sector believes that additional tax subsidies should be introduced in order to support regular payers.

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## TAXATION – CONDITIONS FOR DOING BUSINESS

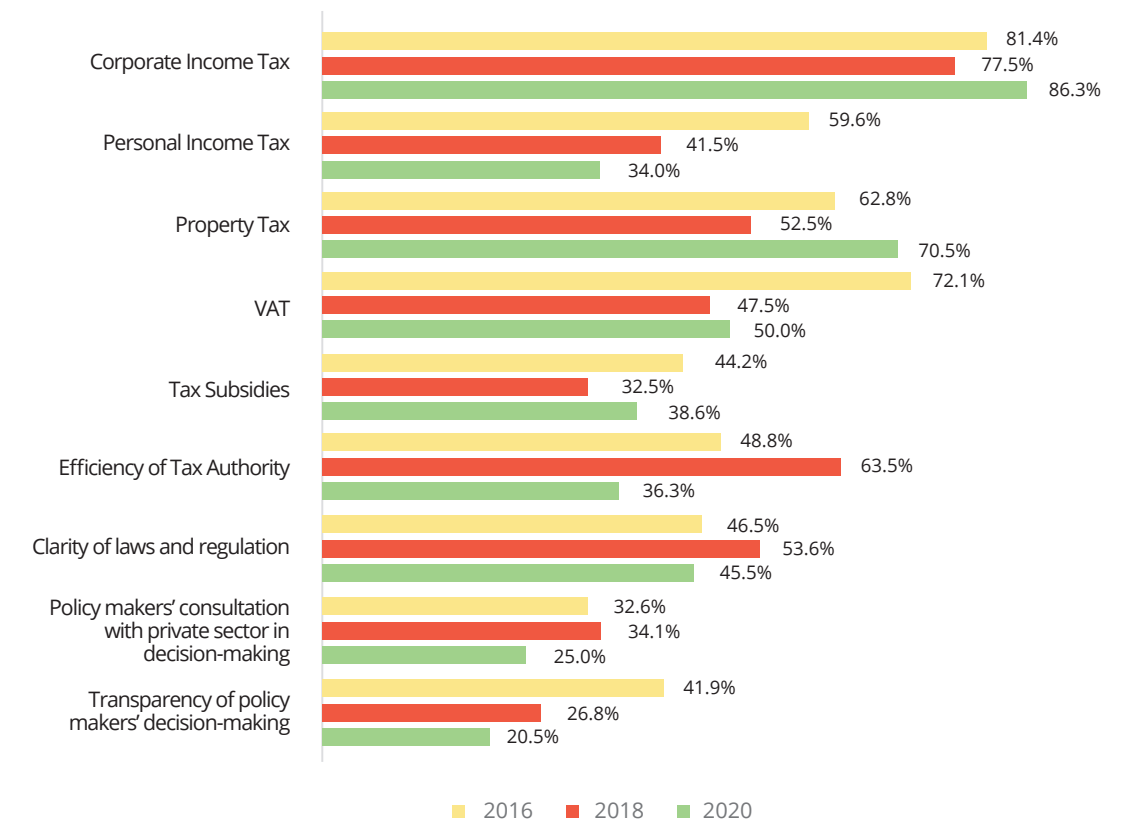


When we compare marks from the Reports from 2016, 2018 and 2020, decline in transparency and consultations with private sector in decision-making process marks is evident, as

well as decrease in mark regarding Personal Income Tax. Companies believe that efficiency of the Tax Administration is significantly decreased compared with 2018 and 2016.

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## TAXATION- CONDITION FOR DOING BUSINESS, COMPARISON OF THE SATISFACTION FROM 2016, 2018, AND 2020





Secretariat of the Competitiveness Council coordinated in 2020 drafting of the State and Local Levies Register in cooperation with the working group composed of public institutions representatives, business associations and Association of Municipalities representatives. The first Draft version of this Register was created at the following

website [www.javninameti.me](http://www.javninameti.me), and this base with over 2,000 levies will soon be publicly available to everybody. The Register will be owned by the Ministry of Finance. Let us reiterate that grouping all parafiscal data at both national and local levels was one of the recommendations presented in the previous Business Climate Report.



»»  
Tourism and  
Hospitality

## >>> SURVEY FINDINGS

Tourism represents the basis for economy in many countries and recently it has become one of the fastest growing global markets whose development, however, has been significantly disrupted by COVID-19 pandemic, thus causing serious global economic consequences. Tourism industry suffered sudden decline in revenues and it is one of the sectors which are most severely affected by the pandemic. This so-called pandemic shock influences demand (limitation of movement, lock downs, fear of contamination) as well as supply (closing of hospitality and accommodation facilities, as well as entertainment facilities). Losses in tourism, as it has proved to be the case, had a great effect onto other economic sectors as well, such as those dealing with goods and services supply i.e. food, drinks and entertainment.

Obviously, the most severely hit states are those whose economies significantly rely on tourism and whose GDP participation is very high, just like Montenegro. For these countries, it is of utmost importance to get an answer to the question how long the pandemic will last. However, taking into consideration the unpredictability of the pandemic, the experts estimate for the time being that it shall take at least three years for tourist demand to recover

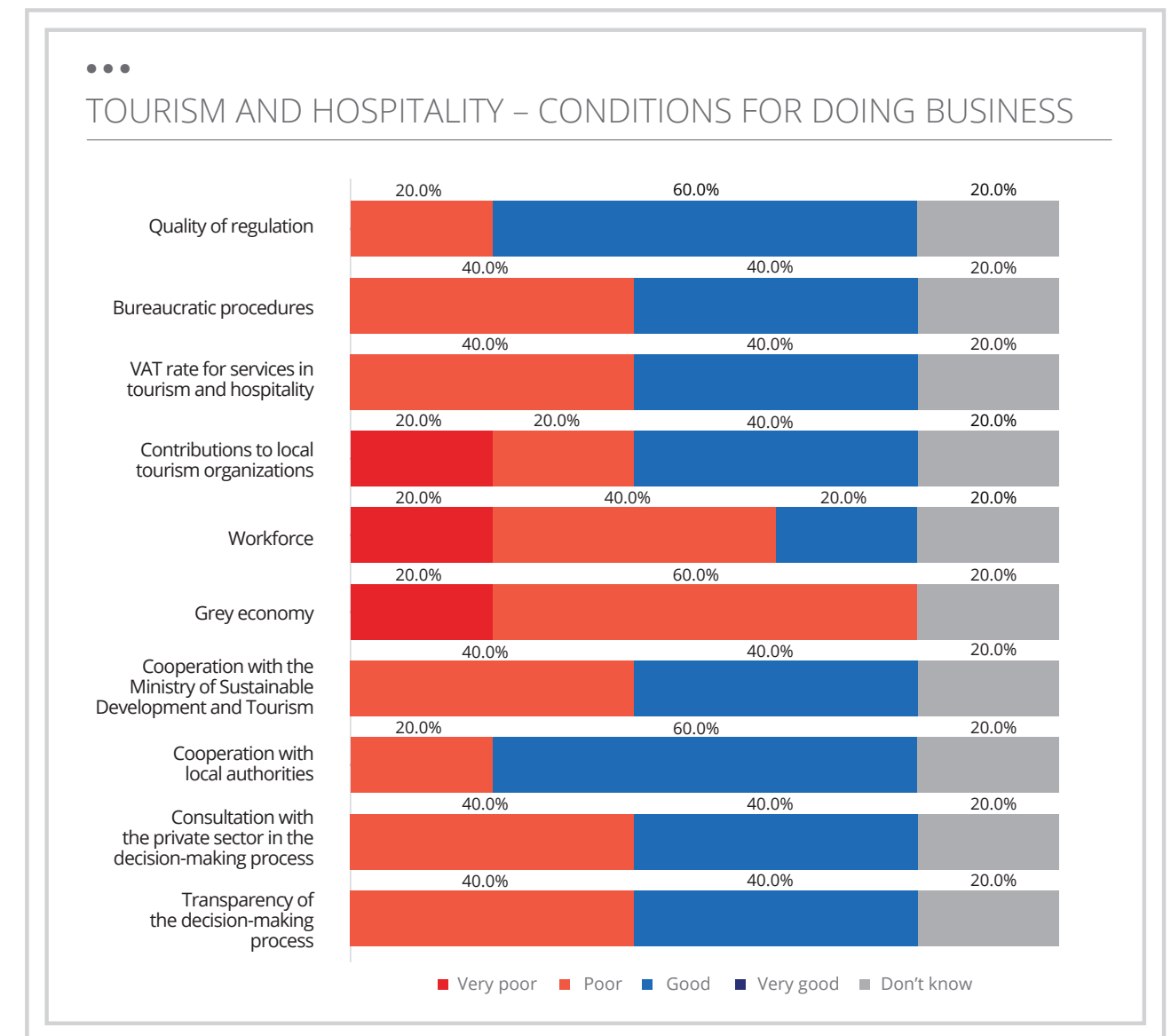
and regain its level that it had before the crisis. However, the prevailing measures of locking the countries down, limiting travelling, decrease in the available consumers' revenues and low level of trust could significantly slow down the recovery of this sector. The experts reiterate that states have to prepare for multiple scenarios and, in line with that, adapt to the current situation. Having that in mind, it is of utmost importance to maintain quality communication within the state, active public-private dialog in order for the measures to be harmonized with those that they are aimed at, i.e. to strike a balance between expectations and possibilities. Flexibility and agility shall be of key importance for the recovery of tourism industry through broader offer of travel insurance and updating refund policy.

It is optimistic that Montenegro did not stop any project at the coast related to luxurious tourism, but it only postponed opening of new hotels and resorts. Montenegrin tourism lacks clear development strategy and, within it, development of new tourist products in post-pandemic period such as rural tourism, health tourism etc.

It is extremely important to invest efforts in fighting grey economy in tourism sector because questionnaire findings show that as many as

80% of respondent member companies doing business in this industry believe the situation in it is either bad or very bad. Human resources also got a bad mark, which was definitely caused to a significant extent by labor migration in this crisis period. When it comes to administrative procedures, VAT rate for tourism and hospitality

services, as well as cooperation with the line Ministry, the respondent member companies' opinions are divided. Cooperation with the local governments represents a positive precondition for doing business, since it was marked as being good by 60% of hospitality stakeholders who participated in this survey.



# >>> Environmental Protection



## >>> SURVEY FINDINGS

Being one of the fundamental human rights, the right to a healthy living environment should be an integral part of every modern society. By its Constitution which was adopted in 2007, Montenegro clearly determined its attitude towards environmental protection by putting it high on its agenda. However, notwithstanding adequate legislative regulations and strategic documents, member companies believe that the situation in this area in our state is not at a satisfactory level.

When it comes to environmental protection and ecological issues, Montenegro still has a lot of room for improvement. Respondent member companies point out that it is necessary to follow adopted regulations, whereby all subjects, starting from the authorities, down to companies and individuals have to be more responsible when it comes to following adopted regulations in the area of environmental protection. In that regard, decision-makers have to intensify their work on raising ecological awareness of the society as a whole and additionally educate all society layers regarding the importance of environmental protection.

Two years ago, within EU accession negotiations, Montenegro opened Chapter 27 –

Environmental Protection and Climate Change. Implementation of European regulations in the area of environmental protection shall require significant financial funds, whereby short-term economic solutions which deteriorate the environment have to be changed by long-term solutions that shall contribute to its better preservation. It is definitely encouraging that by the end of 2020 the new Ministry of Ecology, Urban Planning and Spatial Planning was established, confirming determination of decision-makers to make this area a priority and to regulate planning regulations which are currently unsustainable from the point of view of preserving the environment.

Just like in previous Reports, recycling (61%) solid waste treatment (62%) and waste water treatment (61%) still have bad marks. Around 43% of respondent member companies estimated regulations quality as being good, although around half of member companies estimated consultations with the private sector and transparency of decision-making process as being bad or very bad.

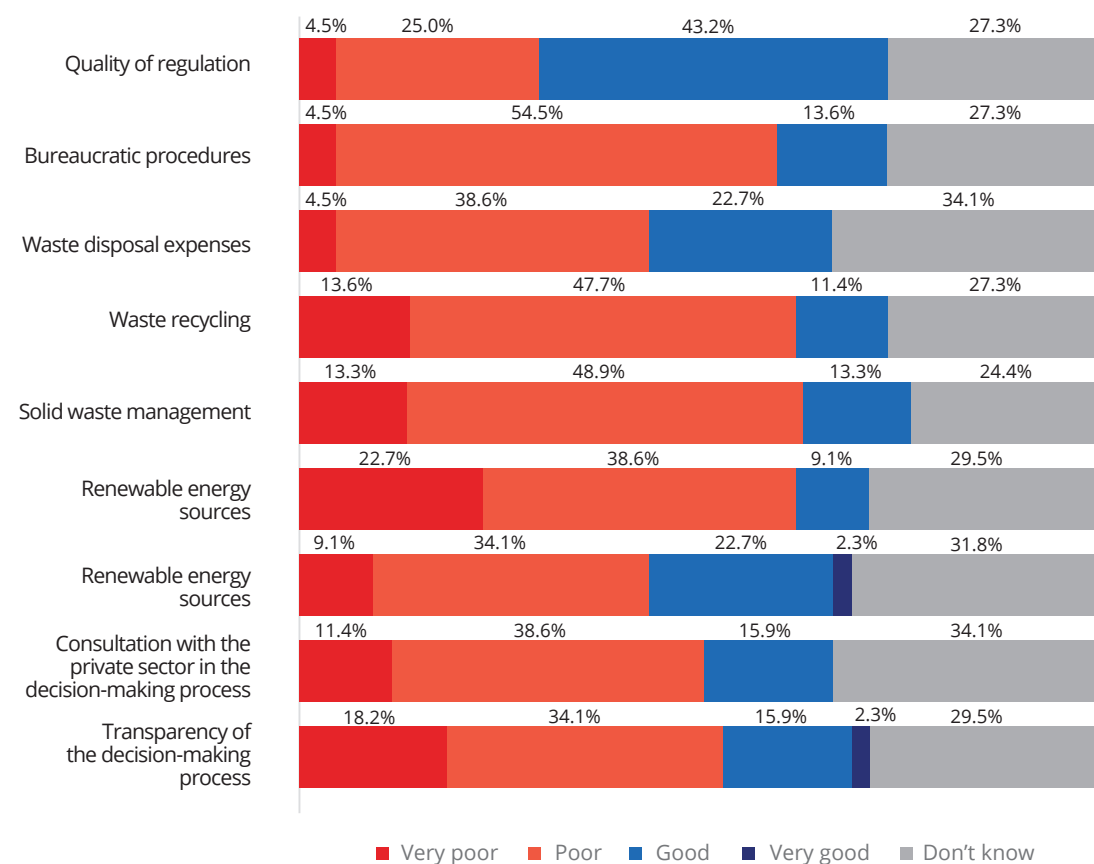
Half of respondent member companies' answers to the question to which extent consumers in their respective industries in Montenegro take into consideration ecological aspects of products or services when reaching

decisions as to whether to buy them or not, was that it was little or very little indeed. Around 41% of respondent member companies responded that consumers partially took into

consideration ecological aspects of products or services while only 9% of respondent member companies answered that it was to a significant extent.

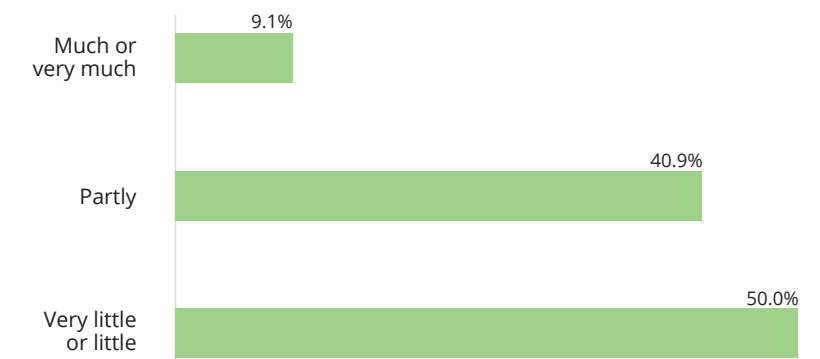
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## ENVIRONMENTAL PROTECTION – CONDITIONS FOR DOING BUSINESS



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## ANSWER TO THE QUESTION TO WHICH EXTENT CONSUMERS TAKE INTO CONSIDERATION ECOLOGICAL ASPECT OF A PRODUCT OR SERVICE WHEN MAKING DECISIONS ON PURCHASE







## Other areas of importance for doing business



When speaking about other areas of importance for doing business, as well as in previous years, we have recognized a significant problem of lack of liquidity of small and medium-sized enterprises, which should be enabled more accessible finance sources, especially at the time when those businesses are most affected by COVID-19 crisis. When moratorium was proclaimed almost all SMEs decided to suspend repayment of loans and other financial obligations towards banks. In addition, one third of member companies believe that there is a significant room for improvement of public-private partnership in Montenegro, which could be used to execute public works and provide other public services by establishing cooperation and synergy between authority of public institutions and expertise and knowledge of the private sector.

Telecommunications industry in Montenegro remains continuously well marked by the economy, therefore around 93% of respondent member companies estimated this business area as being good or very good. In addition, around 66% of member companies believe that energy supply in Montenegro is good.

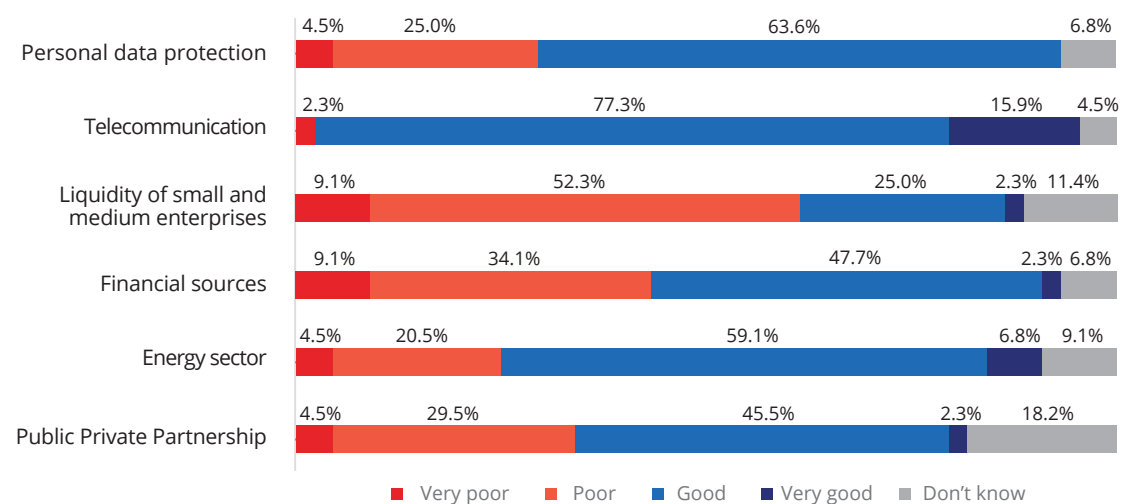
Montenegro has not passed yet the new Personal Data Protection Law although public hearing was held by mid 2019. AmCham Montenegro established an ad-hoc working group dealing with drafting of the new Law, which produced over 60 comments during the

public hearing period. The new Law will be harmonized with the General Data Protection Regulation (GDPR), and it shall introduce a number of measures enabling more rights in the area of personal data protection. However, it will simultaneously represent a challenge both for state institutions and private companies which process, store or use citizens' personal data. Around 64% of respondent member companies marked personal data protection as good precondition for doing business in Montenegro, while 30% of them believed that situation in that area changed for better compared to the period of two years before that.



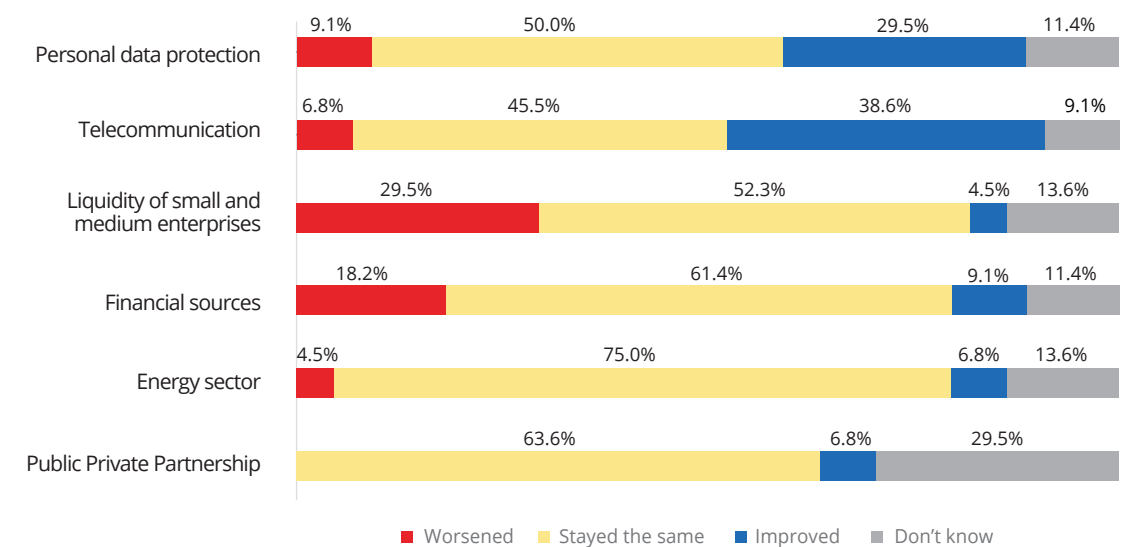
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### OTHER AREAS OF IMPORTANCE FOR BUSINESS COMMUNITY – CONDITIONS FOR DOING BUSINESS



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### OTHER AREAS OF IMPORTANCE FOR BUSINESS COMMUNITY – CHANGES TO CONDITIONS FOR DOING BUSINESS



## Key Findings and Recommendations

»» **BUSINESS COMMUNITY WAS NOT ADEQUATELY AND ON TIME INVOLVED  
IN DRAFTING RELEVANT REGULATIONS FOR THE BUSINESS ENVIRONMENT**

**RECOMMENDATIONS:** Timely involvement and comprehensive consultations with business community would have led to creating quality and more applicable norms and in that way frequent changes to the legislative solutions that are not applicable in practice would have been prevented. Report on Involvement of Business Community in Decision-making Process created thanks to the initiative and constant efforts of AmCham Montenegro, as well as operative support of the Competitiveness Council Secretariat represents a good basis for monitoring and improving of this important prerequisite for further development of the business environment as a whole.

»» **POLICIES AND MEASURES UNDERTAKEN TO FIGHT GREY ECONOMY DO NOT BEAR RESULTS,  
WHILE LEGAL NORMS ARE APPLIED IN AN INCONSISTENT AND SELECTIVE MANNER WHICH  
SUPPORTS UNFAIR COMPETITION**

**RECOMMENDATIONS:** Fighting grey economy must be Government's priority since this chronic issue has to be systematically resolved in all areas (labor relations, real estate and construction, tourism and hospitality etc.) in order to stabilize public finance. It is necessary to promote the equality before the law for all subjects principle, being one of the key principles of the state of law and rule of law. Institutions of the system have to cooperate in order to identify those subjects who do not operate in line with positive regulations, in order to create fair market competition.

It is necessary to redefine strategic measures for fighting grey economy in order to provide control over and sanctioning of those unregistered subjects that, however, perform economic activities, to increase capacity and efficiency of work of inspection services, but also to adopt stimulation measures for subjects' transition from grey to regular economy.

»» **TAX LEVIES ON LABOR COSTS ARE TOO HIGH**

**RECOMMENDATION:** High tax levies increase the costs of formal labor as opposed to informal one, thus there is an increasing number of those who follow moonlighting practices. Tax levies on labor should be decreased as they neither favor increased competitiveness nor stabile and long-term state development.

»» **SOLUTIONS FROM THE LABOR LAW ARE NOT FLEXIBLE ENOUGH IN ORDER TO CREATE  
COMPETITIVE LABOR MARKET**

**RECOMMENDATION:** It is necessary to start changing regulations relating to labor in order to introduce increased flexibility in the legislative solutions and erase those norms which represent business and administrative barriers for responsible employers. Montenegro should follow good practice of developed states which have started amending labor regulations in line with the new circumstances imposed by COVID-19 pandemic.

»» **THERE IS A HUGE GAP BETWEEN EMPLOYER'S NEEDS AND LABOR MARKET SUPPLY**

**RECOMMENDATIONS:** It is necessary to update and modernize education curricula and ways of learning in the educational institutions in order to bridge the gap between demand and offer of labor available on the market. Youth have to be better informed about new jobs and potentials in the employment sector in order for employers to get necessary deficient personnel having necessary knowledge and skills for the modern labor market in the digital economy era. It is necessary to create an ecosystem which, apart from formal education, also promotes informal education concept i.e. lifelong learning aimed at developing a competitive market economy and decreasing unemployment.

»» **DIGITAL TRANSFORMATION PROCESS MANAGEMENT IS NOT COORDINATED ENOUGH  
AND FAST ENOUGH**

**RECOMMENDATION:** In order to achieve efficient digital transformation process management, it is necessary to establish a coordinating and advisory Governmental body composed of representatives of the state, economy, research and development and academia. The state must lead the process of economy and society digital transformation, therefore creating of this body is necessary in order to have overarching relations among economy, public sector and educational institutions, which would enable faster transition onto digital economy.

»» **DIGITAL SERVICES AND INNOVATIVE INDUSTRIES ARE NOT ENOUGH RECOGNIZED AS  
DRIVING FORCE OF ECONOMIC GROWTH AND DEVELOPMENT**

**RECOMMENDATIONS:** We live in a time of digital evolution when implementation of new technologies leads to changes in the ways of living and working, and where economies are based on innovations and increased efficiency of all processes by implementation of digital solutions. Therefore, it is necessary to reach new and/or improve the existing regulations in all areas which enable establishment and development of e-services, to create benefits for IT companies investing in Montenegro which contribute to the digital transformation of the society and economy by their presence and activities and to create financial support



for innovative companies and start-ups aimed at achieving development of technological entrepreneurship in Montenegro.



### HEALTH CARE SYSTEM HAS TO BE MODERNIZED AND MORE AGILE IN ORDER TO BE EFFICIENT AND SUSTAINABLE

**RECOMMENDATIONS:** In order to enable sustainability of the health care protection system, the state has to respond with strategic and comprehensive health care policy. Therefore, according to epidemiological data for the diseases that become a serious threat to public health, it is necessary to adopt adequate strategic documents at the national level such as National Plan for Fighting Cancer and National Plan for Treating Rare Diseases. Apart from that, passing of the Health Care Digital Transformation Strategy represents a key step forward towards creating a modern and efficient health care model.



# Patron members



