



BUSINESS  
CLIMATE  
REPORT

2021  
2022

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# Svetlana Vuksanović

*President of AmCham  
Montenegro Board of Governors*

**W**ith great pleasure I want to present you the seventh Business Climate Report of the American Chamber of Commerce in Montenegro, a publication prepared every other year that provides a comprehensive overview of AmCham member companies views regarding the conditions for doing business in Montenegro.

In Montenegro, AmCham includes 89 companies, which have so far invested in our country close to one annual budget of Montenegro. In front of you is an in-depth analysis of various economic sectors in the country, with a number of recommendations given by AmCham members – 49 of them – which employ over 5,700 people and have invested an impressive amount of EUR 1.75 billion since the start of their business operations in Montenegro.



The report includes areas identified as priorities:

- ✓ rule of law
- ✓ human resources
- ✓ digital transformation
- ✓ health
- ✓ taxes
- ✓ environmental protection
- ✓ construction and real estate
- ✓ tourism and hospitality industry
- ✓ and other areas of business relevance

As part of the questionnaire sent to our members, AmCham asked the companies to rank certain issues or areas of business relevance, as well as to indicate the positive and negative sides of doing business in Montenegro. The report is particularly relevant for providing comparable two-year results, which allows us to follow key reform trends, commend those reforms that have been successfully implemented, but also point out the areas that are stagnating. The findings of the report identify the most important processes necessary for further improvement of the business climate in Montenegro, always keeping in mind the welfare of society in which business is conducted and the best interests of all parties. At the same time, these findings provide a good basis for directing the activities of our committees and their engagement in the field of public policy, while providing guidelines and recommendations to decision-makers with regard to the ways in which the business climate should be further improved.

AmCham remains strongly committed to increasing competitiveness, building sustainable and green investments that stimulate economic growth and creating new jobs. At the same time, these are the main topics of discussion with decision-makers in Montenegro, as well as international actors such as

the Delegation of the European Union, international financial institutions, the diplomatic corps and other relevant associations and entities, which will be familiarized with the findings of the report.

As the leading voice of American and other investors in Montenegro, AmCham will continue to strongly support the reform process in the country and its accession to the European Union. Montenegro's participation in the European Union pre-accession process and its membership in NATO make it an attractive investment destination. Therefore, I am convinced that the Business Climate Report will be a useful tool for potential investors to familiarize themselves with the investment potential of Montenegro from the perspective of current investors.

On behalf of AmCham, I would like to thank the members who provided information and opinions supporting the completion of this project. Given that the overall results of the report are based on the perception of our members, the feedback we receive from them is essential. Finally, I would especially like to thank our Executive Office for their dedicated work and enthusiasm in preparing this report, as well as our project partner "Defacto Consultancy" for distributing the questionnaire and analyzing the results.



# Global Business Climate Overview 2021 and 2022

## 2021 – THE YEAR OF TRANSITION

**A**s a result of robust consumption, strong exports and government incentives, the global economy shifted from recovery to expansion in 2021. The above transition occurred despite ongoing uncertainty regarding the COVID-19 virus mutation, shortages in supply chains and inflation.

One of the few areas that has seen rapid growth during the pandemic is digitalization, from online customer services to reinventing supply chains and the use of artificial intelligence (AI) and machine learning to improve business operations. The corona crisis and the accompanying advances in automation and digitalization have changed the way work is done, with millions of people switching to work from home in a wide range of industries. The companies went on to reconsider the value that offices, as a traditional place where business is done, have for the organization itself, i.e., whether owning business premises (buildings, floors, offices) is really a *conditio sine qua non* for the company.

Just as businesses intensified their operations in response to the COVID-19 crisis, the pandemic has accelerated medical innovation as well. The rapid development of new-generation vaccines against the COVID-19 virus is the most definite example of the potential of the new stage of medical technology and innovation. The pandemic has shown the importance of investing in prevention and public health capacities, while pointing to the necessity of building infrastructure and modernizing the healthcare system, as well as using telemedicine and e-health.

The COVID-19 pandemic has exposed vulnerabilities in the long and complex supply chains of many companies, while shortages of critical components in certain areas have almost brought global production to a halt. Therefore, many European companies considered the concept of nearshoring, i.e., returning production from the Far East to locations closer to Western Europe. In Montenegro, the Economic Recovery Program recognized nearshoring as an exceptional opportunity for the country from the point of view of diversification of the national economy.



## 2022 – THE YEAR OF INSTABILITY

**C**ulminating in the outbreak of war on European soil, turbulent events in 2022 have made the global economy unstable.

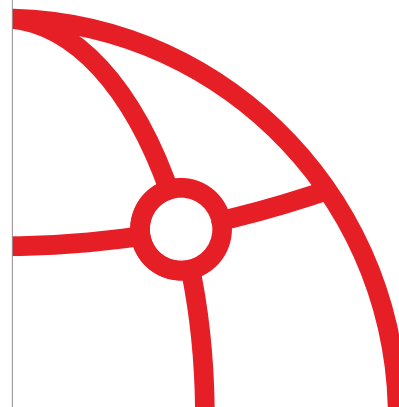
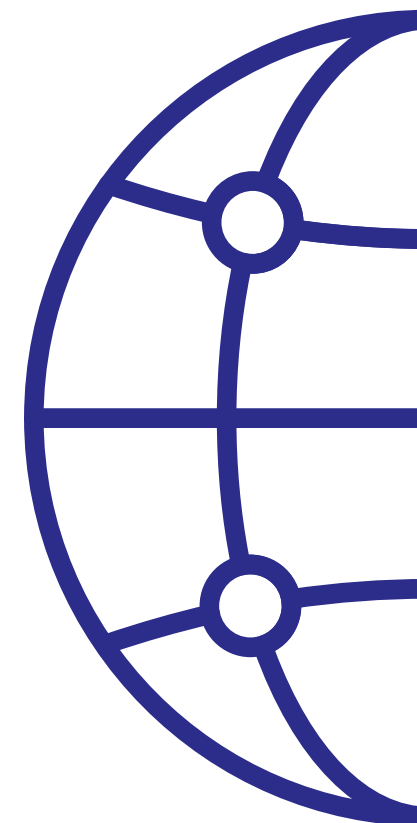
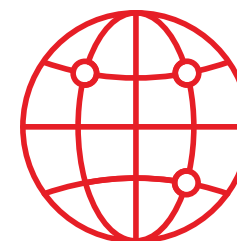
The Russian-Ukrainian crisis has led to an increase in inflation, i.e., a slowdown in economic growth. As a result of the war, prices have risen significantly, which particularly applies to energy and food. In addition, many companies struggle to obtain the materials and workers they need for production, which makes it difficult to solve the problems caused by the COVID-19 pandemic. In 2022, the European Central Bank has increased the interest rates more than ever before, after the US Federal Reserve and other central banks also raised interest rates in an effort to tackle record inflation affecting consumers and pushing Europe into recession. Yet, an increase in interest rates falls short of solving all these problems, because they cannot reduce the price of imported energy, fill empty shelves in supermarkets, or supply producers with the necessary raw materials that are missing. According to ECB, moderate inflationary expectations are maintained by higher interest rates. The post-pandemic recovery and large

state aid packages increase workers' wages, while prices rise, which creates the so-called wage-price spiral. In order to prevent the growth of that spiral, the ECB announced a further increase in interest rates, which would make loans more expensive and reward savings better. The increase in ECB reference interest rates is also reflected in the cost of borrowing – the Euribor rate rises, which automatically increases the cost of loans in Montenegro, the repayment of which is linked to the fluctuations of this European interest rate.

Rising inflation, global supply chain challenges, food shortages and climate change have had a profound impact on world hunger, leaving hundreds of millions of people unable to adequately meet their food needs.

When it comes to global economic growth projections for 2023, growth is expected to slow significantly, with the highest inflation in decades. The cost of living, tightening financial conditions in most countries, the Russian invasion of Ukraine – the end of which is still not in sight, and the enduring COVID-19 pandemic have a huge impact on the forecasts. In an analysis published in

November, the Institute of International Finance predicted a global economic growth rate of just 1.2% in 2023, while the Organization for Economic Co-operation and Development (OECD) agreed with the given pessimistic forecast, predicting growth of only 2.2 % in 2023. The International Monetary Fund (IMF) predicts that global growth will slow to 2.7% in 2023.





# Montenegro's Business Climate Overview

**Y**ears 2021 and 2022 were marked by political instability, polarization between the executive and legislative branches of power and the blocking of the judiciary due to the inability of political parties to agree on the appointments needed. The lack of constructive dialogue between political parties and the failure to build consensus on key issues of national interest led to the fall of two governments due to no-confidence votes in the Parliament. The work of the Parliament itself was marked by boycotts by the ruling majority and the opposition, changes in the government and the removal of two parliament presidents.

The Government led by Zdravko Krivokapić had twelve ministries; the reorganization and reduction of the number of ministries was carried out through their integration with the intention of rationalizing costs and optimizing the state apparatus. Yet, a no-confidence vote for that Government in the Parliament of Montenegro came on 4 February 2022, ending its term. The first no-confidence vote for a government in Montenegro resulted from antagonism between the government and the

Parliament, as well as from the worst average rating (3.03) for Montenegro's progress achieved in the course of twelve months in the European Commission's Progress Report in the last six years. In its report, the European Commission stated that it was necessary to implement in-depth reforms in the functioning of institutions, as well as that the weakening of administrative capacities after the change of government was evident, especially in terms of managing the negotiation process.

The new, minority Government led by Dritan Abazović, proposed in late April, has included eighteen ministries. In his exposé, PM Abazović emphasized its pro-European character. This was followed by a new reorganization of the state administration, as the question of its efficiency and bulkiness was raised. Yet, the no-confidence vote for that government in the Parliament of Montenegro came on 20 August, after dissatisfaction with its work was indicated. The good European course could not be confirmed even by the latest Progress Report from October 2022, which contained the usual objections in relation to Chapter 23 as the crucial chapter for Montenegro's accession to the EU – Rule



of Law. It was stated that Montenegro was facing a crisis in the form of a blockade of the most important judicial institutions (Constitutional Court) due to the failure to appoint its judges. At the initiative of the prime minister in technical mandate, the foreign and defense ministers were dismissed. The minister without portfolio and the minister of European integration resigned from their positions. In a reduced composition, the government was in a technical mandate from the second half of August until the end of 2022. All political events had a profound impact on the business climate, which will be discussed in the findings of this report.

The corona crisis also had its economic effects in Montenegro in 2021, with delays in the procurement of available vaccines and delayed vaccination compared to the rest of Europe. Nevertheless, good vaccination coverage and the recovery of tourism helped the Montenegrin economy to recover slightly in 2021. State consumption recorded a slight growth due to a set of measures supporting the economy and citizens in economic recovery from the effects of the coronavirus pandemic. The solid control over COVID-19 pandemic reintroduced the interest of investors, and the end of physical distancing measures and restrictions for non-resident workers increased the number of completed works under ongoing investment projects.

As we stated in the previous Business Climate Report, key measures to strengthen the economy should be directed at the

diversification of the economic structure, based on sustainable, green development and information technologies.

At the end of 2021, the “Europe Now!” program was presented, which was created by the Minister of Finance and Social Welfare Milojko Spajić and the Minister of Economy Jakov Milatović. “Europe Now!” was presented to the public as a reform program for a more inclusive and sustainable model of economic development in Montenegro, with the following objectives: 1) Increasing the standard of living of all citizens; 2) Suppressing informal economy on the labor market; 3) Improving the business and investment climate; and 4) Promoting a more sustainable and inclusive economic growth model. The program increased the minimum net salary from EUR 250 to 450 and reformed the tax burden on labor by abolishing health insurance contributions and introducing a non-taxable part of wages and their progressive taxation. The increase in budget revenues was foreseen to take place through the adoption of a set of laws that would: increase excise duties on tobacco and tobacco products, alcohol and alcoholic beverages, carbonated and non-carbonated water with added sugar; introduce excise duties on sugar, cocoa and ice-cream products; collect revenues generated by taxation of unreported income, suppress informal economy and exercise more effective control by inspection services; enact a new Law on Games of Chance, the Law on Taxes on Cash Withdrawals for Legal Entities and

Entrepreneurs, the Law on Tax Claims Reprogramming, as well as amendments to the Law on Corporate Income Tax; and carry out the marking of mineral oils and their derivatives. The recommendations of the International Monetary Fund (IMF) were to implement the program in stages, primarily through an increase in excise duties and taxes, which would be followed by a gradual reduction of payroll taxes and an increase in the minimum wage. The IMF commended the justification of the project's goals of reducing duties and increasing wages, but also pointed out that, due to possible risks, such as inflation, reduced employment and the uncertainty of achieving the planned revenues, it should be implemented gradually, primarily by providing for the revenue side first.

The “Europe Now!” program was also presented to the business community at the Competitiveness Council. At that time, wanting to contribute to the common aspiration for the presented measures to really contribute to the achievement of a better standard of living for citizens and to improve the business climate in a long-term sustainable way, AmCham sent a request to the Ministry of Finance to provide it with reference sources – studies, analyses, calculations, etc. – based on which it determined the measures that were presented. However, since the Ministry of Finance did not share the materials underpinning the program in a timely manner, we were not able to comment on the adequacy of

the proposed measures. Respecting the intention of the line ministry to improve the national economy, we pointed out that all new measures required increased attention, especially in the light of the existing economic conditions, additionally burdened by the coronavirus crisis.

The “Europe now!” program was supported by the Parliament, but many measures that were on the revenue side of the project (increase of excise taxes, adoption of new laws or their implementation) did not receive the necessary support for implementation, so the project began to be implemented in 2022 with missing revenues, which the IMF warned about. This particularly affected healthcare, since the program abolished the mandatory health insurance contributions, which previously provided funding for the Health Insurance Fund of Montenegro, and which has a significant impact on the level of public spending. It is necessary to find a model of adequate funding for the health sector, which should enable the sustainability of the system in which the increasingly complex health needs of citizens should be met. Moreover, 2022 was a year of drug shortages – due to a halt in the public procurement processes, a significant number of patients in Montenegro did not have access to drugs and continuous treatment, including patients suffering from the most serious diseases, such as cancers and rare diseases. The currently budgeted funds for drugs in 2023 exceed the amounts allocated in previous years, but the settlement of outstanding



debts from the previous period, which is expected, reduces the funds allocated for 2023 to a level below the spending level in 2020, which indicates that the planned funds will once again be insufficient for funding the healthcare system.

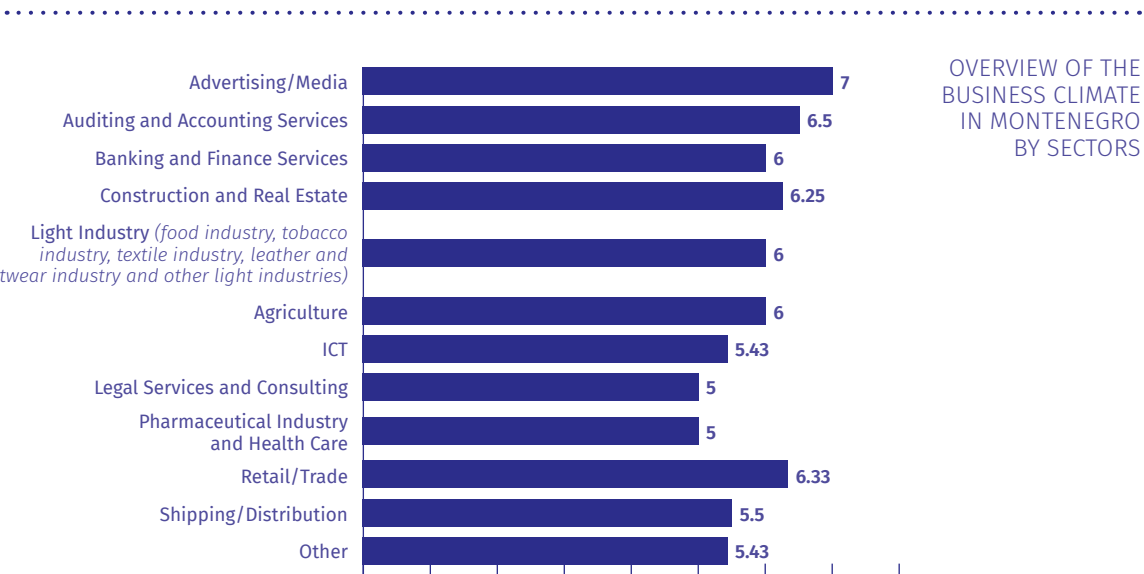
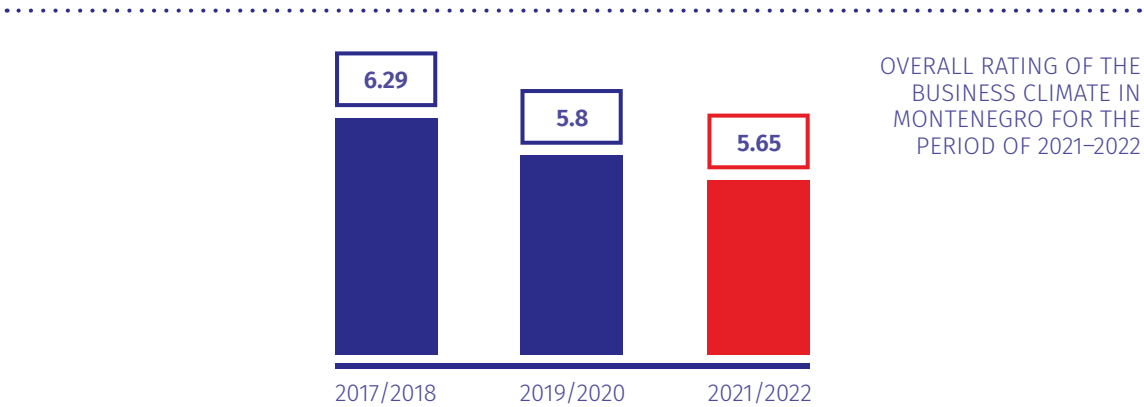
The wave of price increases that has hit Montenegro since the early 2022 is predominantly a consequence of negative trends on the global energy, food and raw materials market, but could also be attributed to the start of implementation of "Europe Now!" program to a smaller extent, as the program increased wages from February 2022, which led to increased personal consumption, but also inflation. The state reacted to the wave of price increases with available measures – by reducing excise duties on certain products, which made the state budget even more vulnerable. Inflation increased further as a result of geopolitical events in Europe, and the war between Russia and Ukraine also had an impact on Montenegrin tourism, given the significant share of tourists from these countries in the Montenegrin market. In the meantime, the Government of Montenegro has announced an increase in wages in the public sector that will follow the inflation rate, which will also require the allocation of considerable funds.

Due to the lack of a high-quality, continuous dialogue between the public and private sectors, frequent changes in state administration management positions – which is why many investments and

projects came to a halt – AmCham signed a Memorandum of Cooperation with the Government of Montenegro in 2022, with a view to working on the "Rule of Dialogue" program to further intensify cooperation, all with belief that the partnership between the public administration and the business community is the key to the economic prosperity of Montenegro and a better standard of living for its citizens. The "Rule of Dialogue" is a program aimed at raising the level of mutual understanding between the private and public sectors in Montenegro through timely, continuous and active dialogue. The existence of transparent and predictable business climate is essential for credible investors in Montenegro, so it is necessary to include the business community at an early stage in the procedures for drafting laws and other regulations, as well as to consult when developing policies that have an impact on the business climate. Under the "Rule of Dialogue" program, separate memoranda of cooperation were signed with the Ministry of Finance, the Ministry of Economic Development and Tourism, the Ministry of Science and Technological Development, the Ministry of Health, the Ministry of Labor and Social Welfare, the Ministry of Ecology, Spatial Planning and Urbanism and the Ministry of Public Administration.

In order to measure the degree of satisfaction of the business community with the business climate in Montenegro, we asked our members to rate the general state of the economy, as well as the state

in the economic sector in which they operate, on a scale from 1 to 10. The overall average rating of the business climate in Montenegro is 5.65, which is lower than the rating from the Business Climate Report for 2019-2020, which was only 5.8 due to the global lockdown caused by the COVID-19 pandemic. For the sake of comparison, the rating of the business climate in Montenegro in the period of 2017-2018 was 6.29.



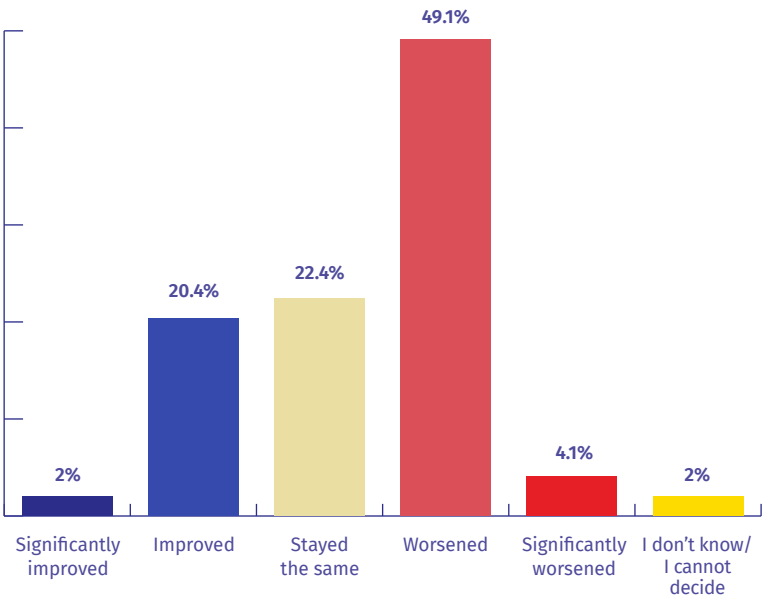




Just as in 2019-2020, the sector rated as the most conducive to business is advertising/media. In addition, the sectors of auditing/accounting, retail/trade, banking and financial services, light industry and agriculture are also ranked high. It is positive that the construction and real estate sector is again among the best-rated sectors for business, after a rating of 3 in the previous report, when it was hit hard by the global pandemic.

It is worrying that more than half of the members involved in the survey believe that the business climate in their sector of the economy has worsened or significantly worsened in the previous two years. About 22% of the members failed to notice any changes in the business climate, while about 20% of them believe that the business climate has improved in the past two-year period.

BUSINESS CLIMATE  
IN THE LAST  
TWO YEARS



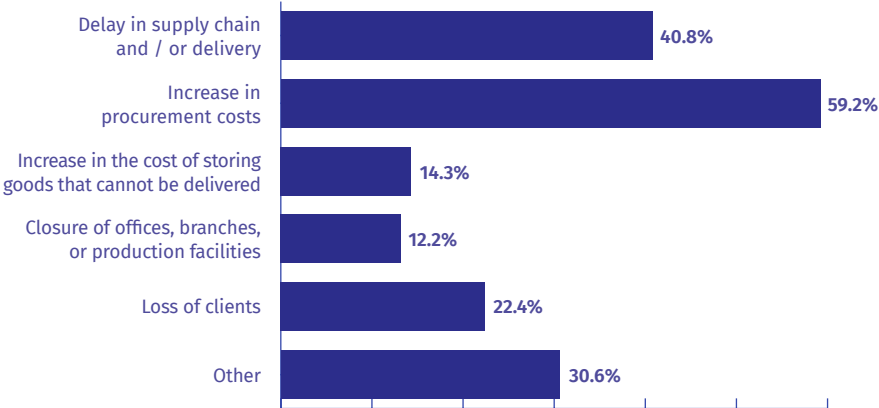
Identifying the main reason for dissatisfaction with the business climate, the members uniformly pointed to political instability in the country, which strongly affects investments. Political uncertainty caused a lack of new projects due to investors' distrust and lack of

motivation to invest in a market affected by inadequate planning and financing. On top of that, there are frequent changes in personnel in positions that are crucial for constructive decision-making. The members believe that the unpredictable political situation will have long-term negative consequences through the reduction of foreign investments. The rule of law remains a major obstacle to the creation of a competitive and fair market, as trust in the judicial system is shaken, while frequent amendments to important systemic laws bring legal uncertainty. Further internal reasons for concern are the lack of an adequate workforce, the growth of informal market and insufficient incentives that would make Montenegro a more competitive investment destination compared to the region. When it comes to external factors, the members pointed to the decline and stagnation of the

market due to the coronavirus pandemic, which significantly reduced the sales and turnover of goods and services, as well as the war in Ukraine, which is manifested through high inflation rates and a significant increase in the prices of all manufacturing inputs.

When asked about the ways in which the war in Ukraine affected business activities in 2022, the largest number of respondents (60%) answered that procurement costs increased, as well as that there were significant delays in the supply chain (40%). More than a fifth of respondents lost clients, while some companies faced an increase in the cost of storing goods. The members from the financial sector also stated that regular business with clients from Russia became difficult in terms of payments due to the restrictive measures introduced against that country.

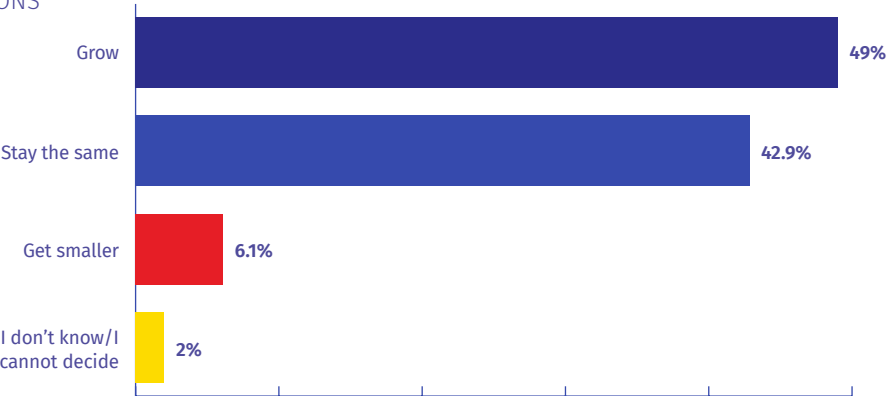
IMPACT OF THE WAR IN  
UKRAINE ON BUSINESS  
ACTIVITIES IN 2022



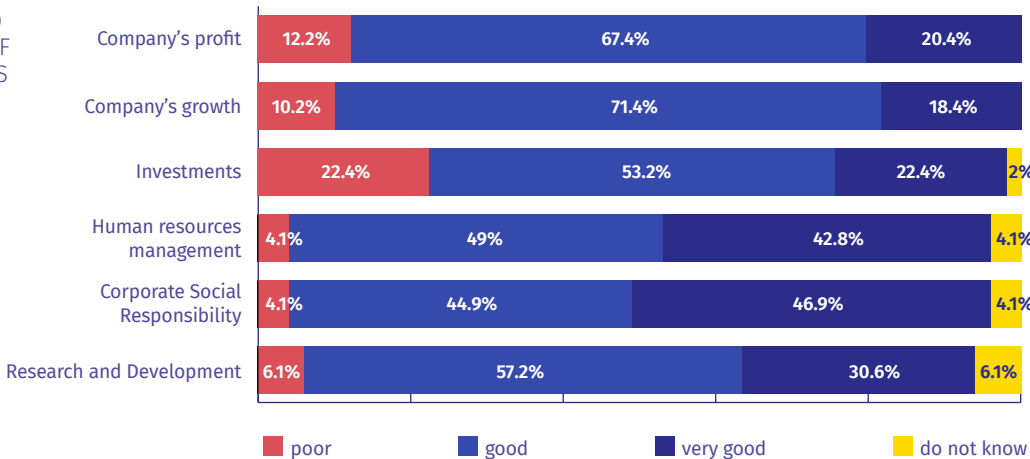


In the questionnaire, the members gave an assessment of the results projected for 2023, as well as their predictions for workforce increase/decrease. The good news is that almost half of the surveyed members expect the number of employees to increase, while 43% of them predict that the number of employees will remain unchanged. Only 6% of members plan to reduce the number of employees.

COMPANIES' PREDICTIONS OF WORKFORCE INCREASE/DECREASE IN 2023



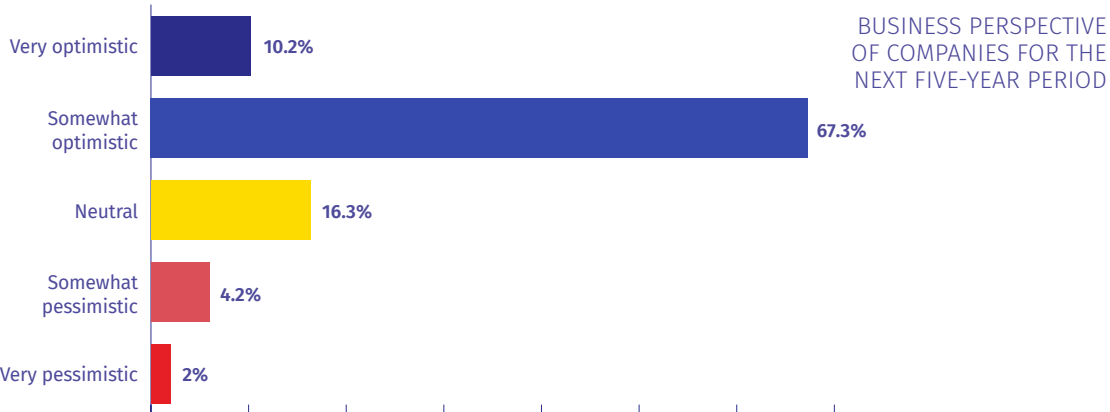
PROJECTED RESULTS OF COMPANIES FOR 2023



Identifying the most attractive element of doing business in Montenegro, the members pointed to lifestyle – geographical location, natural beauty, climate, culture and low cost of living. Other advantages of investing in Montenegro include the prioritization of European integration and the Euro as a currency, a favorable framework for foreign investments, especially in the field of innovation, a stimulating tax policy, the size of the market – which offers great opportunities for digitalization and networking with decision-makers, as well as cheap labor.

We asked the members to give a forecast of the business perspective for the upcoming five-year period, and to comment on it. More than 65% of the surveyed members gave a somewhat optimistic forecast, while over 10% of them gave a very optimistic forecast. The expectations are

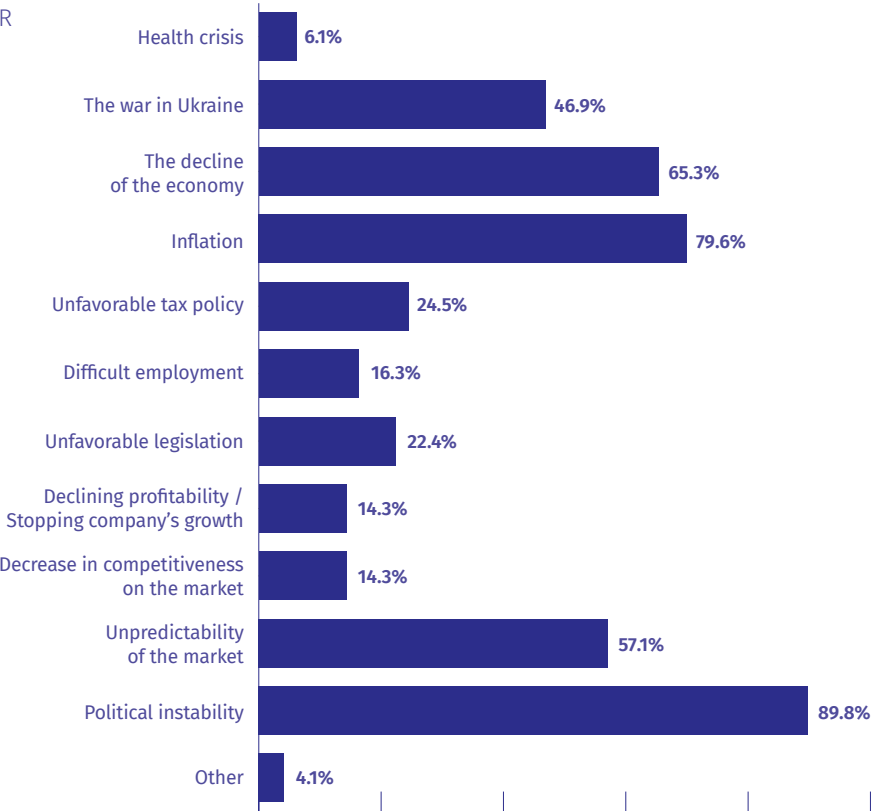
that after the crisis and the upcoming recession, towards the end of the five-year period, there will be recovery, growth and expansion of business, especially in the IT industry, energy and tourism. The companies are convinced that political stability will be achieved in the near future, along with the much-needed digitalization of administrative services and corporate digitalization, which will contribute to the increase of quality and sustainable investments in the country. According to the members, the energy sector is the sector with the most potential, especially in the light of current geopolitical events, which point to potential changes in energy sources on European soil and reducing dependence on energy supply outside the European Union. With accession to the European Union, Montenegro can expect the arrival of major global trade brands, which will further boost tourism demand.





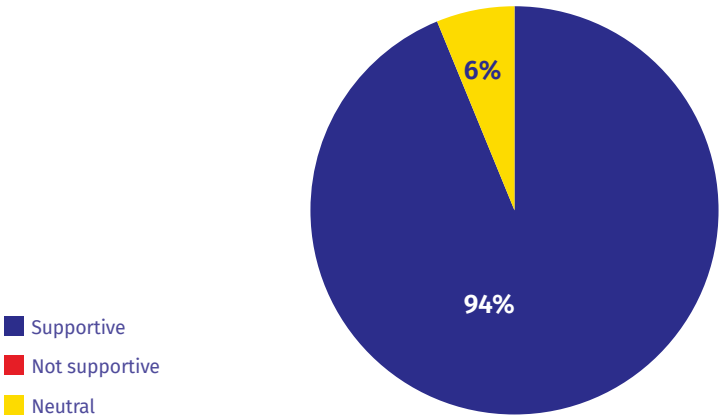
When asked to identify the main risks to be encountered by the capital in the coming period, as many as 90% of respondents answered that it was political instability in the country. In addition, members are worried about inflationary trends (80%), a possible economic decline (65%), the unpredictability of the market (57%) and the war in Ukraine – the end of which is still not in sight (47%).

THE MAIN RISKS FOR  
BUSINESS IN THE  
COMING PERIOD

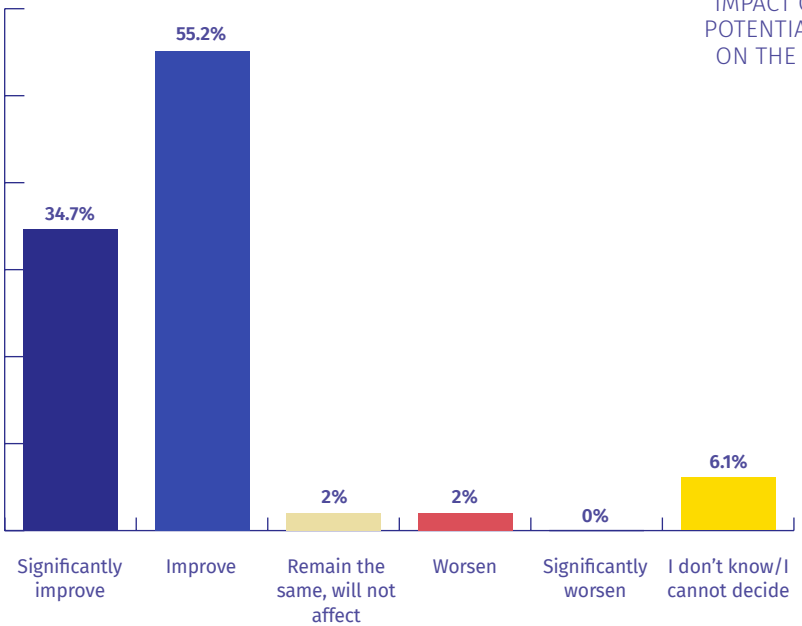


The business community strongly supports Montenegro's membership in the European Union, and they predominantly believe that business conditions will improve, or significantly improve, once Montenegro becomes a member of the European Union (90%).

OVERVIEW OF AMCHAM  
MEMBERS' POSITIONS ON  
EU MEMBERSHIP



IMPACT OF MONTENEGRO'S  
POTENTIAL EU MEMBERSHIP  
ON THE BUSINESS CLIMATE

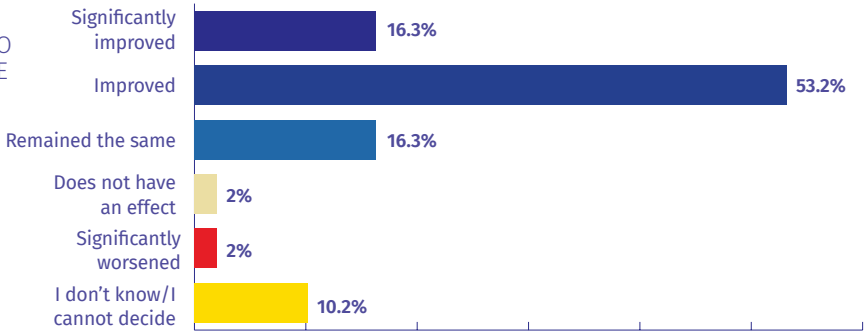




Montenegro's membership in NATO indicates the strengthening of macroeconomic stability and the growth of investor confidence, which is reflected in the increase in the inflow of foreign direct investments (FDI). FDI provide a great source of funds for increasing employment and competitiveness of the domestic economy, but also enable the transfer of know-how and new technologies from investors from the United States of America and developed

Western markets. In addition, NATO membership contributed to strengthening the tourist rating of Montenegro as a destination, because the country is perceived as a safe destination. The survey indicates that almost 70% of members believe that the business climate in Montenegro has improved or significantly improved upon Montenegro's accession to the Alliance, while 16% of them believe that the improvement is yet to come.

IMPACT OF MONTENEGRO'S NATO MEMBERSHIP ON THE BUSINESS CLIMATE



The Open Balkan regional initiative has caused a lot of economic and political controversy. The initiative was originally launched as Mini-Schengen by Serbia, Albania and North Macedonia in 2019 in order to improve the freedom of movement of goods, services and people between these three countries. Montenegro, Kosovo and Bosnia and Herzegovina (B&H) are not signatories to the initiative, which is intended to run parallel to the Berlin process.

The Berlin process, initiated in 2014 by the Government of Germany, led by former Chancellor Angela Merkel, aims to strengthen the European Union's cooperation with the Western Balkans and cooperation within the region, while accelerating the region's integration into the EU. In November 2021, the leaders of the Western Balkans adopted a single action plan for a common regional market at a meeting held under the Berlin process framework. On that occasion, they

pointed out that the key trade agreement in the region – CEFTA would contribute to the implementation of the action plan by: reducing the waiting time at border crossings by 30 percent; provision of inspection services 24/7 at border crossings on green corridors; reducing costs and saving time through mutual recognition programs, using a single document for seven markets; establishing a regional e-commerce market, which will be available primarily to small and medium-sized enterprises; eliminating non-tariff barriers and providing support on the way to the EU single market. In November 2022, agreements were signed on freedom of movement with an identity card, as well as on the recognition of higher education qualifications and recognition of professional qualifications of medical doctors, dentists and architects in the Western Balkans.

As economic initiatives intended to strengthen the Western Balkans, the Open Balkan and CEFTA / Berlin Process partially coincide, with a key difference – CEFTA / Berlin Process takes place under the auspices and in cooperation with the European Union and with the consent of all six countries, while this is not the case with the Open Balkan.

Given that the issue of joining the Open Balkan initiative in 2022 stirred a wide public discussion and polemics that went in support of this initiative or against it, the Government of Montenegro decided to form a working group composed of

representatives of several ministries in June this year, with a view to assessing the extent to which the Open Balkan initiative was in line with the country's goal of becoming a member of the European Union. In an effort to cross-reference expert arguments, the coordination of the preparation of the analysis was entrusted to the Ministry of European Integration.

In the analysis titled "On the Advantages and Disadvantages of Participation in the Open Balkan Regional Initiative", published in late November 2022, it was concluded that *the project does not have a road map, strategy, institutional framework, or an agreement establishing and guaranteeing an equal relationship and position of states parties; the project does not have a methodology that would help to measure success, nor does it include any supervisory administrative-technical body that would perform the necessary evaluations and propose measures; memoranda and agreements rest solely on the promise that the legal framework of the initiative is harmonized with the acquis of the European Union; the agreements do not foresee mechanisms for resolving disputes, except for negotiations between the contracting parties; the sources of information on the implementation of the project are limited, and the text of some agreements is not even available; there is no single website that would provide all the necessary information, which also points to the problem of transparency of the process; Serbia has ratified five agreements, while Albania and North Macedonia have not*



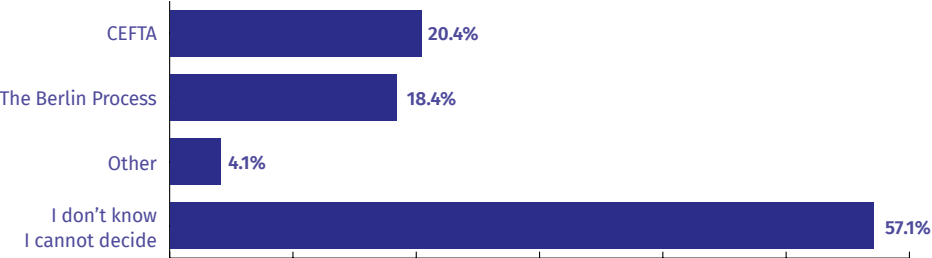
ratified a single one, so it is still too early to talk about any results of the Open Balkan initiative; there is an evident imbalance in the size of the economies as well as in the foreign trade volume of the countries, where one country has a particular advantage, both in terms of the volume of the economy and foreign trade connections outside the region, which can represent an advantage in the market; removing all borders in the region is a risky move given the existence of the so-called Balkan Route through which various criminal activities are carried out, etc. The analysis further states that the recent signing of three agreements gives a clear signal why cooperation within the Common Regional Market (CRM) and the Central European Free Trade Agreement (CEFTA) is a priority for the EU, and that the participation of all six countries in CRM, as well as the management process within the Berlin Process, the implementation of EU standards with a clear road map and action plans, measures and success indicators (all of which is absent in the OB initiative) impose this type of regional cooperation

and EU integration as primary, desirable and transparent.

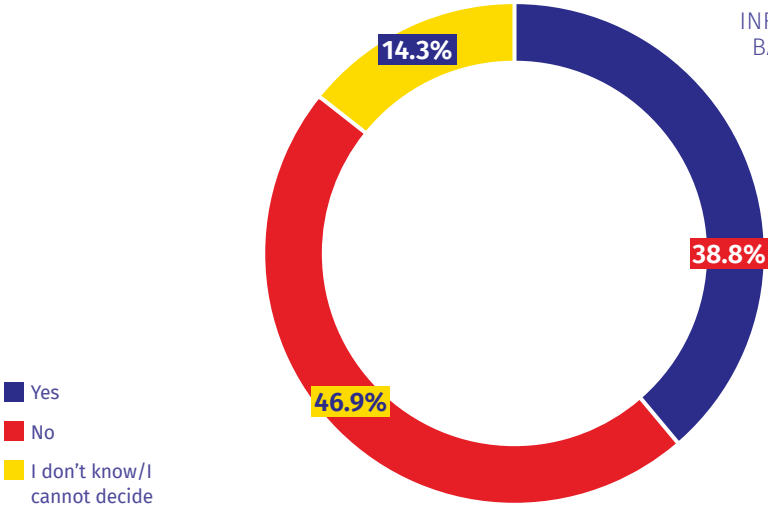
The Minister of European Affairs resigned after her department recommended that Montenegro did not take a decision to join the Open Balkan, which is, on the other hand, strongly supported by the Prime Minister of Montenegro and some members of the government.

Wanting to get familiar with the views of the members, inter alia, on regional initiatives, AmCham's questionnaire included a question about the regional economic integration platforms that have so far brought the most value to their business. More than half of the members did not answer this question, while a fifth of them pointed to the CEFTA agreement and the benefits of the Berlin Process. About half of the members stated that there was not enough information about the Open Balkan initiative, while 40% of them said that they had enough knowledge about the aforementioned cooperation platform.

REGIONAL INITIATIVES BRINGING VALUE TO BUSINESS OF COMPANIES IN MONTENEGRO



ANSWERS TO THE QUESTION "DO YOU HAVE ENOUGH INFORMATION ABOUT THE OPEN BALKAN REGIONAL INITIATIVE?"



The AmCham members believe that CEFTA and the Berlin Process provide enough space for economic cooperation with the countries of the region and already produce results, as well as that they should continue to be implemented until Montenegro joins the European Union. Each additional initiative only complicates the processes, slows the accession and binds Montenegro to other countries in the region, which are at a much lower level of readiness for EU membership than Montenegro. The Berlin Process seems to be the most beneficial, because it defines the institutional framework that is lacking in the Open Balkan. Another problem is

present in the administrative capacities of the country, which are more than limited, which is why Montenegro should focus on regional cooperation mechanisms that are the most effective and that inevitably bring the country closer to the European Union.

The members are determined in their view that regional cooperation is necessary and useful for the Western Balkans, and they are ready to support regional cooperation platforms provided that they are inclusive for all six countries of the region and fully compliant with the requirements and standards of the European Union.



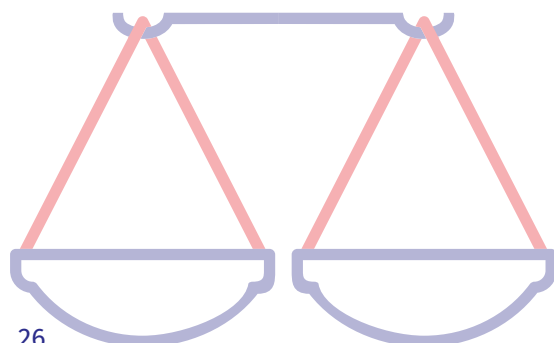
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**Bojana Nikčević***Jovović, Mugoša  
& Vuković*

Constant development of technology must go hand in hand with the development of mechanisms for protection of intellectual property rights that truly reflect the stage of economic development of a country.

**Bojan Leković***G3 Spirits*

To achieve the maximum potential of entrepreneurs and benefits for the country's economy, it is necessary to implement legal regulations constantly and indiscriminately. The shadow economy brings short-term benefits to individuals, while it creates long-term problems for the country's economy, low productivity, and burdens healthy development.

**Luka Popović***BDK Advokati /  
Attorneys at Law*

Raising the quality and efficiency of the judiciary is of key importance for legal security, the rule of law, and ultimately for the creation of business environment attractive to foreign investors.

**Vladan Tabaš***Čikom*

I can't shake the impression that Montenegro is currently stagnating in the field of intellectual property rights protection (e.g., legal use of software licenses), and in some domains even regressing (e.g., sale of original tobacco products and brand protection of cosmetic products and textile industry). Fifteen years ago, when within the framework of the IPR committee we launched campaigns to change legal regulations, we organized several months of consumer education and inspections and had excellent results. I think that new campaigns on these topics should be designed and implemented.

Also, as an IT expert, I stress the issue of managing the registers of personal data of citizens that are generated in application software at all levels, and which is at an unsatisfactory, even low level. Temptation in this area await us and I would also add the issue of using data in the "cloud" as a big current and even greater future challenge.

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**Rule of Law**

**A**mCham has constantly pointed to the importance of a predictable and transparent business climate, because only such a climate can guarantee attracting and retaining renowned American and other foreign investors. For the aforementioned business entities, it is of crucial importance that the country in which they operate is a country of the rule of law, which rests on respect for constitutional principles and laws, since legal certainty is the foundation for all other safeguards in society.

The worst rated element of the Rule of Law chapter is the duration of court proceedings, rated as poor or very poor by 84% of members. Respect for the right to a trial within reasonable time is extremely important for the efficiency of courts, but is also a necessary precondition for legal certainty. Although there is a normative framework (Law on Protection of the Right to a Trial within Reasonable Time), the state needs to act more decisively to reduce unnecessary delays in court proceedings, as well as to prevent the abuse of rights by actors who knowingly contribute to the delay of court proceedings.

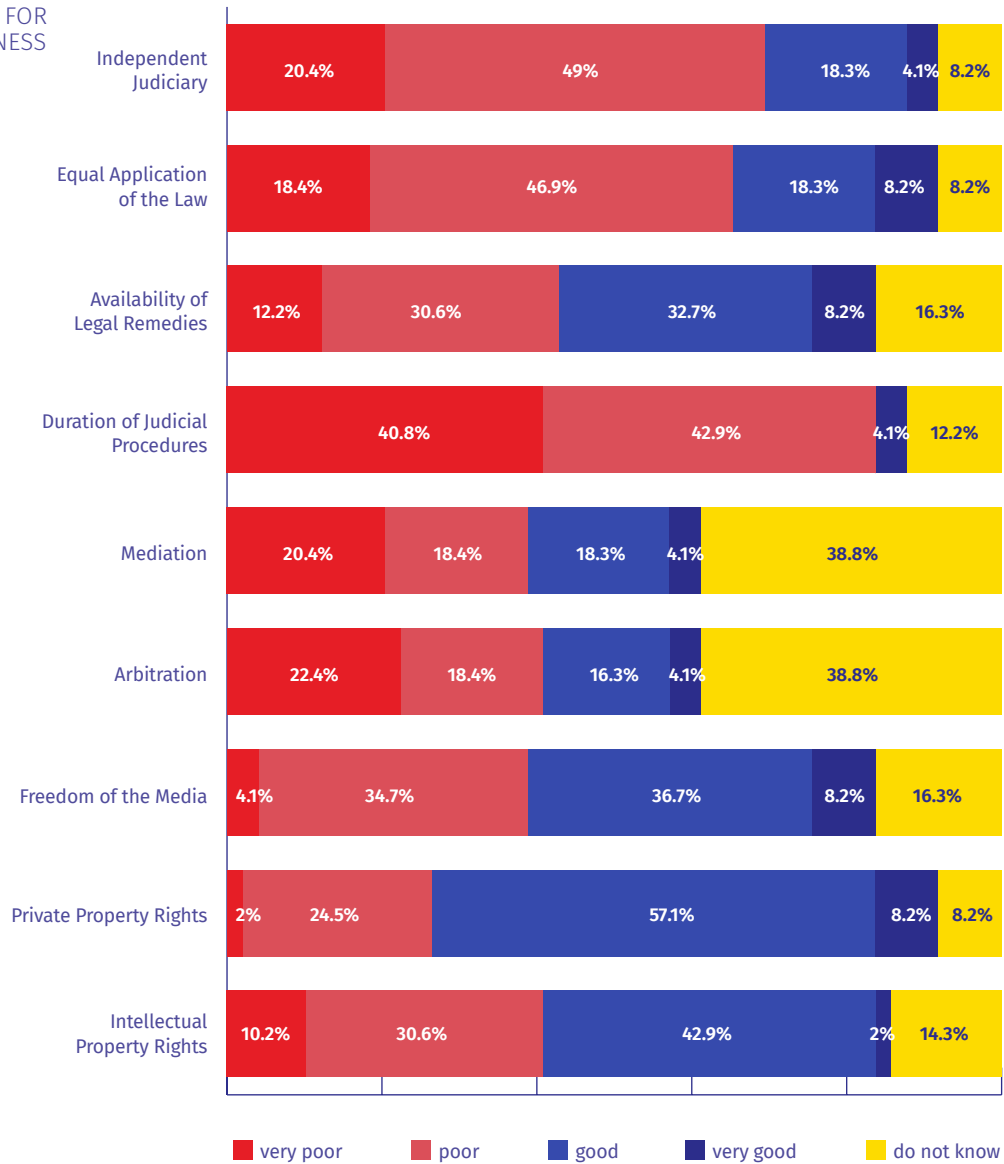
The implementation of key judicial reforms in Montenegro is still on hold. In the previous two years, certain high-level appointments in the judiciary were made, while others, including the ones in the Constitutional Court (which require a

qualified parliamentary majority) are still pending, which means that this institution is effectively blocked from September 2022. The Constitutional Court decides on the compatibility of laws with the Constitution and ratified and published international treaties, as well as on the compatibility of other regulations and general acts with the Constitution and the law, constitutional appeals based on the violation of human rights and freedoms guaranteed by the Constitution, rendering decisions once all effective legal remedies are used, etc. Currently, there are 3,000 constitutional appeals and more than 250 initiatives for assessment of the constitutionality of various regulations before the Constitutional Court. Moreover, there are still concerns regarding the institutional performance and consolidation of the independent Judicial and Prosecutorial Council, as was indicated in the key findings of the European Commission's Report on Montenegro for 2022. About 70% of the surveyed members rated the independence of the judiciary in Montenegro as poor or very poor. The integrity and professionalism of the judiciary should be strengthened in accordance with European standards, and the influence of politics and the media on decision-making of judicial bodies should be reduced.

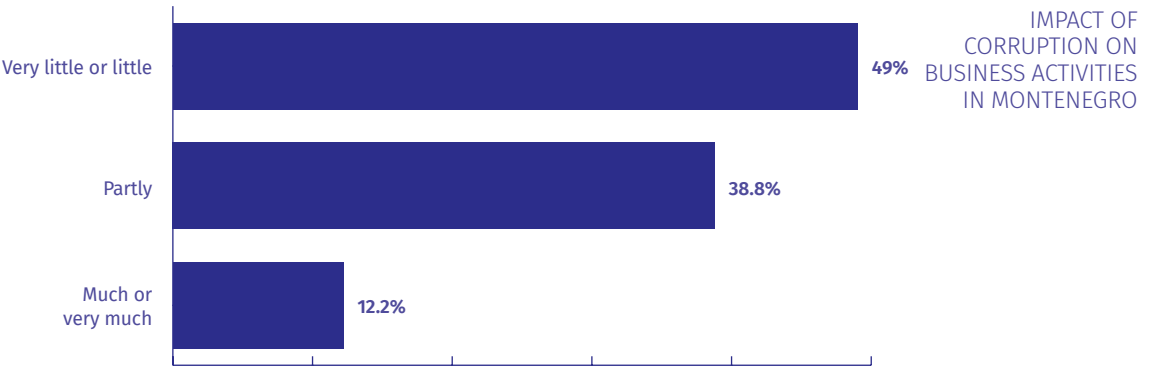
Members' opinions are divided when it comes to the availability of legal remedies, intellectual property rights and media freedom.



RULE OF LAW –  
CONDITIONS FOR  
DOING BUSINESS



Within the Rule of Law chapter, the members assessed the extent to which corruption affected their business activities in Montenegro. Expressed as a percentage, 49% of the members assessed that corruption had very little or little impact on their business, while around 40% answered that it had a partial influence. Unfortunately, about 12% of companies believe that corruption affects their activities a lot or very much.



When it comes to the uniform application of the law, the assessments show that the extent to which informal economy is present in Montenegro is at a worrying level. Quantification of informal economy is possible through various models, methods and indicators to measure the volume of informal economy and its share in the country's GDP, but until 2022 we did not have comprehensive analyses that would produce accurate data. Therefore, the state and private sector assessed the extent of informal economy in Montenegro differently, with estimates ranging from 25 to 40% of the total GDP, which significantly exceeds the average in the developed

countries of the European Union. In July 2022, the Ministry of Finance published a study whose goal was to determine the extent and structure of informal economy in Montenegro. These estimates covered only the part of informal economy related to the formal sector, since only registered companies and entrepreneurs were surveyed. The analysis shows that the share of informal economy is still at a very high level, considerably higher than the one in European countries, which confirms that there is a solid tax potential in the regulation of taxation in certain areas and expansion of the tax coverage.



We look at the grey market as a complex phenomenon from several aspects, and in this context, we can talk about the economic sectors with companies that are most exposed to unfair competition in Montenegro, which, consequently, weakens competitiveness. These economic sectors are intellectual property, manufacturing, import and trade of excise products, labor market, provision of services in tourism, etc., while the most common forms of informal economy in Montenegro are informal employment and informal business operations. If we were to take intellectual property as one of the drastic examples, then we could rate the extent of piracy in Montenegro as extremely high compared to the standards of the European Union.

One of the key findings of the present and all previous business climate reports is that unfair competition produced by informal economy is a serious obstacle, which negatively affects the business climate in Montenegro. Searching for root causes of informal economy in Montenegro, the members have identified primarily the weak rule of law, reflected in unequal application of laws, as well as inadequate legislative framework, insufficient inspection staff and poor coordination between relevant state institutions. It is necessary for the state apparatus to recognize the fight against informal economy as its priority in order to stabilize public finances. In addition, efforts should be made to affirm the principle of equality before the law for all actors, as one of the basic principles of the rule of law. There is a severe institutional problem in the form

of a lack of inspection staff, which needs to be solved urgently, since the state must strengthen the control of all possible harmful behaviors, only for good work in the field to be followed by adequate judgments and sanctions imposed by the judicial authorities. The informal economy should not only be viewed through lost tax revenues, but also through other negative effects, reflected on the entire society.

High unemployment and poverty rates are conducive to the grey market expansion, especially in the trade of excise goods. AmCham has been pointing out for years that it is necessary to revise the regulations governing inspection control in order to enable the implementation of control and sanctioning of those entities that are not registered but still perform economic activity. Business actors who regularly do business and regularly fulfill their obligations to the state are in an unequal position compared to those who do business in the grey zone. Therefore, legal prerequisites should be created through amendments to the Criminal Procedure Code and the Law on Misdemeanors, in order to introduce provisions into the Law on Inspection Control that will prescribe a separate procedure for performing inspection control on unregistered entities. It should be noted that the comparative practice of the neighboring countries prescribes control of natural and legal persons that are not registered for performing economic activity.

In particular, it should be borne in mind that the use of goods that have not passed adequate control by the

competent authorities can be harmful to health, given that such goods often do not have the same active substances as the original or contain harmful substances. Therefore, any sale of unregistered goods or provision of unregistered services carries a risk to public health and must necessarily be subject to control by state authorities through the creation of an adequate sanctioning policy, which must be consistently enforced in practice.

Particular attention should be paid to the increasingly common sale via social media, but also via the Internet, where goods and services are offered by unregistered traders. By making such a purchase, citizens not only participate in informal economy, but also give up their consumer rights.

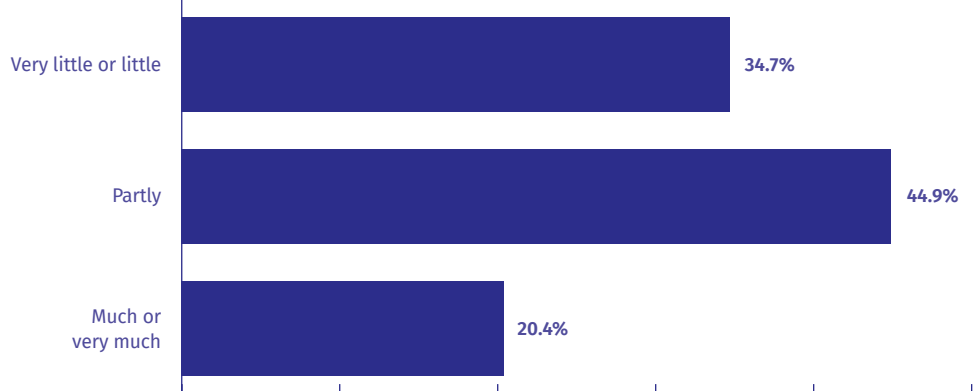
AmCham has continuously indicated that it is necessary to increase the capacity and efficiency of inspection services, as the main link between the policies passed by the government and actors enforcing those policies. Inspection bodies provide decision-makers with information on the implementation of laws and other regulations and can identify practical problems in implementation of the prescribed solutions. The Analysis of Efficiency of the Administration for Inspection Affairs, considered by the Government at its session held on 11 March 2021, indicates that the annual reports on activities of the Administration for Inspection Affairs cannot prove that, apart from the formal unification of inspections into a single body, its activities were directed at the implementation of the

planned strategic goals concerning the increase of legality and raising the level of protection in various areas. In addition, the analysis of the available statistical data shows that the share (percentage) of inspectors in the total number of employees dropped from 85.9% to 78%, which is worrying. The aforementioned analysis also indicates that preventive action of inspections prevails in the work of the Administration, and that only a small number of controls lead to sanctions. We agree with the statement that in practice there is a lack of necessary coordination between the ministries and competent inspectorates of the Administration in policy-making, which is reflected in the existence of major challenges in law enforcement and insufficiently effective inspections. Institutions of the system must cooperate in order to identify illegal activity, especially in the domain of suppressing informal economy. As stated in the analysis, there is an evident trend of separating inspectorates from the Administration, which calls into question the appropriateness of the existing inspection system.

As part of the present survey, AmCham members have also rated the impact of informal economy on their business activities in Montenegro. About 35% of members assessed that informal economy affected their business very little or a little, close to 45% answered that it had a partial effect, while slightly more than 20% of the companies stated that informal economy affected their activities a lot or very much.

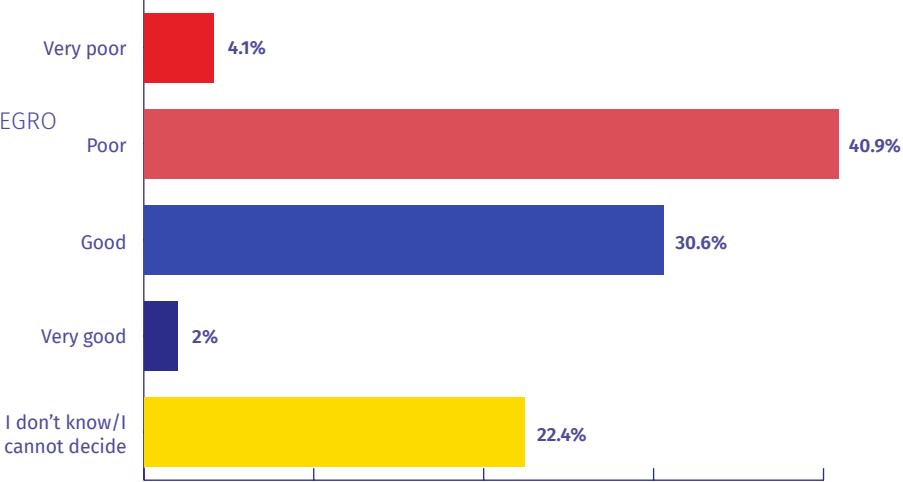


IMPACT OF  
INFORMAL  
ECONOMY  
ON BUSINESS  
ACTIVITIES IN  
MONTENEGRO

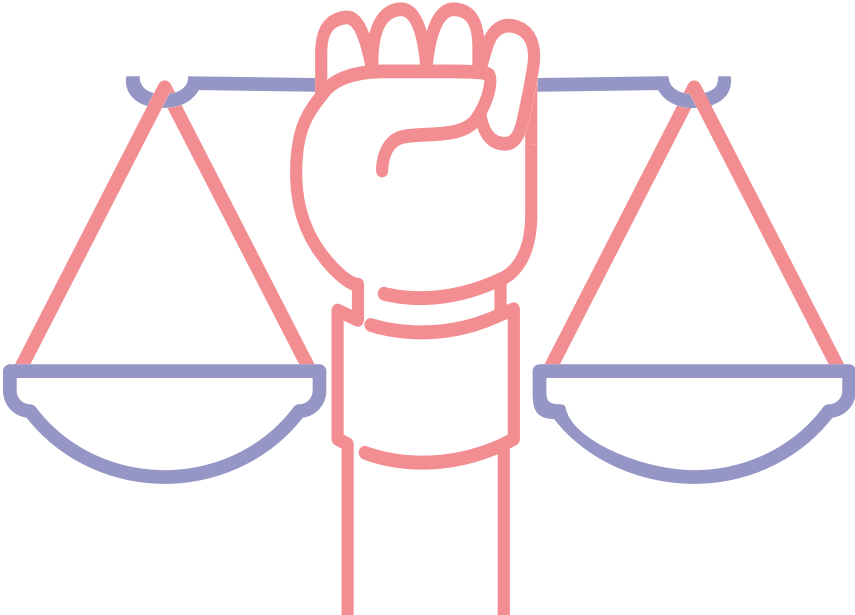
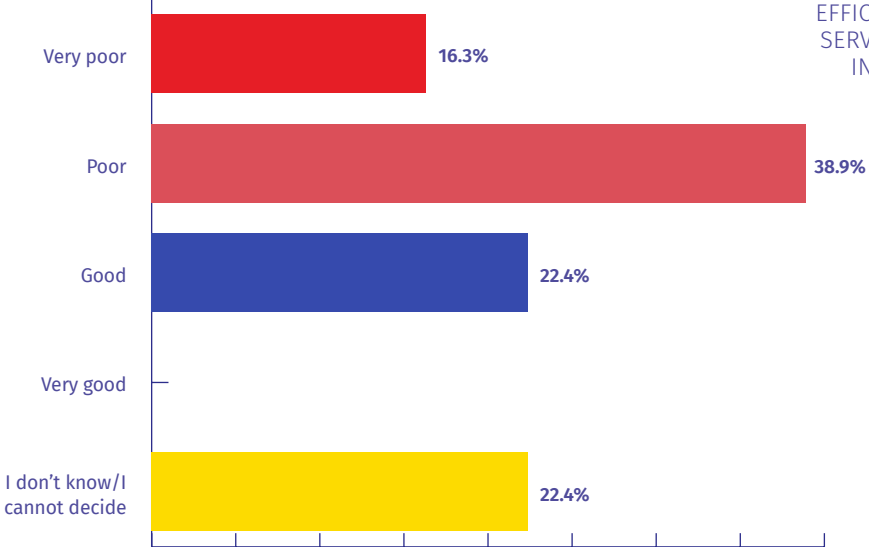


About half of the members believe that government's measures to suppress informal economy are poor or very poor, as well as that inspection services are not sufficiently effective in suppressing informal economy in Montenegro.

ASSESSMENT OF  
GOVERNMENT'S  
MEASURES TO  
SUPPRESS INFORMAL  
ECONOMY IN MONTENEGRO



EFFICIENCY OF INSPECTION  
SERVICES IN SUPPRESSING  
INFORMAL ECONOMY IN  
MONTENEGRO



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**Milić Ilinčić***One Crna Gora*

We want to contribute to the establishment of a regulated, modern and flexible legal framework for the development of human resources in Montenegro, in order to be an attractive environment for both employers and employees. Our goal is to recognize and work on common interests to benefit society as a whole.

**Zoran Soknić***Trebjesa Brewery*

Through our “People First” culture and by creating a work environment where everyone feels valued, safe and respected, regardless of their differences, we are dedicated to fostering an inclusive culture, diversity and equity, which has a significant impact on the community in which we operate.

**Irena Sočanac***Coca-Cola HBC*

By encouraging employees to realize their potential to the maximum, Coca-Cola HBC continuously engages in people development. Training and development of employees is one of the basic success factors of every company today. In the desire to maintain a leadership position on the market, continuous education of employees has always been an important part of Coca-Cola HBC's business.

**Ljiljana Mršović***Sava Insurance*

Aware of the importance of responsibility towards employees, one of the priority strategic goals of our company is taking care of employees through the promotion of healthy lifestyles and involvement in socially responsible business in order to contribute to their development, but also to the development of the social community as a whole. Through the “Heart for the World” campaign, we promote healthy lifestyles, care for the environment, solidarity, always focusing on the satisfaction of our employees, clients and the community in which we operate.

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## Human Resources

**A**ccording to 78% of the surveyed members, the situation on the labor market is poor. In the previous business climate reports, 64% of the members rated the situation on the labor market as poor or very poor, which shows the long-lasting trend of members' dissatisfaction with the situation on the labor market.

In the field of human resources, just as in earlier business climate reports, respondents are of the opinion that fundamental reforms of the education system are necessary. The education of current and future employees should be intensified and focused on the skills needed in the labor market. It is necessary to act in the direction of aligning supply and demand through the development of national-level strategies and their decisive implementation in practice, as well as in the direction of developing a dual education system, which represents a good starting point for improving the quality of the labor supply. Engagement in professional practice in parallel with formal education leads to the achievement of better preparedness, motivation and expectations of young people from business activities upon the completion of education.

When it comes to the Labor Law, which

entered into force in January 2020, the Government's Work Program for 2022 provided for the adoption of its amendments, which are primarily related to the alignment of labor regulations with the requirements of the Directive on work-life balance for parents and carers from 2019, the Directive on transparent and predictable working conditions from 2019 and the Framework agreement on telework from 2002. The line ministry postponed the adoption of these amendments for 2023. The assessment of AmCham members is that it is necessary to implement a wider scope of amendments, instead of mere alignment with directives, since certain norms are not applicable in practice, represent business and administrative barriers, and stand in collision with other laws.

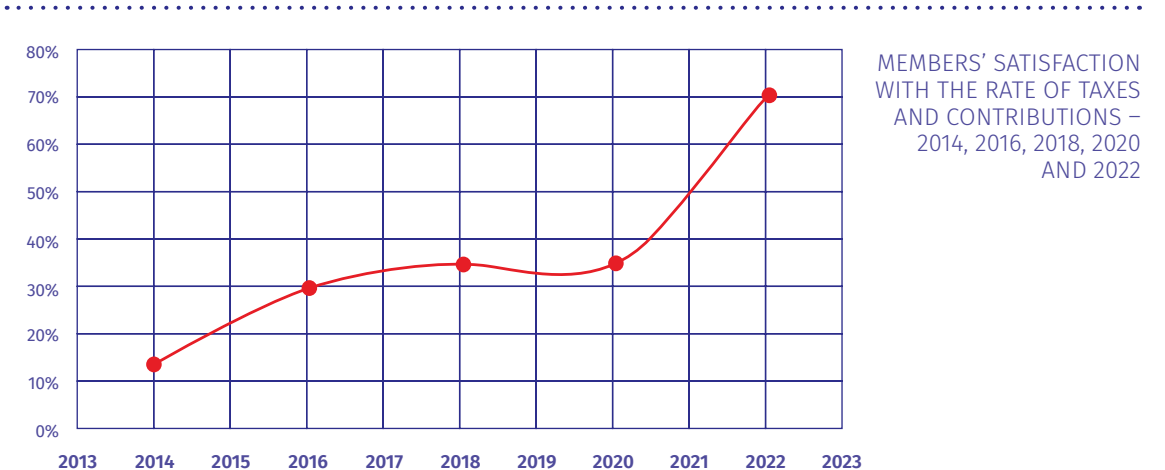
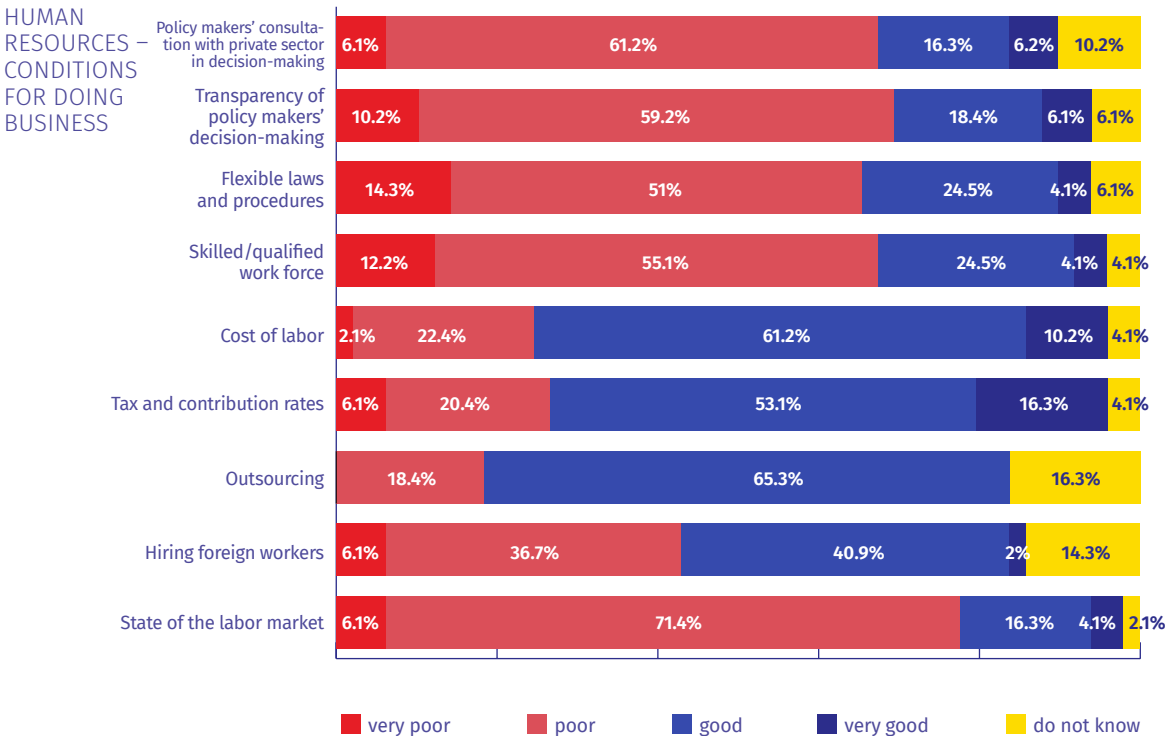
According to 65% of the surveyed members, one of the biggest problems of Montenegrin labor legislation is still related to rigid legal provisions and procedures. AmCham's Labor Relations Committee suggests creating a more flexible wage solution that would allow employers to choose the wage determination system. Labor legislation must keep up with the times, bearing in mind that a large number of jobs today are performed based on the use of special competencies and skills (IT



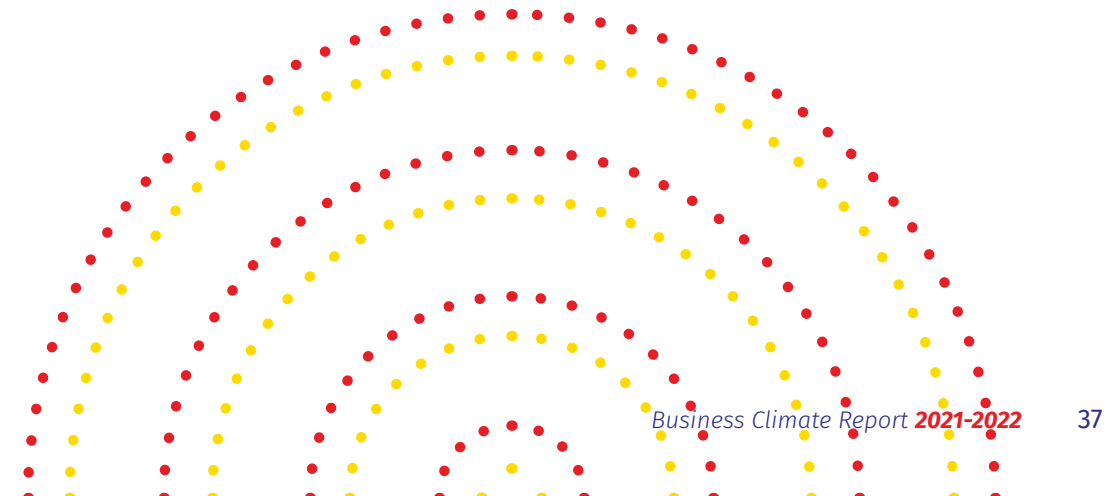


experts, commercial-administrative jobs, etc.), and not by obtaining formal education, except for certain professions (such as medical doctors). Therefore, it is necessary to underline the importance of the freedom to contract wages for certain jobs, and the need to amend the prescribed limiting norms towards enabling the autonomy of employers so that certain jobs are not tied to wage coefficients. Almost 70% of the members rated the decision-making process as non-transparent, while 67% of them were not satisfied with the decision-makers' consultations with the private sector.

On the other hand, an extremely positive attitude towards the cost of work, found by 71% of respondents as good or very good, is encouraging. In addition, the largest trend of increase in members' satisfaction is visible in the rate of taxes and contributions, which 70% of respondents rated as positive.

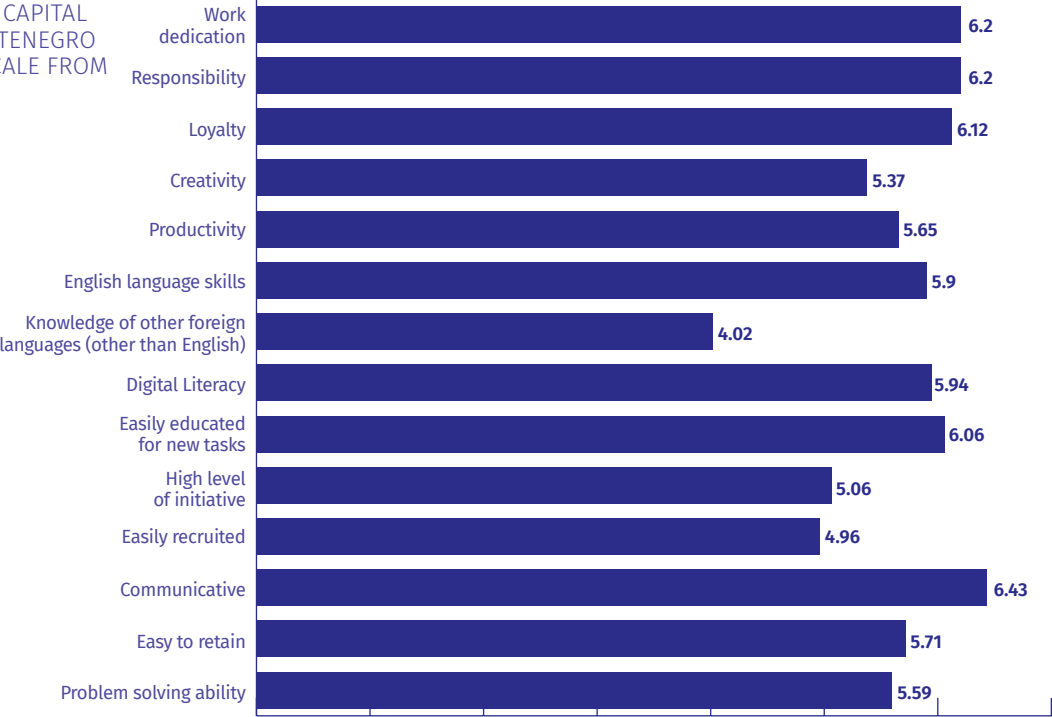


As part of the survey, we have asked the members to rate the human capital in Montenegro on a scale from 1 to 10. Employees in Montenegro are communicative, dedicated to their work, responsible, loyal and it is easy to train them for new jobs and tasks. The respondents commented that the staff lacked the initiative for improvement, as well as awareness of the necessity of personal and professional development. Young people on the labor market lack enthusiasm, and have premature expectations in terms of earnings. Companies believe that it is necessary to continuously educate employees at the employer level, and that the field of human resources should be professionalized, as it is still in its infancy in Montenegro.

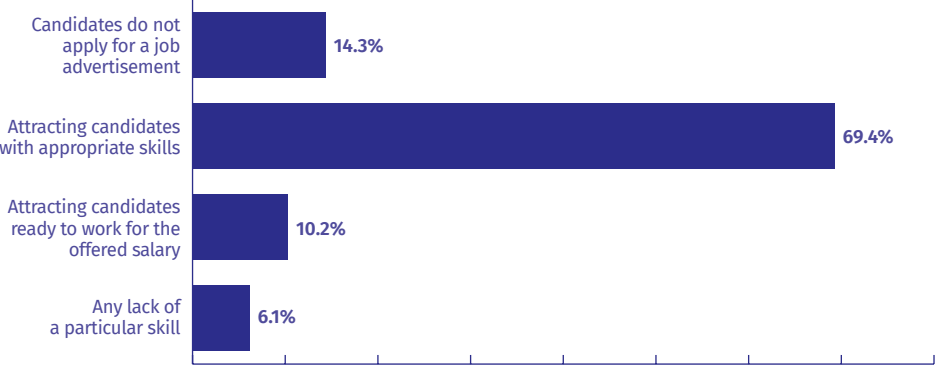




HUMAN CAPITAL  
IN MONTENEGRO  
ON A SCALE FROM  
1 TO 10



THE BIGGEST  
CHALLENGE FOR  
EMPLOYERS IN  
RECRUITMENT





**Milan Marić**

*S&T Montenegro*



I point out the importance of Strategic Goal I from the Digital Transformation Strategy of Montenegro 2022-2026: "In order to improve capacities and capabilities for digital transformation in Montenegro, it is necessary to improve the availability, interoperability and management of data, in accordance with the Law on eGovernment, through the implementation of the following activities of the Action Plan: the establishment of electronic records on all registers maintained in institutions, as well as the holding of trainings and workshops in order to fully implement the Law on Administrative Procedure, where the obligation to collect documentation ex officio and electronically is highlighted, according to the principle of conducting administrative activities in one place."



**Predrag Lešić**

*doMen*



We live in the 21st century where the data economy has become dominant. If we want Montenegro to become part of that economy, it is necessary to digitize all processes in Montenegro, and the prerequisite for that is ensuring communication between registers and translating services for citizens and the economy to an electronic level in a functional sense, without using paper. The task of the economy is to first help build the system, and then to capitalize the availability of data by creating new digital services.

**Jelena Ristić**

*Mastercard*



We are at a turning point where technologies are opening up incredible opportunities to overcome challenges, from business sustainability to the sustainability of the planet. Modern technologies are the building blocks for a secure digital world, and at the same time, they are the way companies improve the user experience and take digital commerce to a new level. In order to remain competitive, private businesses and the public sector must put end users at the very center of their operations, developing products and services from their perspective so that the user experience is intuitive and relevant to the current moment. On that path, building trust in the digital environment is a priority. Our job is to build trust. It is our responsibility to ensure that people, their data and their payments are safe, always and everywhere. Our technologies are the basis of the cooperation we achieve with the private and business sectors in 210 countries and territories around the world, and we believe that we will continue to contribute to Montenegro taking its rightful place on the global digital map.



**Vuk Vukašinović**

*Crnogorski Telekom*

Digitalization is a process in which both the private and public sectors must participate. The sooner we realize this fact, the closer we are to a successful digital transformation. It is up to the private sector to initiate and define the needs and directions of digital development, and up to the public administration to create the preconditions for this to happen.



# Digital Transformation

In 2021, the line ministry adopted three umbrella policy documents governing the field of digital transformation in Montenegro: Digital Transformation Strategy of Montenegro (2022–2026), Cyber Security Strategy of Montenegro (2022–2026) and the Program for Attracting Digital Nomads to Montenegro. The process of drafting these policy documents included, inter alia, the representatives of the private sector. However, in this report, the members have once again pointed out that improvements in the process of digital transformation in Montenegro require consultation with the private sector in the decision-making processes, as well as transparency of the decision-making process itself.

When it comes to the Digital Transformation Strategy of Montenegro, one of the key elements missing in this policy document is formal recognition of the potential of the ICT sector. Namely, in all developed countries, ICT is recognized as an important driver of sustainable economic growth and development, which contributes to strengthening the competitiveness and productivity of all other economic entities and thus to the growth of the entire economy. In modern economy, digital transformation is no longer an option and a market advantage, but a precondition for future survival on the market.

Montenegro has the potential to be

competitive on the global market when it comes to the IT sector, but in order for this sector to support digital transformation and economic development, as well as increasing the quality and quantity of the IT industry's share in Montenegro's GDP, the government's support measures ought to aim at making it a new strong economic sector with high export potential. Adequate support measures are absolutely necessary for the IT sector and digitalization to become catalysts for development of innovative economy and strengthening of traditional economic sectors. The strategy does not envisage specific financial support measures in order for this sector to become a catalyst for the Montenegrin economy. The level of national investments in Montenegro in the IT sector is among the lowest in the region and far below the average of the European Union. The funds allocated from the state budget of Montenegro remain insufficient to encourage development in this area.

Efficient and effective coordination and monitoring of digital transformation are a prerequisite for the implementation of the Digital Transformation Strategy. Namely, the document provides for the establishment of a Digital Coalition at the social level, as well as of the National Coordinating Body as the main body tasked with coordination of all activities within the coalition. The strengthening of the Council for Electronic Administration as the central body for



coordination of the digital transformation process in the public administration sector is also envisaged. The Digital Coalition in this form provides the prerequisites for the gathering of all (or as many) stakeholders as possible, in an effort to use acceleration of digital transformation to develop a social and inclusive society, increase the competitiveness of the economy, intensify the use of digital solutions, services and infrastructure, which will be based on openness, security, privacy, while contributing to reducing the impact on the environment. Unfortunately, the Digital Coalition has not yet been established at the national level, although it is envisaged as an integral part of the first operational objective of the aforementioned strategy. The surveyed members predominantly believe that the process of managing the digital transformation in Montenegro is poor or very poor: 71% of them gave such a rating.

Given that the implementation of the strategy requires amendments to laws and other regulations from various sectors, AmCham has made a proposal to establish a body that would carry out an analysis and create a catalog of regulations that should be amended so that the activities envisaged by the strategic and operational objectives could be implemented in line with the time-frame and extent prescribed by the strategy and the accompanying action plan.

The worst rated condition for doing business in the field of digital transformation is cyber security, and 88% of members believe that information security in Montenegro is in

a poor or very poor state. In mid-August 2022, a cyber-attack was carried out on the servers of the government and other state institutions, forcing the state services into an offline mode for months after that and depriving the staff of the possibility to use official computers and e-mail addresses. Furthermore, electronic services became unavailable to the businesses and citizens.

In the Cyber Security Strategy of Montenegro, which was adopted in 2021, it is stated: *"In the final report on the implementation of the previous Cyber Security Strategy, the main cause of the failure to fulfill strategic goals satisfactorily was identified in the financial factor, as well as in insufficiently developed awareness of the importance of investment in cyber security at the highest management levels". In addition, "it is recognized that Montenegro does not have adequate mechanisms for detecting cyber threats, or the mechanisms for a sufficiently quick response, i.e., recovery from cyber-attacks. Finally, the lack of experts in the field of cyber security is recognized as a global problem, while in Montenegro, due to limited human resources, this problem is even more evident".*

The Government of Montenegro, led by the line ministry, undertook priority activities in raising the level of cyber security through the establishment of a separate Section for Information Security – GSOC (Government Security Operation Center) and the introduction of ongoing monitoring of the government's IT infrastructure 24/7. Moreover, a new Law on Information Security

is being prepared, and the construction of a state data center is planned.

The high level of attention paid internationally to the issue of cyber security is illustrated by the fact that in 2016, at the summit in Warsaw, the heads of states and governments of NATO member states recognized cyberspace as the fourth domain of operations in which they must defend themselves in an effective way, as they do in the air, on land and sea. After the aforementioned attacks, NATO partners helped the line ministry in remediating the consequences, together with the American, French, and British embassies.

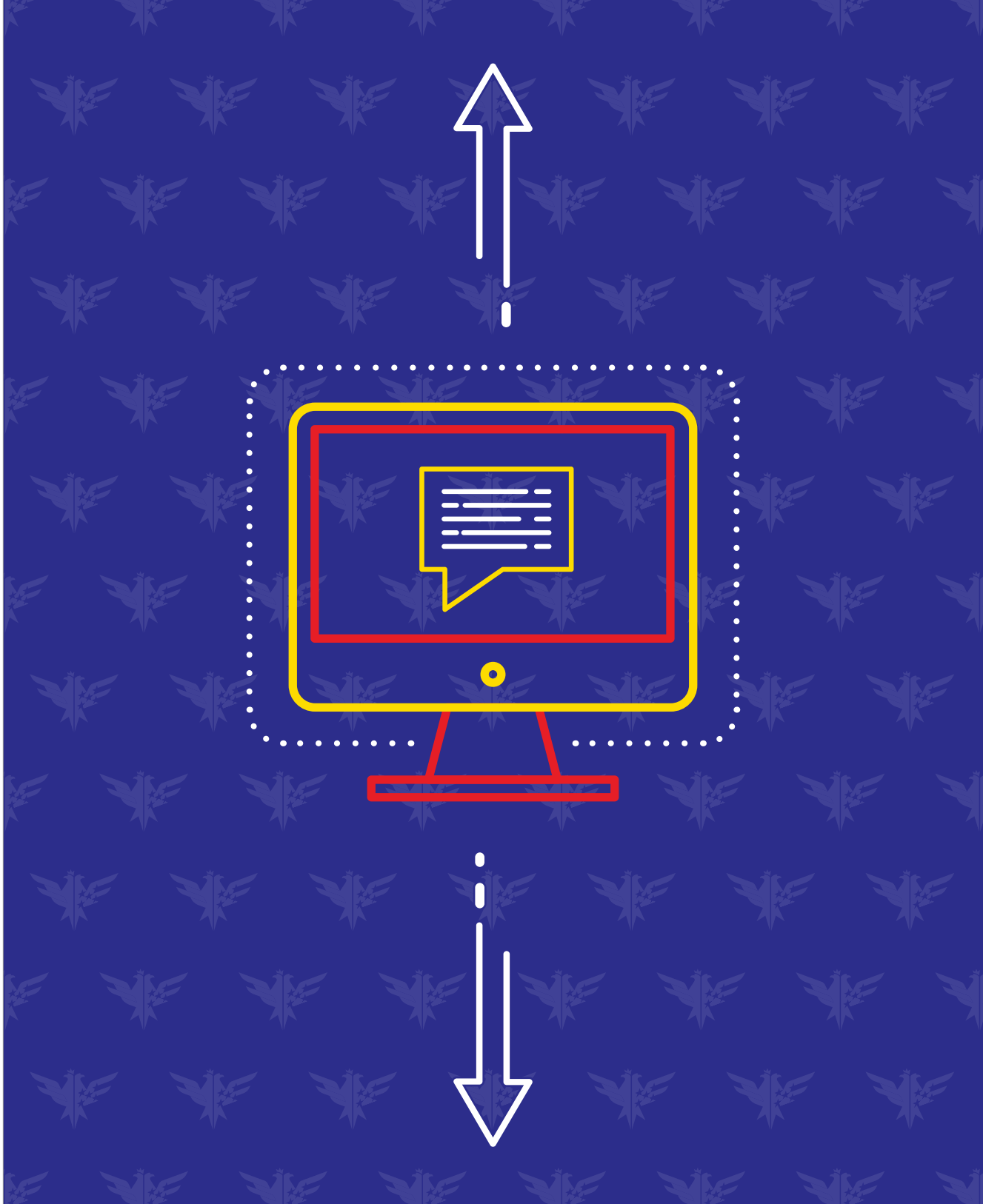
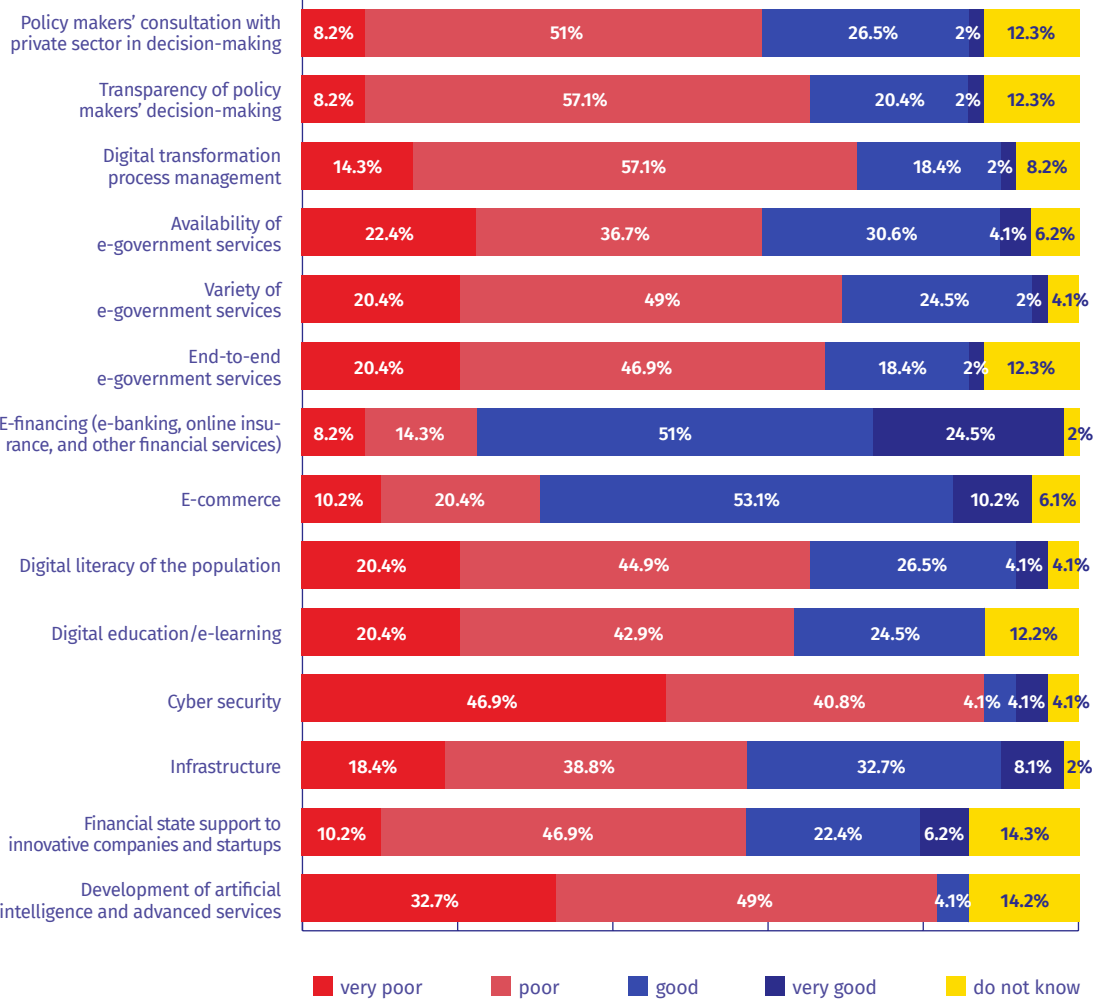
The Program for Attracting Digital Nomads to Montenegro defines the strategic priorities and goals of creating an environment that would make Montenegro an attractive destination for digital nomads, providing for the activities and analyses to evaluate the economic and social potential, as well as competent institutions for the implementation of activities, success indicators, sources of financing and other matters of relevance. The goal is for Montenegro to be recognized as a globally attractive destination for digital nomads, who have great promotional potential and can influence the country's investment image. As an incentive to attract digital nomads, the government adopted amendments to the Law on Personal Income Tax, which stipulates that digital nomads will not pay income tax if their income exceeds three average gross salaries in Montenegro for the previous year.

In the opinion of the surveyed members, being a small system, Montenegro can be digitalized in a relatively short period of time if there is a good and comprehensive strategy and political will for it. At present, in terms of digital transformation, Montenegro lags behind most European countries, as well as countries in the region. The infrastructure has been developed in accordance with the standards, but a better promotion of e-services, a single database, access from one platform, as well as training and raising the awareness of citizens, employers and employees about the advantages of using digital services are necessary. The state should establish electronic payment systems so that taxpayers can pay public revenues anywhere without a tariff. In this way, in addition to indisputable advantages in the form of saving time and collecting data, public finances would be protected by minimizing the possibility of money flowing into informal streams.

The acceleration of digital transformation during the COVID-19 pandemic clearly indicated the lack of digital skills, both in the general population and among public officials. According to the Digital Transformation Strategy, digital literacy at different levels of complexity and for different purposes is one of the key competitive advantages of modern society in the contemporary world, so Montenegro must step up its efforts to create conditions for long-term and rapid digital development. AmCham members agree that the digital literacy of the population needs significant improvement, which is also shown in the table below.



DIGITAL TRANSFORMATION –  
CONDITIONS FOR DOING BUSINESS





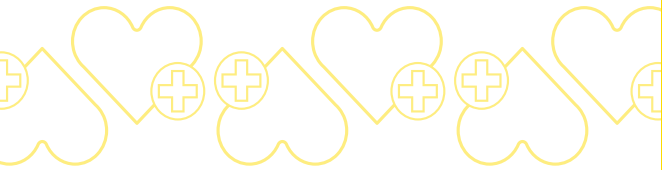


**Jelena Milošević  
Sekulić**

*Merck Sharp&Dohme*



It is well known that pharmaceutical innovations have significantly improved the health and quality of life of patients. Innovative new medicines and vaccines are some of the most powerful tools in helping people across Europe and the world to live longer, healthier, and more productive lives.



**Marija Vukotić**

*Hoffmann-La Roche*



In the first decade of this century, life was extended by 1.74 years, and two thirds of that life extension was made possible by innovative medicines. Innovations benefit not only patients who live better and longer lives, but also health systems because they become more efficient.



**Radmila Bajić  
Sekulić**

*Takeda*

Modern lifestyle has led to many new diseases. We are witnesses that thanks to medicines, life expectancy has increased, however, rare diseases and serious medical conditions are still waiting for new innovative therapies, which will save lives and improve the quality of life for many patients. Introducing innovations that support biotechnology across various sectors to expand access to quality healthcare and data utilization in healthcare system is crucial. At Takeda we think that Health Care Committee must cooperate closely with Government on that, as we have always put the patient in the center of everything we do.



**Jelena Stojimirović**

*Novartis*

Pharmaceutical innovation represents a complex scientific and technological process that follows a long period of research and development of new drugs, vaccines and advanced technologies with significant financial investments. Medicines and vaccines play a key role in maintaining our health and vitality from early childhood to old age.



## Health

**F**ollowing the coronavirus pandemic, the perception of policymakers that healthcare is an expense has finally begun to change towards the position that healthy citizens are a key prerequisite for the progress of society as a whole, and that investments in healthcare are the basis of prosperity.

Along with new infectious diseases and pandemics, longer life expectancy and increasing frequency of chronic diseases have significantly increased the need for health services and interventions. In order for the system to be able to meet the general needs, it is necessary to provide the conditions for its sustainability through strategic investments. As the leading causes of mortality and a significant burden on public health, cardiovascular diseases and cancers represent priority areas in the region and Europe, and their prevention and timely diagnosis are key to their suppression.

The abolition of health insurance contributions is one of the measures from the aforementioned “Europe Now!” program, along with other tax reform measures, which are planned to reduce the labor tax burden on

employers, with a view to creating adequate conditions for the growth of employees’ wages, without abolishing the right to healthcare. In this way, the entire healthcare is financed from taxes. This measure led to divided opinions, bearing in mind that health insurance contributions make up a large part of the Health Insurance Fund’s revenues, which are spent on the gross salaries of health workers, material costs required for the operation of public health institutions, drugs and medical devices, investments in healthcare, etc. Health insurance contributions were abolished at the end of 2020, and although the plan was to use the revenue side of the budget to compensate for the missing funds, practice has shown that the health system is suffering, and that health debts are only growing. For 2023, the government did not envisage the reintroduction of health contributions, but the Ministry of Finance said that the decision to abolish mandatory health insurance contributions was bad, as it brought into question the sustainability of public health.

When it comes to the regulatory framework in Montenegro, it is expected that in 2023 a new Law on Healthcare will be adopted, while amendments to the

Law on Mandatory Health Insurance and the Law on Pharmaceutical Activities are also planned. Members working in the field of health are 100% satisfied with the quality of the regulations governing the health system in Montenegro, as well as with the availability of information regarding tenders and other calls for proposals.

The Ministry of Health recognized the need for constant innovation of available therapeutic options covered by the Health Insurance Fund, including the state-of-the-art treatment models on the positive drugs list, which brought the practice in our country into line with the positive practice of the European Union and the countries of the region. However, due to a halt in the public procurement processes in 2022, a significant number of patients in Montenegro did not have or do not have access to drugs and continuous treatment. The Health Committee of the American Chamber of Commerce has for years emphasized the importance of continuous drugs supply, which is a prerequisite for positive outcomes of applied therapy. All institutions of the system should make additional efforts towards better planning and timely initiation of public procurement procedures, more intensive communication and coordination between contracting authorities and participants in public procurement processes in healthcare, as well as effective control of the consumption of procured drugs. The planning,

preparation and implementation of public procurement was not preceded by an organized and planned research and analysis of the market of drugs and medical devices. Solving the problem of drug shortages is a public interest that needs to be addressed as soon as possible, because the existing regulations in the field of public procurement should not be an obstacle to protecting the life and health of the citizens of Montenegro.

Healthcare modernization must be imperative for decision-makers in Montenegro in the coming years, and it seems that a major breakthrough has been made with the establishment of the Digital Health Directorate in the Ministry of Health. The development of a national digital health strategy is a critical first step in identifying, prioritizing and addressing barriers and gaps in key digital health capabilities. In order to achieve the goals defined by the digital health strategy, adequate financial support will be needed, especially given that the introduction of new programs and technologies often means significant initial costs.

In November 2021, AmCham held the conference titled “Digital Transformation of Healthcare in Montenegro – Increasing Access to Innovation in Medicine Sustainably”, with panels and discussions that brought together a number of regional experts in the field of innovations in medicine, who shared

their knowledge and experience, but also pointed to best practice examples from the countries of the region and Europe. The key message was that the essence of healthcare digitalization is to improve, speed up and simplify the entire process that the patient goes through, as well as to shorten the waiting time, which also reduces the pressure on the already burdened system.

Thinking about data as the core of healthcare based on the value of digital transformation, we conclude that interoperability is one of the key goals for the future. New technologies provide opportunities to generate, collect and use large amounts of real-world data about health outcomes, but also have a direct impact on the creation of new digital health services, which are inexpensive and accessible to a wider range of people. Reliable data enable predictability of health system spending, including drug costs and treatment outcome measuring, which will further enable innovative drug pricing models.

According to over 85% of members operating in this field, the availability of drugs and innovative therapies to patients in Montenegro is good or very good, although it is still not at the level of EU countries – Croatia and Slovenia. The results of the survey show that Montenegro is on a progressive path and a big step ahead of most countries in the Western Balkans. In addition, the members rated the pricing policy as

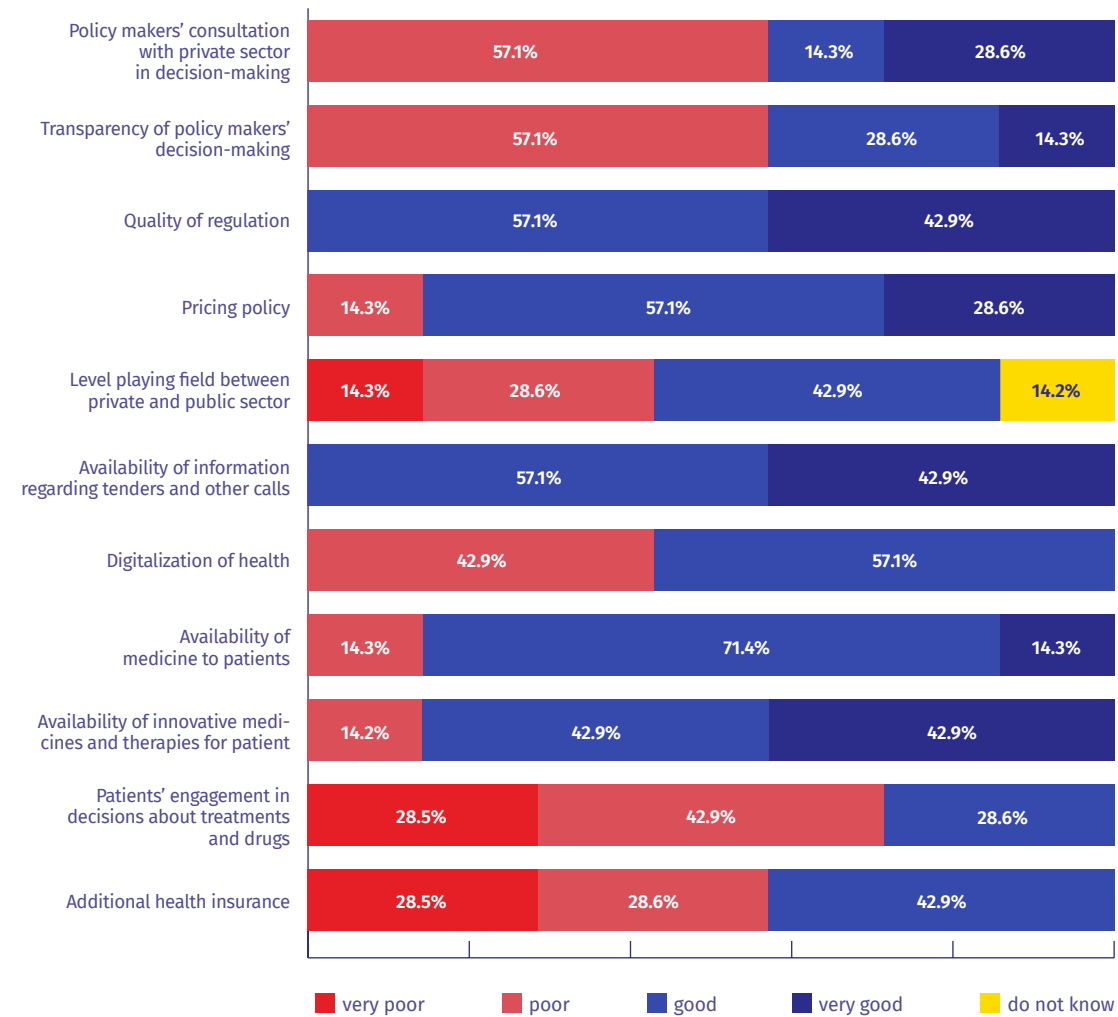
good for doing business.

The opinion of the members is divided when it comes to development projects such as healthcare digitalization, where a greater effort should be made to improve the infrastructure, which would establish greater control of activities from several aspects. According to more than half of the members, the communication between the state administration and the private sector in the decision-making process and the transparency of that process shows room for improvement. Better cooperation with the private sector and its greater involvement in the creation of health policy would lead to a faster development of the system, an increase in the efficiency of all the actors in the system, while also contributing to alignment with the European quality standards.

According to members, although it is a good practice in developed countries, patient associations are not sufficiently involved in treatments and drugs decisions. The findings of this and all previous business climate reports indicate that it is necessary to work on empowering patients in the process of deciding on their own treatment.



HEALTH – CONDITIONS  
FOR DOING BUSINESS



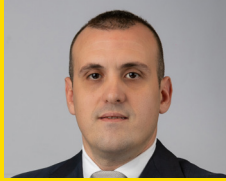
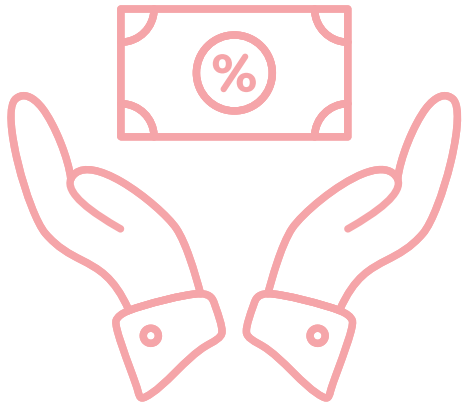


**Vanja Mugoša**

*Jovović, Mugoša  
& Vuković*



Even though the increase of tax rates came sudden and without explanation in 2022, they still are the best part of our tax system, however, different or, better said, inconsistent implementation of tax regulation and rules is obvious. Namely, both the law makers and authorities dealing with tax policy and discipline stick to the practice that those who already settle their tax obligations shall be charged more, and those who, for some reason fail to meet those obligations, are not under their competence or shall not be dealt with. In any event, the current tax rates shall be kept, while the groups of taxpayers shall be enlarged.



**Miloš Komnenić**

*Komnenić & associates  
Law office*

Since January 2022 significant changes in tax system occurred, whereas we are of the opinion that same are not followed by appropriate implementation system and clear midterm or long-term fiscal policy. Increase of the tax rate from 9% to 15% was introduced in a different way for the physical persons and legal entities, whereas legal entities are entitled to a progressive rate (9%,12%,15%) and physical persons, including entrepreneurs which fall under Law on personal income are always charged with 15% tax rate either on income, dividends, or capital gains. Our view is that sources of income/profit of the physical persons that are not generating economic benefit such as lease of real estate should have been taxed with a different, ie. higher tax rate, while any commercial activity should be incentivized. Finally, we deem that lack of centralized system, exchange of data and human resources within Tax Authority is causing that millions of EUR of tax are not collected particularly in field of incomes of physical persons deriving from property and capital gains.



**Taxes**

**A**lthough low tax rates are a desirable feature of the tax system for investors, clarity of rules and predictability are even more important. In this regard, the government must intensify its efforts to create a stable and predictable tax policy, with timely announcement of changes in tax regulations, so that the business community can adapt to the new conditions. According to the members, the private sector must be more involved in the consultation processes when adopting new regulations, all with the aim of increasing accessibility, ensuring clearer interpretation and easier implementation.

As we stated in the section titled Overview of the business climate in Montenegro by sectors, in 2022 the government started implementing the “Europe Now!” economic program, whose main goals are to raise the standard of living of citizens, increase employment, reduce informal economy on the labor market, improve business and investment climate. In the area of tax policy, a set of measures was proposed: increasing the minimum salary to EUR 450, reducing the tax burden on labor and introducing progressive taxation as a more efficient taxation model. Foreign direct investments and international know-how are the

driving force behind the development of Montenegro. The local market is small, so we can attract big market players only if we have competitive tax rates compared to other countries. As many as 74% of the members rated personal income tax and real estate tax as good for doing business in Montenegro, and corporate profit tax (71%) and value added tax (65%) were also rated positively.

The adoption and enforcement of the Law on Fiscalization in the Trade of Products and Services has led to a more effective fight against informal economy, monitoring the regularity of taxpayers’ business, establishing a higher degree of compliance with tax regulations, but also modernizing the way in which the state administration communicates with the business community in accordance with technological development and business processes automation trends.

More than half of the members (61%) believe that the efficiency of the Revenue and Customs Administration is not at a satisfactory level, and that it is necessary to improve the transparency and communication of this institution so as not to slow down the tax procedures. The current regulations allow for different interpretations, so work should be done on



the permanent education of employees in the Revenue and Customs Administration.

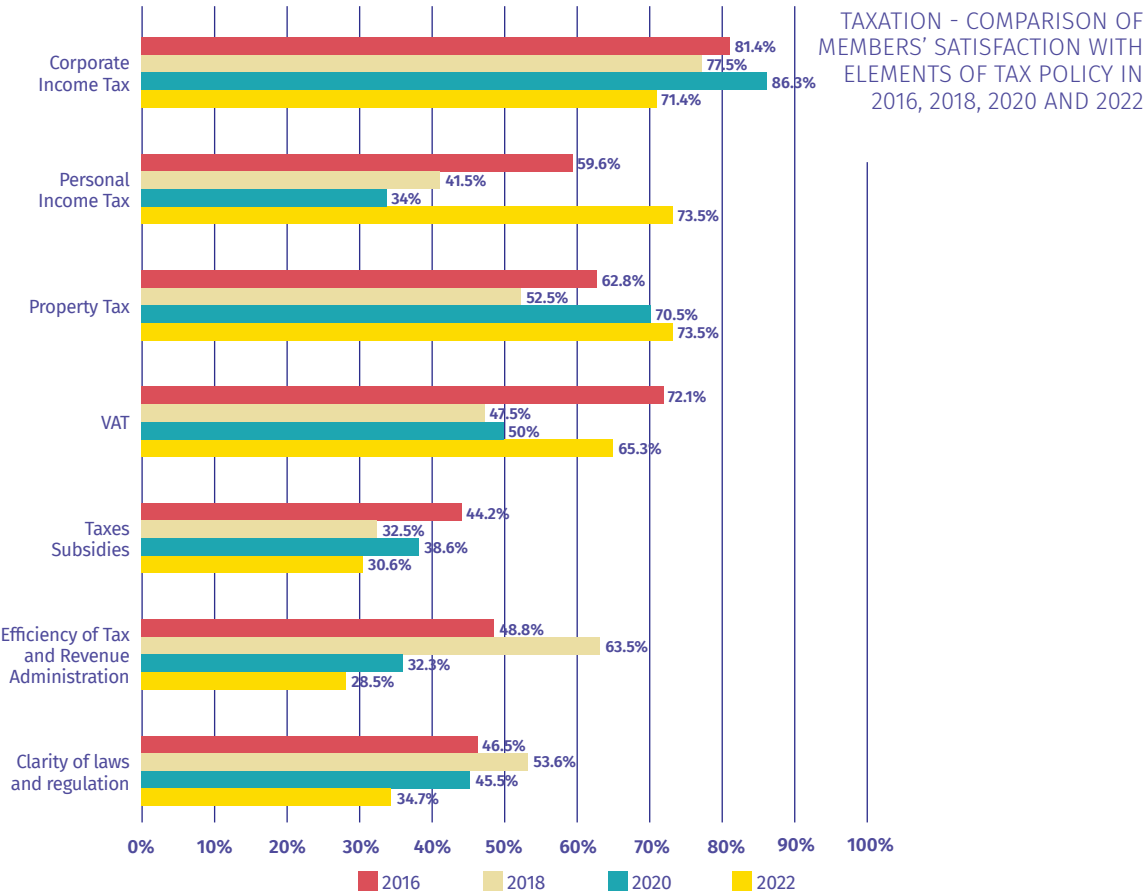
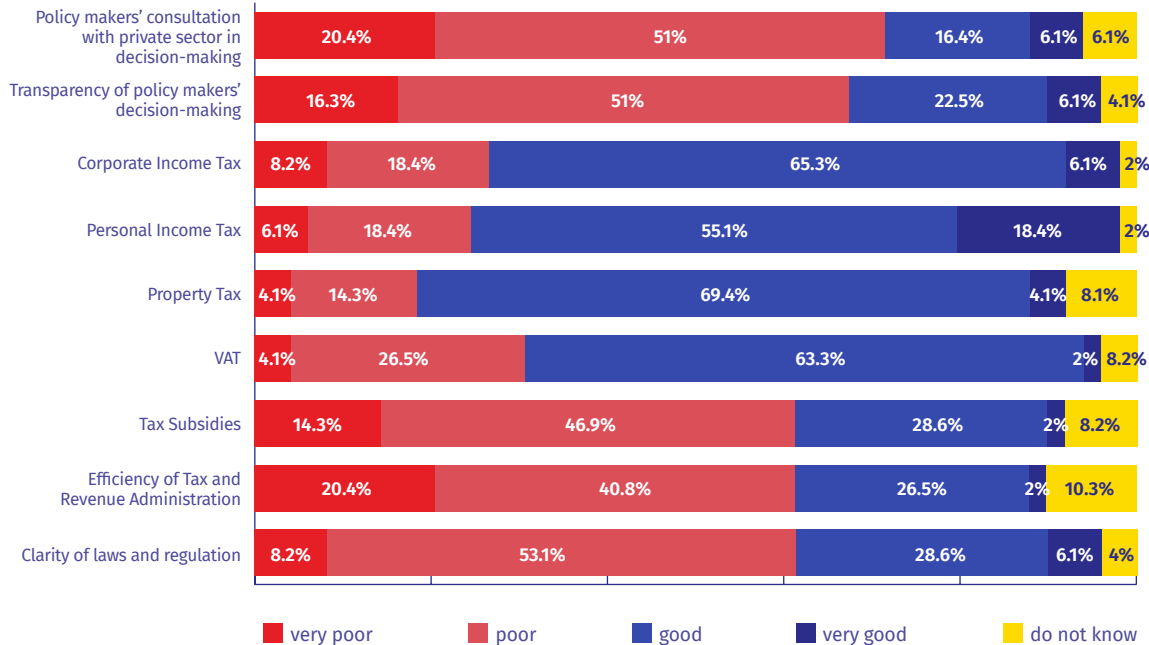
In 2021, the Law on Incentives for Research and Innovation Development began to be applied. Incentives for research and innovation development include reductions, exemptions or reliefs in relation to personal income tax and tax surcharge, contributions for mandatory social security, corporate income tax, fees for utility equipping of construction land, use of real estate and/or state-owned land

and real estate tax. As a type of incentive, the law enables a 100% reduction of the calculated profit tax on the amount of profit reinvested by a legal entity in its research or innovative projects, for investments in shares or stocks of start-ups and spinoffs; donations to research institutions and innovation infrastructure entities in projects and research infrastructure; Innovation Fund and/or other investment funds in Montenegro that invest in entities performing innovative activities.

Further encouragement of the IT sector is necessary in order for Montenegro to turn to digitalization and technological innovation. Accordingly, the members propose that additional tax subsidies are introduced for companies engaged in the IT sector development.

When we compare the ratings from business climate reports for 2016, 2018, 2020 and 2022, there is an evident growth of members who assess the current tax rates positively, but the satisfaction of members decreases when it comes to the clarity of regulations and tax subsidies, as well as the efficiency of the Tax and Revenue Administration.

TAXATION –  
CONDITIONS FOR  
DOING BUSINESS







**Milan Keker**  
*Harrisons*



It is a common place of every inquiry into the state of matters that Montenegro is in urgent need to rethink its energy production and facilitate a green transition. Continued exploitation of outdated carbon energy generation facilities is taking a toll on the health of general population.

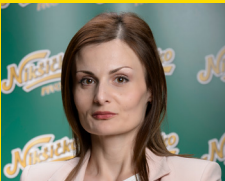


**Sava Laketić**  
*Pricewaterhouse  
Coopers*



ESG is probably one of the most used words in the past year and it is not a surprise since there is a lot of regulation all over the world being imposed with the objective to set the rules and procedures to some practices that previously existed only as voluntary. Here we mostly talk about the new and extended obligation for non-financial reporting that came into force with Corporate Social Reporting Directive (CSRD), that will also have an impact on some of the non-EU companies, depending on the amount of turnover they are generating in the EU. Also, most probably the majority of companies who operate locally but whose parent entities are submitting a consolidated reporting on the EU level, would be asked to develop data collection mechanisms to track required sustainability data.

Companies in Montenegro should also understand if they fall under the scope of regulations such as Carbon Border Adjustment Mechanism (CBAM) and German Supply Chain Due Diligence Law (LkSG) as those very specific requirements tend to sanction malpractice on the level of the subsidiary or supplier located in the third countries. CBAM on the one hand wants to prevent “carbon leakage” from



**Aleksandra Čizmović**  
*Trebjesa Brewery*

Establishing an efficient packaging waste management system in Montenegro is our priority in 2023, which can only be done with joint efforts of all actors in society, the relevant ministry and other stakeholders who are involved in the process of establishing and implementation of this system.



**Tisa Čaušević**  
*Coca Cola HBC*

The regulations of the European Union regarding the management of packaging waste are rapidly changing, and Montenegro has a significant task ahead of it when it comes to harmonizing the national legislation with the European one, and in particular, the application of the regulations and the education of citizens. In this process, the partnership of the public and private sectors is particularly important, so that the waste management system in Montenegro becomes efficient and brings us closer to the high goals when it comes to the collection and recycling of packaging, in accordance with the principles of the circular economy.

non-EU to EU, and LkSG will assess human rights and environmental protection practices in the supply chain of German companies.

Worth mentioning is that the EU itself will very soon adopt the proposed Directive on corporate sustainability due diligence, and all responsible decision makers and business managers should act to prepare for what is coming.



# Environmental Protection

**T**he field of environmental protection has been stagnating for the last two years, as confirmed by the Progress Report on Montenegro under the EU accession process. The European Commission has assessed that limited progress has been made within the framework of Negotiating Chapter 27 – Environment and Climate Change. According to the report, Montenegro should significantly intensify its efforts towards a green transition, adopt a new Law on Waste Management and a national waste management plan, and work on the adoption and implementation of a national energy and climate plan, in accordance with the EU’s zero emissions goal by 2050 and the Green Agenda for the Western Balkans.

Environmental protection in Montenegro requires serious and urgent reforms, a clear strategic vision and significant infrastructure investments. The process of improving environmental protection and reaching the standards of an ecological state requires the establishment of professional, efficient and stable public administration at the central and local level, with adequate inter-institutional coordination. On the whole, respondents who participated in the creation of the findings of this report did not rate any element in environmental protection as good or very good.

Ecological culture is not sufficiently developed in the general population, including the business community, which is why there is a need for general education about the importance of the topic and steps that can be taken in practice to support environmental protection and mitigate the negative effects of pollution and other factors. The companies believe that incentives should be introduced for those legal entities that perform waste selection, with the aim of raising awareness. It is also indicated that there is a lack of data and information about the processes and/or facilities that are available for these purposes, and that the administration dealing with waste management is slow, which affects the agility of business.

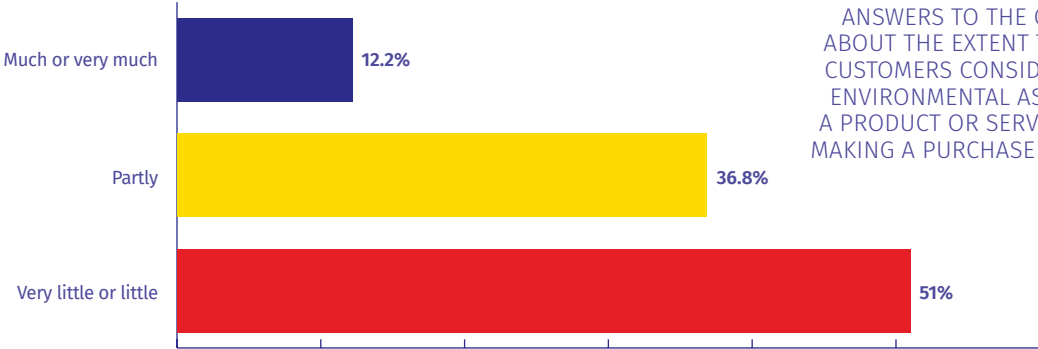
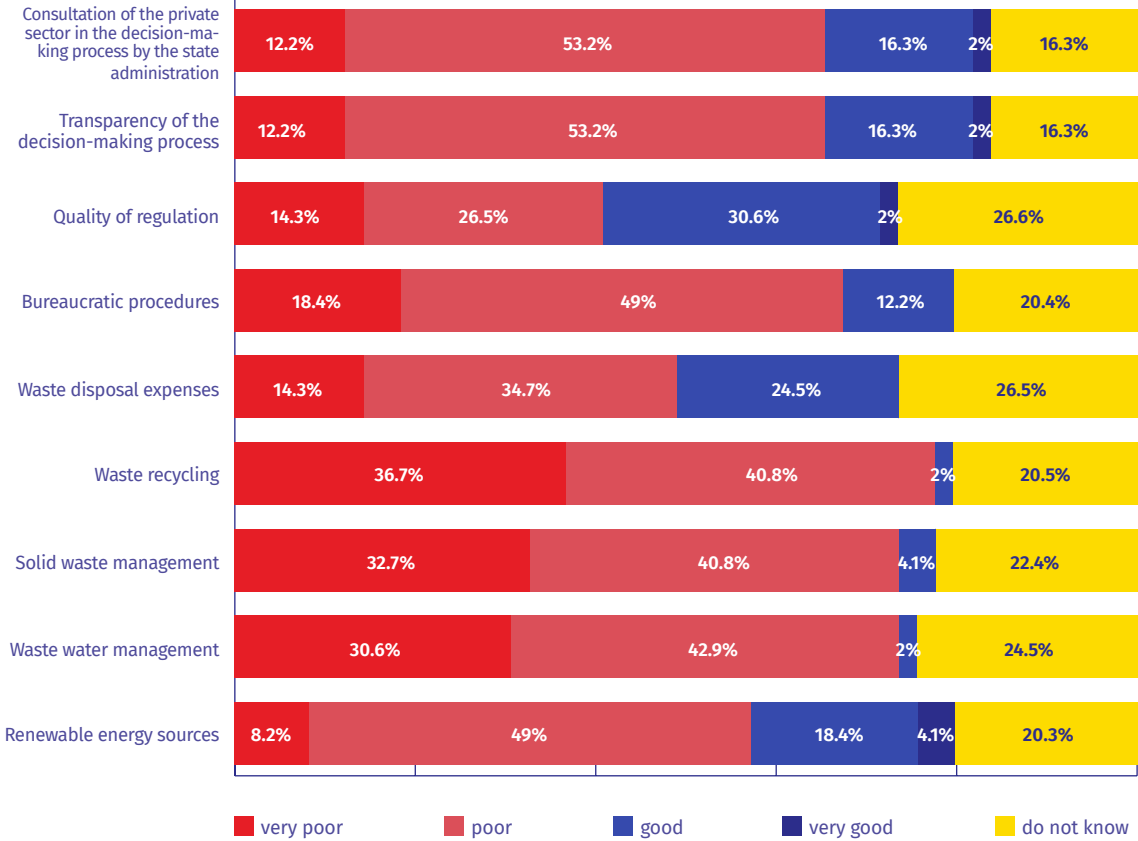
According to the surveyed members, the new green, renewable energy projects announced by the government and relevant institutions give reason for satisfaction, but there should be more such programs for renewable energy sources.

As in previous reports, waste recycling (78%), solid waste treatment (74%) and wastewater treatment (74%) remain poorly rated. About 65% of the members rated consultations with the private sector and the transparency of the decision-making process in the environmental domain as poor or very poor.

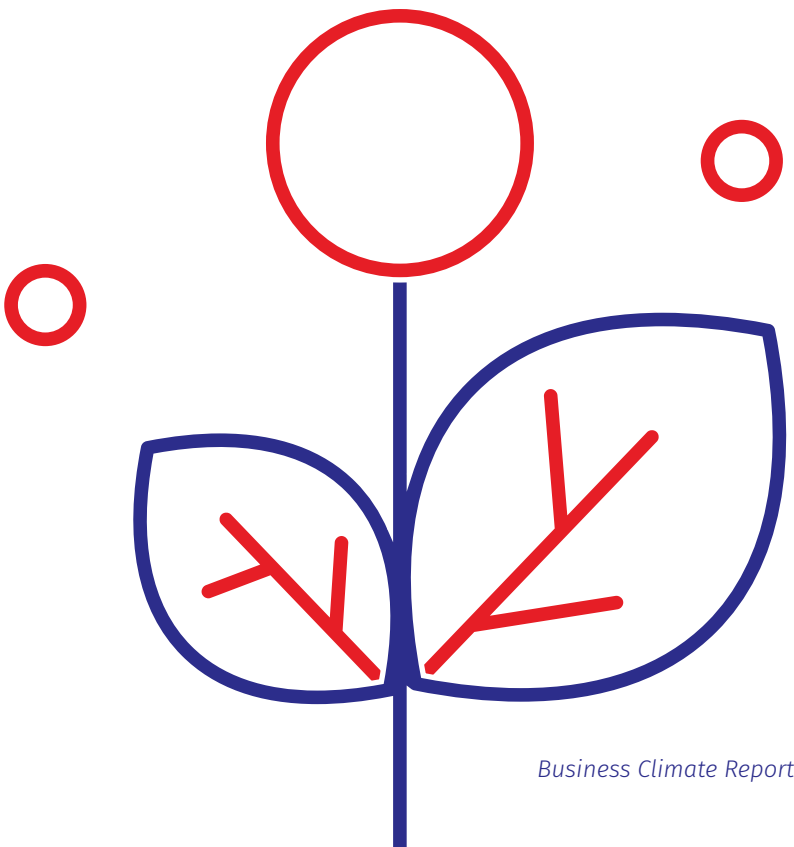


When asked about the extent to which customers in their industry in Montenegro considered the environmental aspects of a product or service when making a purchase decision, half of the surveyed members answered – little or very little. Close to 37% of those surveyed answered that customers partially considered the environmental aspects of products or services, while about 12% answered that those aspects were considered to a significant extent.

ENVIRONMENTAL PROTECTION – CONDITIONS FOR DOING BUSINESS



ANSWERS TO THE QUESTION ABOUT THE EXTENT TO WHICH CUSTOMERS CONSIDERED THE ENVIRONMENTAL ASPECTS OF A PRODUCT OR SERVICE WHEN MAKING A PURCHASE DECISION





**Savo Đurović**  
*Adriatic Marinas*



The real estate and construction sector managed to maintain its vitality and achieve historic results in 2022, despite extremely large inflationary shocks. Regardless of the continuing challenges, it is expected that this sector will continue to be a very important part of the Montenegrin economy.



**Radoica Vuković**  
*Golden Group*

Global trends show that the construction and real estate sector has successfully passed through economic, climate, geopolitical and pandemic challenges in previous years. In the coming period, we can still expect inflationary pressure, a lack of qualified labor, an increase in material prices and interest rates. Precisely because of all the mentioned circumstances, the implementation of new technological solutions and innovations is inevitable. This refers to the private sector, and especially to the state and local administration, in order to attract new investors, as well as to position Montenegro more competitively on the market.



# Construction and Real Estate

**A**fter the corona crisis, the field of construction and real estate finally thrived in 2022.

A strong jump in real estate demand (and prices!) occurred after the start of the war in Ukraine and the arrival of Russians and Ukrainians in Montenegro. A large number of people invest in real estate in an effort to preserve the value of their money, due to rising inflationary trends. Also, through the increase in wages, the “Europe Now!” program expanded the pool of customers capable of buying real estate on a loan. Expectations are, however, that inflation, recession and rising interest rates will reduce purchasing power. The prices of construction materials and labor were on the rise until the end of the first half of 2022, but are slowly stabilizing.

During 2021 and 2022, the adoption of the new Law on Spatial Planning and Construction was announced. The line ministry published a public call for submission of suggestions that would help in shaping the new law on two occasions, but neither call contained a formal draft of the new law. The ministry announced that the legal matter would be divided into four laws – the Law on Spatial Planning, the Law on Construction, the

Law on Legalization and the Law on the Engineering Chamber – which would be published by the end of December 2022.

The results of the questionnaire show that members doing business in this area remain very dissatisfied with the level of their involvement in policy-making by decision-makers. When it comes to the regulations, the opinions of the members are divided – half of them think that it is necessary to systematically change the regulation, while the other half thinks that the legal framework is good, but that it should be applied more decisively in practice. Legal solutions would have to be more flexible, not only in the area of permits for the construction and use of buildings, but also in the process of changing planning documents that do not jeopardize the public interest, which would certainly support the attraction of investors and make Montenegro a more competitive destination on the market.

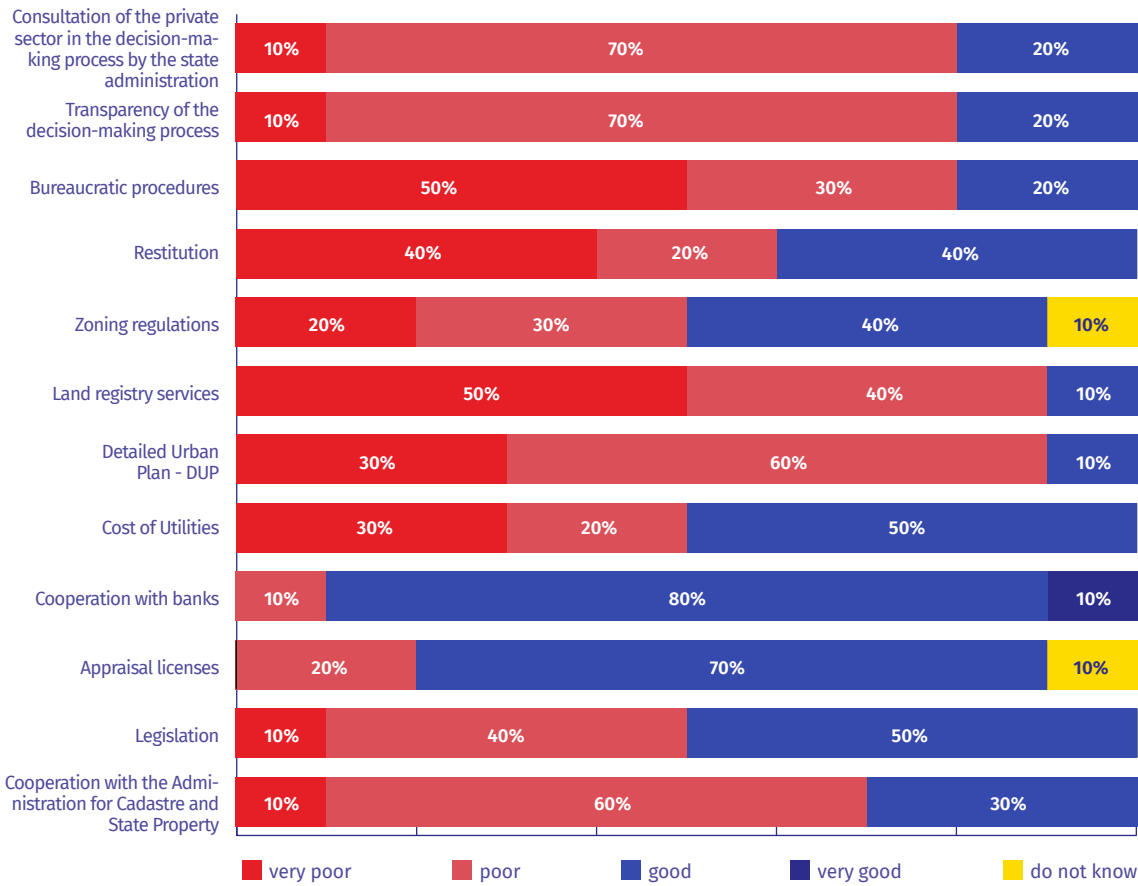
Investors continue to face challenges in the form of complex procedures and administration efficiency, so efforts should be made to increase the capacity of state and local administrations that deal with issues related to real estate and their registration. The current system of recording relevant data in the cadastral



records is not properly organized, which consequently results in confusing data and is a problem for investors, but also for real estate buyers.

Respondents' opinions about utility service prices, zoning and restitution are divided, while real estate assessment licenses and cooperation with banks were rated as good for doing business.

CONSTRUCTION AND REAL ESTATE – CONDITIONS FOR DOING BUSINESS



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**Kai Dieckmann**  
*Regent Porto Montenegro*



Montenegro has the unique opportunity to establish itself at the very top of the luxury travel map. It is still considered an undiscovered GEM but brands such as Regent, One&Only and The Chedi created awareness and it is now imperative that the necessary infrastructure within the country is provided. Necessary infrastructure relates to logistics, traffic, education, medical and technological subjects which will need to be addressed with the state institutions and jointly managed.



**Nemanja Nikolić**  
*Hilton*

For a long period in the future tourism will be the main “engine” of the development of Montenegrin economy. As such, it must gain more importance and be approached with much more care and precision. The most difficult period for Montenegrin tourism is behind us, and further work should be done to ensure that, through defining the key directions of the development of Montenegro, tourism continues to be affirmed as a catalyst of the Montenegrin economy.



# Tourism and Hospitality Industry

**T**ourism represents the dominant development sector of the Montenegrin economy, with a very high share in the national GDP. The pandemic shock and losses in tourism also had a major impact on other related economic sectors dealing with the supply of goods and services. However, in 2021 and 2022, the recovery of economic activity in the tourism sector is evident, with successful tourist seasons, despite poorer results when it comes to tourists from Russia and Ukraine in 2022, due to geopolitical events.

The Government of Montenegro adopted the program of incentives in the field of tourism for 2022, allocating EUR 400,000 under four support measures. The aim of the program is to expand and improve the quality of the tourist offer, with the improvement of marketing activities in order to attract tourists from new emitting markets, with a view to generating higher revenues in tourism, extending the tourist season, increasing the degree of occupation of accommodation capacities, consumption and employment.

The Ministry of Economic Development and Tourism prepared the Tourism Development Strategy of Montenegro

(2022-2025) with the accompanying action plan, recognizing the possibilities of further tourism development in consideration of the principles of sustainability, compliance, potential, development needs and requirements of the economy, domestic and foreign markets. The strategy also identifies the burning issues in tourism: seasonality, regional unevenness, inadequate service quality (staff, capacities) and informal economy. Nevertheless, it is important for the state to take decisive steps to implement the above strategy in order to achieve better results in the tourism sector.

The strategy adds that due to its geographical position, Montenegro is predominantly an airline destination, as it is far from important emitting markets, which is why its high-quality positioning as a tourist destination requires the introduction of direct, regular, charter and low-cost airlines to important emitting markets throughout Europe and the world, as well as from them to Montenegro. The members that participated in the creation of this report believe that airport infrastructure in Montenegro does not meet the potential capacities of tourism in Montenegro. In addition, they point out that airports do





not provide timely data on passengers, which is a global standard in the field of aviation and travel retail today, so Montenegro needs to improve in this regard as well.

As in previous years, we point out that communication with the private sector must be significantly improved, as well as that better cooperation and greater involvement of the private sector would lead to faster implementation of the strategically defined goals. Almost 90% of the members rated the transparency of the decision-making process as poor or very poor, while about 80% of them awarded the same ratings to the consultation with the private sector in decision-making processes. The opinion of the members is divided when it comes to the workforce – efforts should be made to strengthen human resources in order to have qualified domestic workforce in the medium and long term. The system of education and training for work in tourism is still not aligned with international standards, requirements

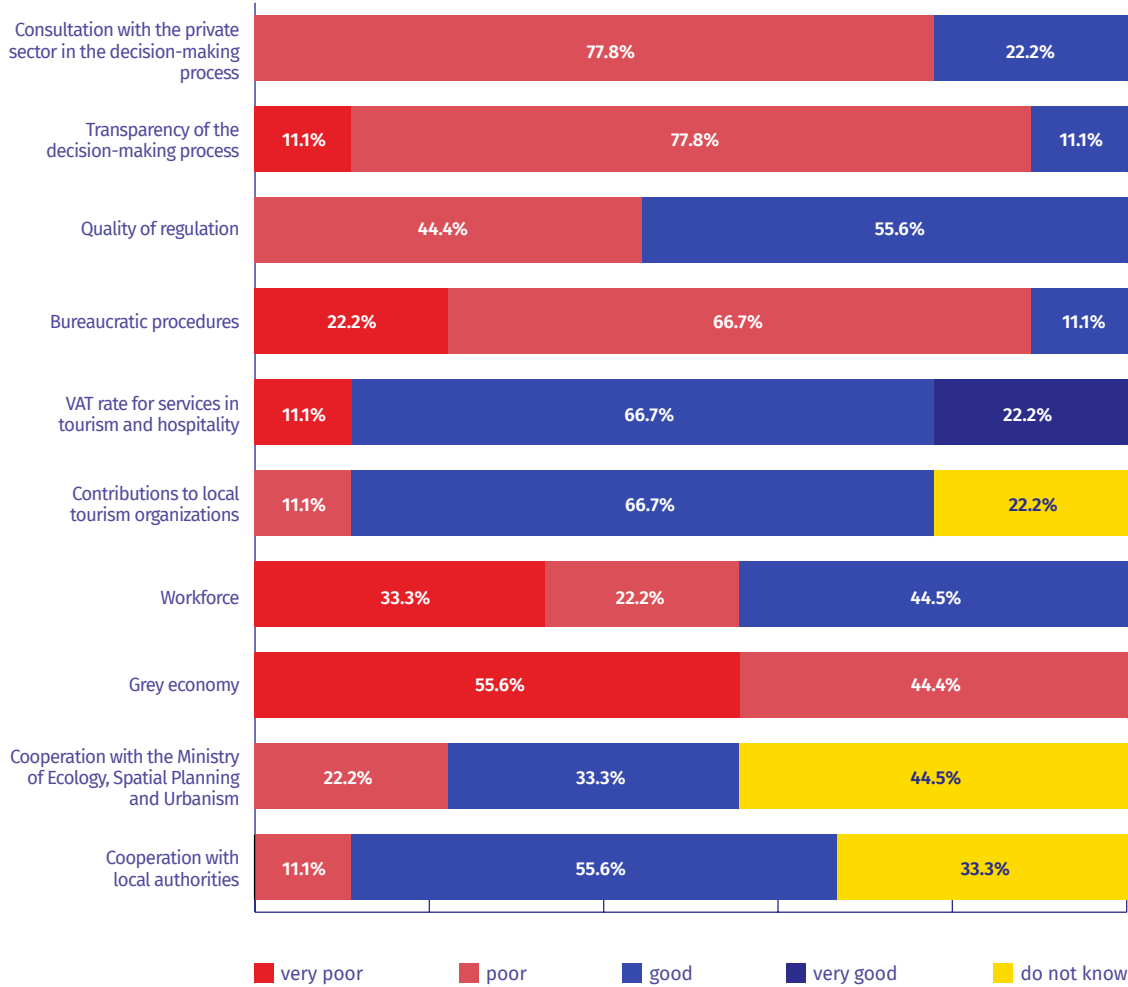
and needs of companies operating in this field.

Informal economy represents one of the biggest challenges in tourism. There are no official data on the number of actors operating in the grey zone, but according to various analyses, the share of informal economy in tourism ranges from 30% to 50%. The strategy recognized the importance of strengthening the legal and institutional framework, as well as consolidating inspections through the introduction of fines for providers of accommodation through sharing platforms, frequent controls and a generally stringent sanctioning policy. All respondents surveyed for the purposes of this report rated the situation with informal economy in tourism as poor or very poor.

A positive condition for doing business can be found in the VAT rate for services in tourism and hospitality industry, which was rated as good or very good by almost 90% of hospitality industry actors who participated in the survey.



TOURISM AND HOSPITALITY  
INDUSTRY – CONDITIONS  
FOR DOING BUSINESS



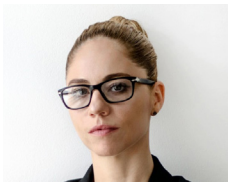


**Ljilja Perović**  
Sava Insurance



The introduction of the electronic system of public procurement significantly improved the transparency and efficiency of the public procurement process, but there is still room for further improvement, especially of the by-laws related to this area.

**Radmila Đurić**  
One Crna Gora



The implementation of the electronic public procurement system is a significant step in the improvement of the regulatory framework, as well as an important contribution to the fight against corruption and the prevention of conflicts of interest that occur in this area. For the complete fulfillment of the strategic goals of this system and avoidance of the legal gaps in the application of the Law on Public Procurement, it is necessary to improve by-laws, but also to adapt the provisions of other relevant and related laws. At the same time, by introducing the participation of regulatory bodies in the public procurement procedures, through giving opinions in the criteria defining, legal implementation of the system would be additionally ensured, without discriminating against bidders and preventing competition from participating in them.



**Ana Vojvodić**  
One Crna Gora

With the expansion of digitalization, protection of data privacy is gaining a momentum, and that is why it is important that every organization, whether it belongs to the state or private sector, address this important matter with the utmost seriousness. We are aware of our role in this important process, so in order for our users to feel safe at all times, we maintain the highest international standards and continuously implement all regulations and best practices.



**Katarina Bulatović**  
KB Consulting

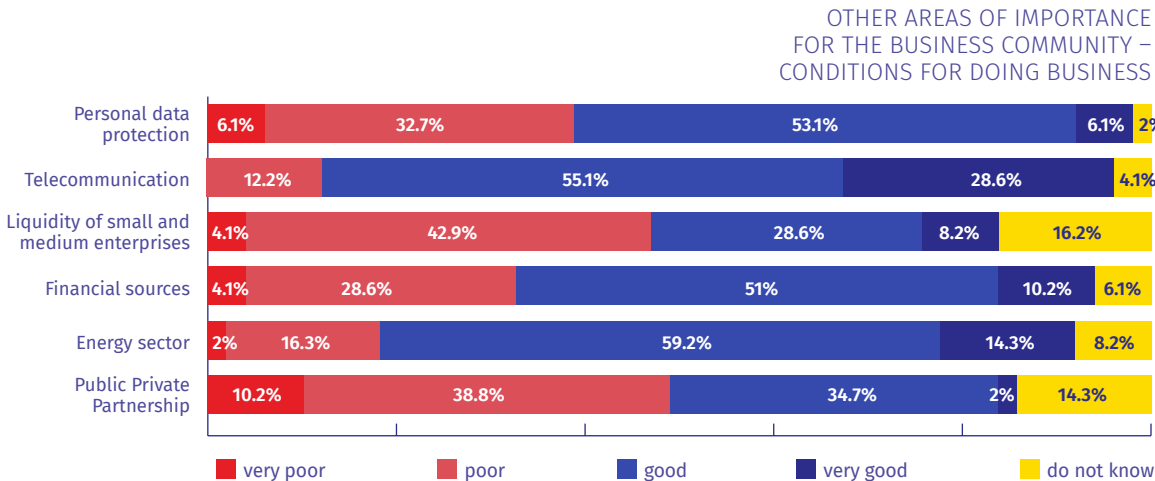
Public-private partnership represents one of the more complex instruments for stimulating the economic development of modern countries, so the countries of the European Union establish special bodies that deal with this form of long-term contractual cooperation between the private and public sectors. It is recommended to approach the development of the public-private partnership model in a similar way in Montenegro, to take the advantages of both sectors: efficient management and finances of the private sector on the one hand, and awareness of environmental protection and social responsibility of the public sector on the other, which will have positive repercussions on the development of the local community.



## Other Areas of Importance for Doing Business

The area of telecommunications in Montenegro continues to be rated positively by the business community, as around 84% of respondents rated it as good or very good. Also, about 74% of the members consider the energy supply in Montenegro to be good. Almost half of the respondents believe that there is significant room for improvement of the public-private partnership model in Montenegro, as a good way of financing the construction, maintenance and operation of public infrastructure and public services.

As we already stated in the previous report, Montenegro has still not passed the new Law on Personal Data Protection, although a public debate was held in mid-2019. The new law goes towards harmonization with the General Data Protection Regulation (GDPR) and will introduce a series of measures that will provide greater rights in the area of personal data protection, but will also represent a challenge for the state institutions and private companies that process, store or use personal data of citizens.

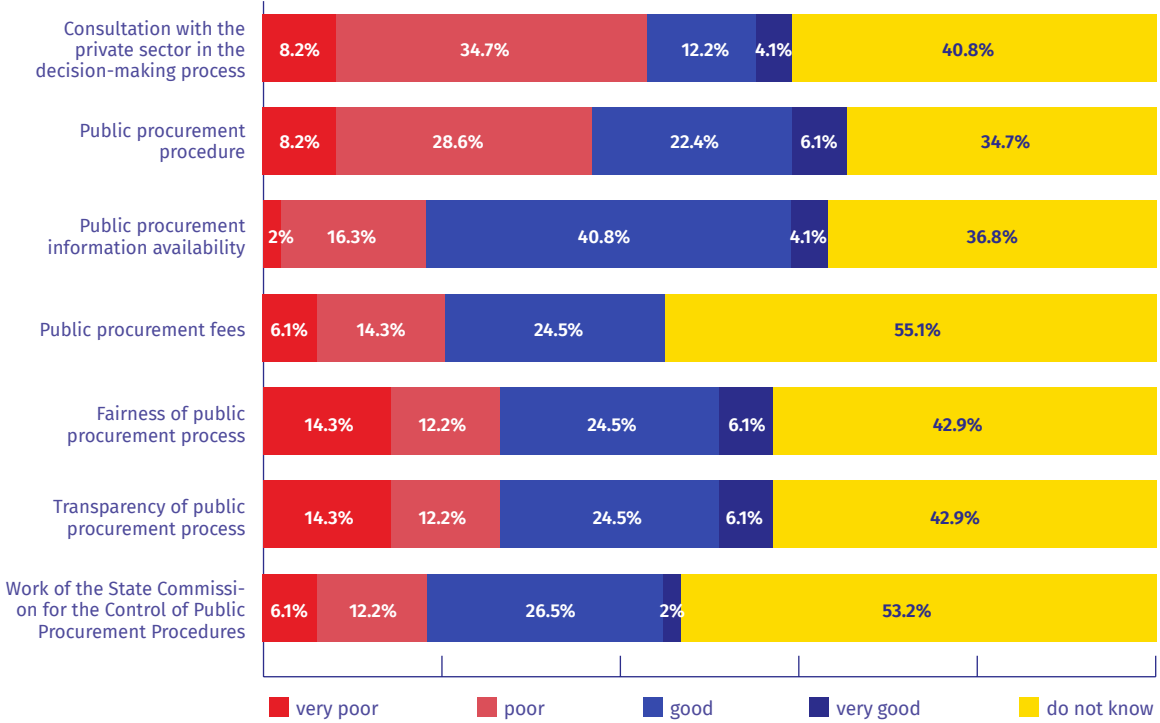




When it comes to public procurement, a legal framework is in place that enables the electronic public procurement system to be applied, which has significantly improved the transparency of the public procurement process and its efficiency by reducing administration.

Respondents indicate that the secondary legislation in the domain of public procurement needs to be amended in such a way as to completely prevent the circumvention of the regulations in public procurement procedures at state institutions. This would avoid unnecessary formalism as a basis for selecting bidders, and minimize different interpretations of prescribed norms in the area of public procurement.

PUBLIC PROCUREMENT –  
CONDITIONS FOR DOING  
BUSINESS



# Key Findings and Recommendations



## Political instability negatively affects the business of companies

### RECOMMENDATION:

Political uncertainty, which is, inter alia, reflected in frequent reorganization of institutions and replacement of decision-makers in high-level positions, as well as insecure financing of investment projects, i.e., implementation of works, consequently leads to discontinuity of cooperation with companies operating in Montenegro. In order for the institutions of the system to function smoothly, it is necessary to strengthen the institutional capacities of the state and make them more resistant to frequent personnel changes. It should be noted that an independent and efficient administration resistant to political events that works on the process of accession of Montenegro to the European Union is a basic prerequisite for good cooperation between the state sector and the international business community.



## Involvement of the business community in the process of creating public policies must be significantly improved

### RECOMMENDATION:

Decision-makers must maintain a timely and continuous, constructive and transparent dialogue with the private sector in the process of creating public policies. A good basis for cooperation is the Rule of Dialogue platform, through which AmCham cooperates with ministries in the Government of Montenegro and other administrative bodies.



## The existing legal framework does not allow the control and sanctioning of unregistered entities on the market

### RECOMMENDATION:

It is necessary to create legal conditions through amendments to the relevant laws (Criminal Procedure Code, Law on Misdemeanors, Law on Inspection Control) in order to enable inspection control of unregistered entities. In this way, the state would advance in suppressing unfair competition, while affirming the principle of equality before the law for all entities, as one of the basic principles of the rule of law.



## The education of children and young people is not focused on the skills needed on the labor market

### RECOMMENDATION:

In order to bridge the mismatch between labor demand and supply on the labor market, it is necessary to implement in-depth reforms of the education system through the modernization of curricula and learning methods in educational institutions.



## The level of government investment in the IT sector is not sufficient to encourage development and competitiveness

### RECOMMENDATION:

The level of government investments in the IT sector is among the lowest in the region, far below the average of the European Union. It is necessary for the government to recognize the potential of this economic sector and to adopt adequate financial measures to support the IT sector in order for it to become a catalyst for development of the innovative economy and to strengthen traditional economic sectors.



## The National Coordinating Body for Managing Digital Transformation and the Digital Coalition have not yet been established

### RECOMMENDATION:

The National Coordinating Body for Managing Digital Transformation and the Digital Coalition should be established as soon as possible, as these bodies should provide the prerequisites for the gathering of all (or as many) stakeholders as possible, with the main objective to develop social and inclusive society through the acceleration of digital transformation, as well as to increase the competitiveness of the economy, intensify the use of digital solutions, services and infrastructure, all based on openness, security, privacy, and contribution to reducing the impact on the environment.



## Planning, preparation and implementation of public procurement in healthcare is not preceded by an organized and planned analysis of drugs and medical devices

### RECOMMENDATION:

All institutions of the healthcare system should make additional efforts towards better planning and timely initiation of public procurement procedures, more intensive communication and coordination between contracting authorities and participants in public procurement procedures in healthcare, as well as towards effective control of the consumption of procured drugs.



## Failure to implement reforms in the field of environmental protection makes it impossible to reach the standards of an ecological state

### RECOMMENDATION:

Environmental protection in Montenegro requires thorough and urgent reforms, a clear strategic vision and significant infrastructure investments. The processes of improvement and reaching the standards of an ecological state require the establishment of a professional, efficient and stable public administration at the central and local level, with adequate inter-institutional coordination.

[illegible][illegible]





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