

111

# Frequently Asked Questions

INVEST IN MONTENEGRO 2007





What Should You Know About Montenegro?  
111 Frequently Asked Questions



**INVEST IN MONTENEGRO** 2007  
*Catch the moment of change*

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## *Dear Investors*

Welcome to the youngest country in the World!

This is the second edition of “*111 Frequently Asked Questions*”. Comments we received so far, many changes that happened over the last two years and growing demand for information about Montenegro, convinced us that this is a good time to revised and expend previous edition. We hope it will contribute to your better understanding of the overall situation in Montenegro.

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

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

- **Stable and predictable macroeconomic policy.** Companies need to have the confidence that the economy in which they make an investment will be managed in a competent and predictable way. We are proud of results achieved so far.
- **An open economy.** The size and potential of the Montenegrin market might be seen as a barrier for investments. But is it really? If you can produce and export with low costs, isn't the whole world your market? The freer the market, the more attractive it becomes. We managed to open Montenegrin economy over the last five years.
- **Property rights and protection.** Private property must be protected. This is the core of any business. We managed to improve property rights.
- **A strong currency.** The local currency was abandoned in November 1999. Initially, we introduced the German mark and then the Euro. If you make an investment you know exactly how much is your profit, since infation in Montenegro is calculated on a Euro base.
- **An effective government.** An investor must be able to rely upon the integrity of the government. We made important changes and are working on further improvements.
- **A favorable tax climate.** Although tax incentives geared to attract initial

investments are important, a company's final investment decision is usually based on how a country's taxation will affect the normal operating environment once the venture is off the ground. Results speak for themselves: we do have the smallest corporate tax rate in Europe – 9% flat and our personal income tax is 15% flat as well.

- **The ability to remit profits, dividends and interest.** If you cannot get your money out of the country, why invest?

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

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

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

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

Welcome to Montenegro and have a good business!

*Dr Petar Ivanovic*

*Director of Montenegrin Investment Promotion Agency*



*MIPA Office building, Podgorica*

**What is MIPA?**

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

**MIPA's mission**

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

**What can MIPA do for you?**

MIPA helps you find business opportunities in Montenegro by:

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

**Contact us:****Montenegrin Investment Promotion Agency (MIPA)**

Jovana Tomaševića bb, 81000 Podgorica

Montenegro

Tel/fax: +381 81 203 140, 203 141, 203 143, 202 911

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

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

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

### 1. Where is Montenegro?

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

### 2. What are the neighboring countries?

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

General Data	
Area in km <sup>2</sup>	13.812
Total population	627.583
Capital	Podgorica
Old Royal Capital	Cetinje
Currency	EUR
Climate	Continental and Mountain Mediterranean

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

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

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

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

### 5. What are other major cities?

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

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

The Euro is the legal tender in Montenegro. Before the Euro's introduction to European countries, the official currency was the German mark.

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

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

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

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

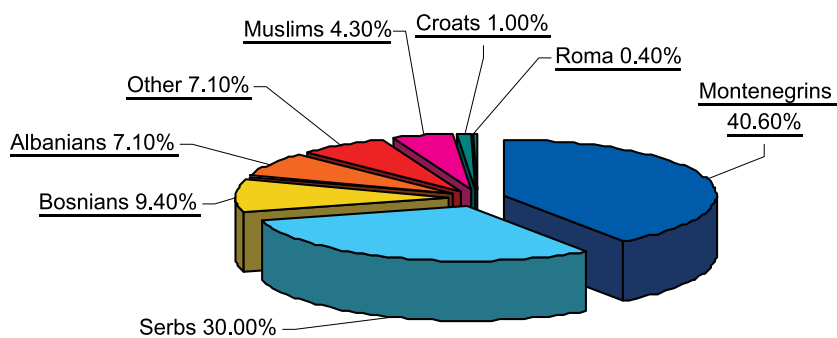
### 9. What is the total population in Montenegro?

Population in country is 627,583.



### 10. What is the ethnic structure?

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



Source: MONSTAT

### 11. What are the main religions?

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

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

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

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

73.1 years

### 14. What is the literacy rate?

97.5%

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

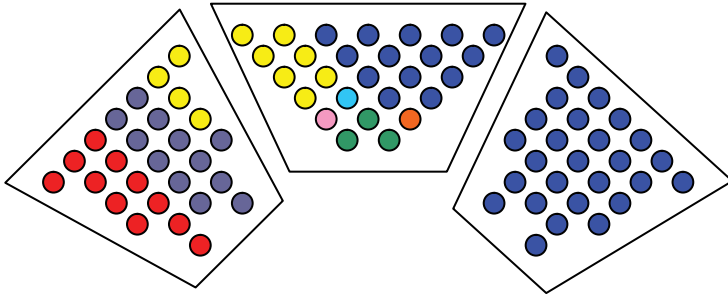
Montenegro became an independent country on June 3rd 2006. Prior to that, Montenegro was in community with Serbia. Montenegro is a Parliamentary Republic. Members of the National Assembly (81) are elected directly, as is the President of the Republic. The Prime Minister is appointed by the members of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

### Legal system in Montenegro is Continental-European.

#### *The Parliament of Montenegro*

According to the Constitution of the Republic of Montenegro, its 81-member Parliament holds the state's legislative power. Representatives are elected through direct voting, by means of secret ballot, on the basis of a universal and equal right to vote. The Parliament has a President, one or more Vice Presidents, and working bodies and commissions. The current President of the Parliament is Mr. Ranko Krivokapic, Head of the Social-Democratic Party. The latest parliamentary elections were held on 10 September 2006.

### *Current Political Structure of Montenegrin Parliament*



<span style="color: blue;">●</span> Democratic Party of Socialists- Socialist Democratic Party	<span style="color: green;">●</span> LP-BS
<span style="color: red;">●</span> Socialist People's Party- People's Party- DSS	<span style="color: orange;">●</span> DUA
<span style="color: blue;">●</span> Serbian list	<span style="color: pink;">●</span> DS-PDP
<span style="color: yellow;">●</span> Movement for Changes	<span style="color: cyan;">●</span> Albanian alternative

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

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

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

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

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

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

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

There are five ports for passengers and cargo transport in Montenegro, located in Bar, Herceg Novi, Tivat, Kotor and Zelenika. The Port of Bar is responsible for 95% of the total passenger and freight transport, and has conditions for an annual turnover and transport of 5 million tons of cargo. It is situated in the southern part of the Adriatic Sea, an exceptional site where sea and inland traffic come together. This favorable geographical position (42o 0' north

latitude and 19° 05' east longitude), together with the railway line Belgrade – Bar and the road network, represent a compatible traffic system that enables logical connections. Due to its favorable position, the Port of Bar is the right place for setting up a distribution center for the whole region. There are regular passenger boat lines between Montenegro, Italy and Croatia.

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

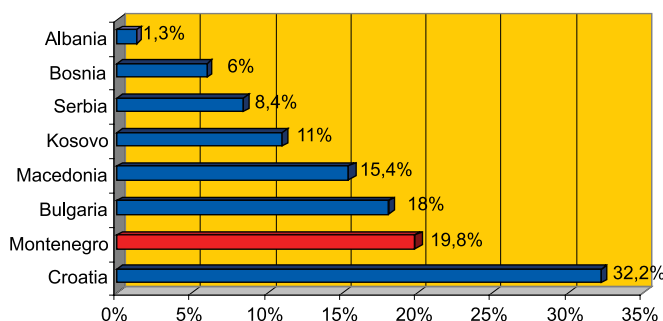
The telecommunication sector is 100% private. There is one fixed phone provider – Matav from Hungary, part of Deutsche-Telecom. More than 244,000 fixed phone lines are installed. The network is over 98% digitized, with a fiber-optic base. There are two international switches that have been working as transit switches. These are used for transition of traffic from the local switches that are placed in other Montenegrin Municipalities. Complete communication between switching capacities is organized by using solely fiber-optic cable that guarantees high quality communication.

## 21. What is the number and coverage of GSM operators?

There are two mobile operators in Montenegro: ProMonte ([www.promonte.com](http://www.promonte.com)), which is 100% owned by Telenor from Norway, and T-Mobile Montenegro ([www.t-mobile-cg.com](http://www.t-mobile-cg.com)), which is majority-owned by Matav and Deutsche - Telecom. Their signal covers more than 97% of the territory of the country and they have approximately 735,000 subscribers.

## 22. What is the Internet availability and the percentage of Internet users?

At this point there are five Internet Service Providers in Montenegro. The largest two are T-Com Montenegro ([www.t-com-cg.com](http://www.t-com-cg.com)) and Montsky ([www.montsky.net](http://www.montsky.net)). The percentage of Internet users is higher than last year and its penetration is 19.95%. The number of people who use the Internet is 123,706.



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

The banking sector is completely privatized. There are 10 banks operating in Montenegro, and all of them are in private ownership. These are: The Montenegrin Commercial Bank ([www.ckb.cg.yu](http://www.ckb.cg.yu)), Hypo-Alpe-Adria Bank ([www.hypo-alpe-adria.cg.yu/mn/](http://www.hypo-alpe-adria.cg.yu/mn/)), The Mortgage Bank ([www.hb.cg.yu](http://www.hb.cg.yu)), Podgoricka Bank Societe Generale Group ([www.pgbanka.cg.yu](http://www.pgbanka.cg.yu)), Opportunity Bank ([www.opportunitybank.cg.yu](http://www.opportunitybank.cg.yu)), Atlasmont Bank ([www.atlasmontbanka.cg.yu](http://www.atlasmontbanka.cg.yu)), NLB Montenegro Bank ([www.montenegrobanka.com](http://www.montenegrobanka.com)), Nicksicka Bank ([www.nikbanka.cg.yu](http://www.nikbanka.cg.yu)), Commercial Bank Budva ([www.combank.cg.yu](http://www.combank.cg.yu)), and Pljevaljska Bank.

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

Two stock exchanges operate on the Montenegrin capital market:

**Montenegro Stock Exchange**

(Montenegroberza a.d. Podgorica)  
Address: Cetinjski put 2a  
81000 Podgorica  
Tel. + 381 81 205-940, 205-960  
Fax. + 381 81 205-920  
E-mail: mberza@cg.yu  
www.montenegroberza.com

**NEX Montenegro**

(Nova berza hartija od vrijednosti  
Crne Gore a.d)  
Address: Miljana Vukova b.b.  
81000 Podgorica  
Tel. + 381 81 230-670, 230-690, 210-170;  
Fax. + 381 81 230-640  
E-mail: nexberza@cg.yu  
www.nex.cg.yu

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

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

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

There are fourteen broker houses and two broker-dealer houses operating on the Montenegrin Stock Market.

**MONTE ADRIA  
BROKER-DILER A.D.**

Ulica Slobode 78,  
81000 Podgorica  
tel/fax ++ 381 81 231-305;  
210-640;  
210-641; 210-642; 210 643;  
e-mail : montadria@cg.yu  
www.monteadria.com

**VIP BROKER A.D**

Džordža Vašingtona 1,  
81000 Podgorica  
tel +381 205 345  
fax + 381 205 346  
e-mail: info@vipbroker.net  
web sajt: www.vipbroker.net

**PG BROKER A.D**

Džordža Vašingtona 8,  
81000 Podgorica ( Rimski trg br. 8)  
tel ++ 381 205 365  
fax ++ 381 205 366  
e-mail: pgbroker@cg.yu  
E-mail: pgbroker@cg.yu

**3M BROKER A.D.**

Balšićeva 4, 81000 Podgorica  
tel/fax: 210-688  
e-mail: 3mbroker@cg.yu

**CG BROKER a.d.**

Novaka Miloševa 10/II, 81000 Podgorica  
tel: 081 230-489; 230-490,  
fax: 230-497  
e-mail: cgbroker@cg.yu

**HOLDER BROKER A.D.**

Džordža Vašingtona 51, 81000 Podgorica  
tel ++ 381 81 408-100; 408-110;  
fax 408-108; 408-118  
e-mail : hbroker@cg.yu  
web sajt: www.holderbroker.com

**ANGLO BROKER A.D**

Hercegovačka 13 b , 81000 Podgorica  
tel.++ 381 81 667 307  
fax. ++ 381 81 665 695

**ENERGO BROKER A.D.**

Hercegovačka 57, 81000 Podgorica  
Tel. ++ 381 81 215 230  
Fax. ++ 381 81 215 231

**MARKET BROKER A.D**

Rifata Burdžovića Trše b.b. 84000 Bijelo  
Polje  
tel. ++381 84 430-364; 430-360;  
fax 430-363  
e-mail: marketbroker@cg.yu  
Web sajt: www.marketbroker.cg.yu

**MONETA BROKER –  
DILER A.D**

Rimski Trg 27, Podgorica 81000  
Podgorica

Tel: ++ 381 81 205 455

++ 381 81 205 435

Fax: ++ 381 81 205 456

e-mail: [info@moneta.cg.yu](mailto:info@moneta.cg.yu)

**MB BROKER A.D**

Vuka Karadžića 21,  
81000 Podgorica

Tel: ++ 381 81 210 655; 210 656;  
210 567

Fax: ++ 381 81 210 658

e-mail: [mbbroker@cg.yu](mailto:mbbroker@cg.yu)

**NK BROKER A.D**

Trg Slobode 10, 81400 Nikšić  
tel: ++ 381 83 220- 044; fax  
220-045

e-mail: [nk\\_broker@cg.yu](mailto:nk_broker@cg.yu)

**MONTE BROKER A.D**

Polimska P+11 br. 125, 84300  
Berane

tel/fax ++ 381 87 230 516; 230  
515;

e-mail : [montebroker@cg.yu](mailto:montebroker@cg.yu)

**SENZAL BROKER A.D**

Ul. Serdara Jola Piletića TC Palada  
Tel. 067 234 987

**NOVE BROKER A.D**

Bulevar Ivana Crnojevića br. 125, 81000  
Podgorica

tel/fax ++ 381 81 664 100; 667 711;

e-mail: [novebroker@cg.yu](mailto:novebroker@cg.yu)

**ONYX BROKER A.D**

Prva Proleterska S52, 85310 Budva

tel/fax ++ 381 86 451-816; 402-418

e-mail: [onyxbr@cg.yu](mailto:onyxbr@cg.yu)

**HYPO ALPE - ADRIA - BROKER -  
DEALER A.D.**

Bulevar Svetog Petra Cetinjskog 143  
81000 Podgorica

e-mail: [broker-dealer@hypo-alpe-adria.cg.yu](mailto:broker-dealer@hypo-alpe-adria.cg.yu)

web sajt: [www.hypo-alpe-adria.cg.yu](http://www.hypo-alpe-adria.cg.yu)

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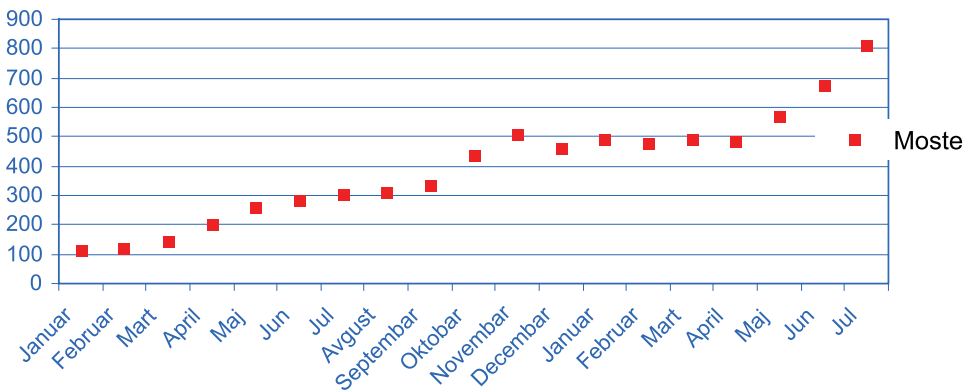
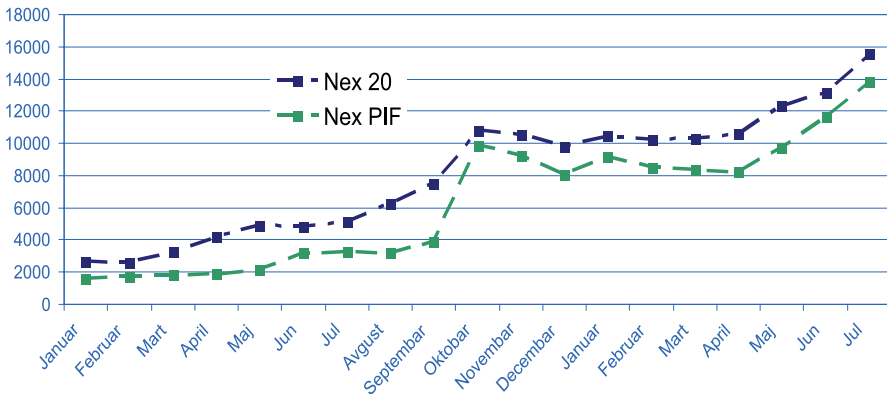
e-mail: [ffs@cg.yu](mailto:ffs@cg.yu)



*Podgorica*

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

Index values give a good picture of the situation on the Montenegrin stock exchanges. High index growth rates demonstrate that the Montenegrin capital market is developing, as well as that the capital market has become a significant part of the Montenegrin economy.



Source: Montenegroberza and NEX Montenegro

The volume of trade on both Montenegrin stock exchanges presents a good overview of the situation on the Montenegrin stock exchange. The total volume of trade on both Montenegrin stock exchange in 2005 was €198.4 million, more than four times higher than the total volume in 2004 when it reached only €43 million. In the first ten months of 2006 it was €185 million. Total number of transactions in 2005 was 111,053, and in the first ten months of 2006 it was over 87,000.

## 28. Which is the most tradeable share today in Montenegro?

In 2005, 9,135 shares of Telekom Montenegro were traded in transactions amounting to €51,8 million. On the Montenegrin exchange, in the first eight months of 2006, the most traded shares were shares of 13. Jul Plantaze, Podgorica, in amount of €13,5 million. Number of transaction was 6,110. On the Next Montenegro, in the first seven months, the most traded shares were shares of Electric Power Utility of Montenegro, in the amount of €17,8 million. Number of transactions was 5,558.

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

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

**Central Depository Agency**

Novaka Miloseva 29

81000 Podgorica

tel: +381 81 230 056, fax: +381 81 230 056

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

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

Standard & Poor Rating Services assigned a BB long term sovereign credit rating to Montenegro. The outlook is evaluated as “Positive”. Montenegro is the 107th sovereign government to be assigned a credit rating by Standard & Poor’s.

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

A foreign investor can be a legal entity or natural person. Both have equal rights. The term foreign investor applies to a company that has been founded by a foreign person in Montenegro and foreign legal entities whose share of investment capital is higher than 25% of the total capital amount. Domestic citizens can also obtain foreign investor status if they have been living abroad for more than a year.

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

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

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

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



*Ada Bojana*

*Herceg Novi*





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

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

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

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

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

Foreign persons can freely transfer his/her funds after fulfilling all liabilities and obligations such as: income tax, return of funds invested in initial capital, share in net assets, obligations in the case of contract ending, etc. Transfer of funds is also possible in the cases of foreign currency being sold off to a registered bank, the selling of goods and services, or transfer to an account of another foreign person.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

So far, Montenegro has had modest success in attracting foreign direct investments (FDI). Total investments in the period 1997-2004 were approximately €420 million. In order to increase the size of overall investments, the Government of Montenegro established the Montenegrin Investment Promotion Agency (MIPA). In 2005, the total investments reached over €382.8 million, and in 2006, 502 million.

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

Major investors are coming from Norway, Austria, Russia, Slovenia and Hungary. OECD awarded Hypo Group Montenegro as the Investor of the Year in 2005.

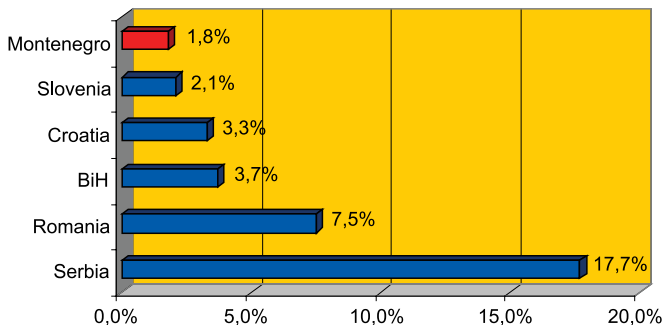
#### 45. What is total and GDP per capita?

In 2006 total GDP amounted 1.778 billion euros, with GDP per capita 2,790 euros and real GDP growth of 6.5%

	2001	2002	2003	2004	2005	2006
Gross domestic product (GDP) in current prices - (mil€) <sup>1</sup>	1,244.80	1,301.50	1,433.00	1,535.00	1,644.00	1,778.81
GDP per capita in current prices (€) <sup>2</sup>	2,023.46	2,107.26	2,310.75	2,465.43	2,638.00	2,790.50
Real GDP growth in %	-0.20	1.70	2.30	3.70	4.10	6.50

#### 46. What is the annual inflation rate in Montenegro?<sup>1</sup>

Inflation<sup>2</sup> in Montenegro shows a decreasing trend. In 2003, the inflation rate was 6.2%, and in 2004, 4.3%. In 2005, the inflation rate was 1.8%, while according to preliminary calculations for 2006 inflation rate was 2.5%



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

Yes, because the year-to-year downswing in the budget deficit is very promising. Montenegro fulfilled all the criterion imposed by the EU (for member countries

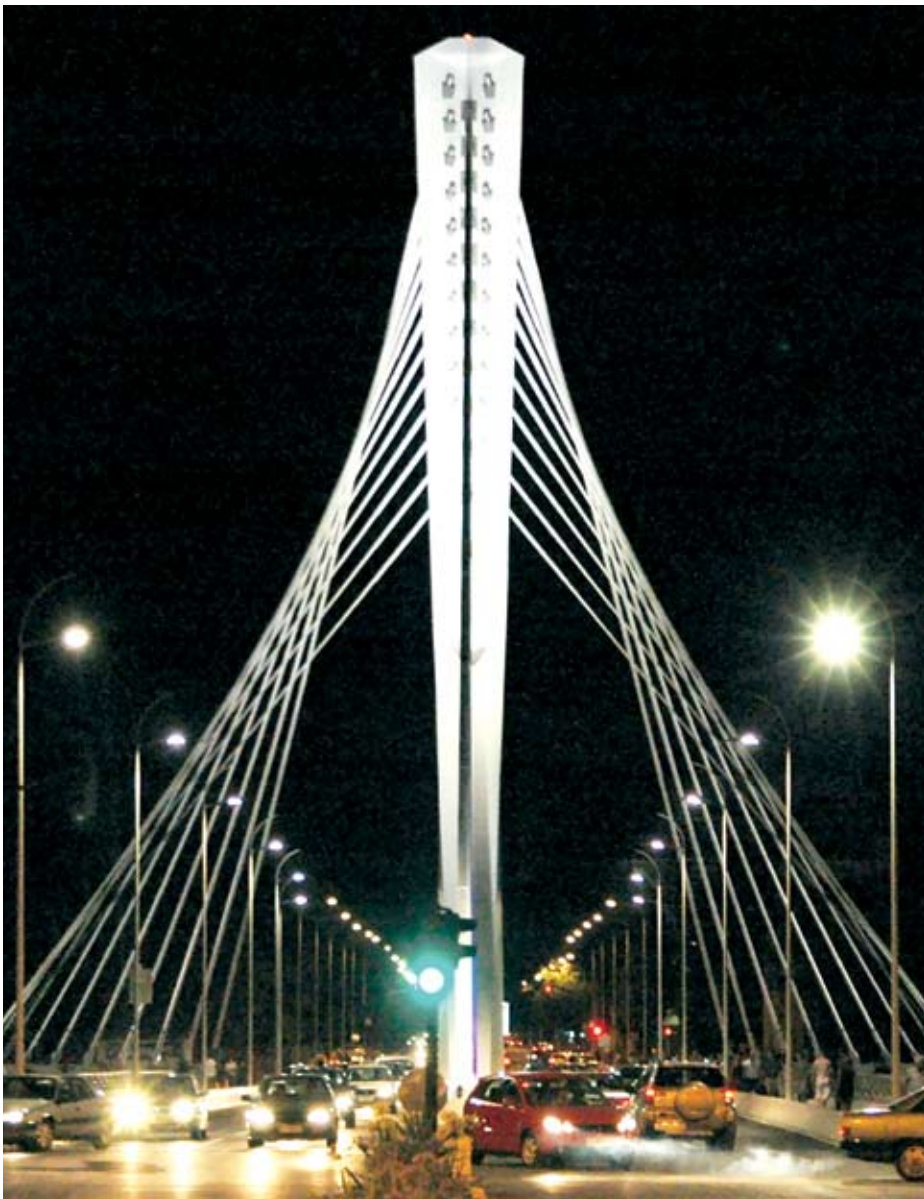
<sup>1</sup>Statistical Bureau, [www.monstat.cg.yu](http://www.monstat.cg.yu) and Institute for Strategic Studies and Prognoses, [www.isspm.org](http://www.isspm.org)

<sup>2</sup>Institute for Strategic Studies and Prognoses, [www.isspm.org](http://www.isspm.org)

of the EMU) including a budget deficit 3% of GDP. For 2006, Ministry of Finance reported budget surplus.

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

A further reduction in the debt to the Paris Club, more careful borrowing and stable GDP growth are the prerequisites that could lead to a decrease of the foreign debt expense of the GDP in the future. In accordance with GDP growth projection for 2006, it is estimated that the annual repayment contribution to GDPs would be 1.7%. This can be considered as acceptable, although it should be emphasized that it is necessary to take great caution with future borrowing, which, on the other hand should be under more favorable conditions, bearing in mind the credit rating assigned to Montenegro.



*Millenium Bridge, Podgorica*

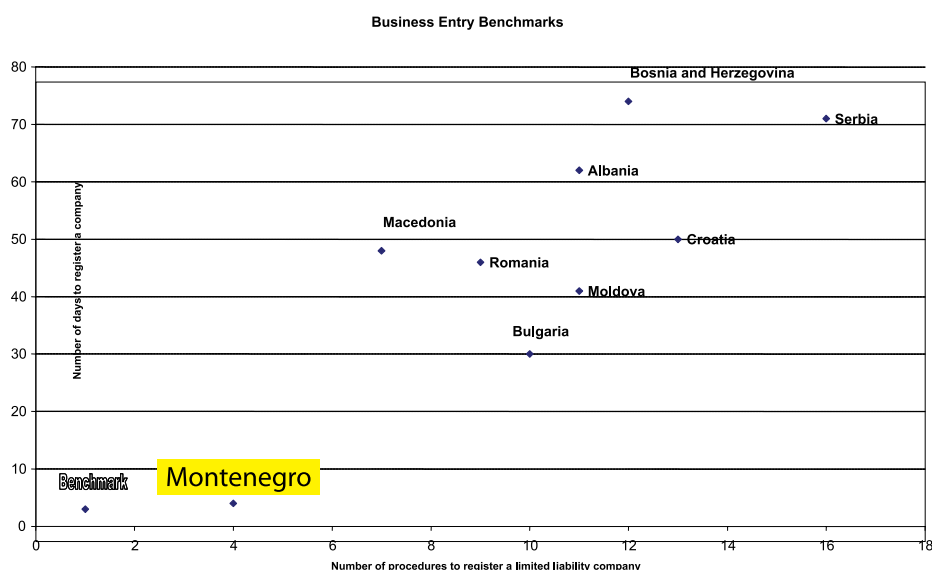
#### 49. Overview of the main macroeconomic indicators in Montenegro

	2001	2002	2003	2004	2005	2006
Gross domestic product (GDP) in current prices - (mil€) <sup>1</sup>	1,244.80	1,301.50	1,433.00	1,535.00	1,644.00	1,778.81
GDP per capita in current prices (€) <sup>2</sup>	2,023.46	2,107.26	2,310.75	2,465.43	2,638.00	2,790.50
Real GDP growth in %	-0.20	1.70	2.30	3.70	4.10	6.50
Population	615,183	617,627	620,145	622,609	625,082	627,583
Industrial production (growt rate)	-0.70	0.60	2.40	13.80	-1.90	0.90
Production industry (growt rate)	1.60	2.30	-2.10	13.10	2.50	-0.3
Production of electric energy, gas, water (growt rate)	-6.10	-6.60	17.50	21.00	-13.40	4.8
Stone and coal excavation (growt rate)	-11.50	7.50	1.40	-5.10	0.20	6.1
Inflation-CPI (%)	28.00	9.50	6.70	4.30	1.80	2.5
Number of tourists	555,040	541,699	599,430	703,484	820,457	936,247
Total income from tourism (in mil.€) <sup>3</sup>	86	113	151.20	179.70	217.00	276.00
Employed	197,388	192,901	190,417	192,501	194,426	203,546
Unemployed rate <sup>4</sup>		21.60	22.90	22.40	17.00	15.5 <sup>5</sup>
Unemployed	79,960	76,293	68,625	59,002	48,845	43,125
Number of pensioners <sup>6</sup>	85,849	88,301	91,981	92,307	92,156	92,900
Average wage (in €)	176.00	193.00	271.00	302.81	326.50	376.37
Average pension (in €)	98.50	108.80	113.00	122.00	127.95	142.53
Budget expenditures (in mil.€) <sup>7</sup>		255.02	386.84	408.07	481.21	471.30
Budget revenues (in mil.€)		229.87	341.55	375.85	429.29	505.65
Budget deficit (in mil.€)		25.15	45.29	32.22	51.92	+ 34.35
Budget deficit as % GDP		1.93%	3.16%	2.10%	3.10%	
M1 (mil €)	n.a	n.a	386.12	430.66	597.154	832.108 <sup>8</sup>
M1 as %GDP-a	n.a	n.a	26.94	28.06	36.32	46.51
M2 narrow concept (mil€)	n.a	n.a	460.84	536.11	800.13	1,170,916
M2 broader concepr (mil €)	n.a	n.a	494.29	546.84	865.11	1,259,803
Total deposit (mil €)	148.00	205.50	211.01	273.78	486.95	809.4
Household deposit (mil€)	5.62	22.21	45.07	80.68	173.02	351.8
Deposits of private comapnies (mil €)	n.a.	65.34	81.55	71.86	121.82	250.6
Total credit (mil €)	124.00	124.66	200.63	284.08	377.30	653.1
Credit to household (mil €)	7.85	22.29	49.96	74.33	105.10	231.7
Credit to companies and entrepreneurs (mil €)	n.a.	70.31	114.15	166.96	206.10	365.9
Annual lending interests rate	12.40%	15.16%	14.07%	13.50%	12.60%	11%
Annual borrowing interests rate	0.20%	0.50%	1.84%	3.39%	4.15%	4%
Export of good and service (mil €)	385.00	481.00	461.90	622.70	749.00	1,049.70
Import of goods and service	776.00	815.00	709.60	913.70	1,063.80	1,409.70
Trade balance (mil €)	-391.00	-334.00	-247.70	-291.00	-314.90	-360.00
Current account balance (mil €)	305.00	176.00	-101.98	-142.97	140.70	-444.70
FDI (mil €)	225.62	181.00	213.62	111.00	383.00	502.00
Grey economy (%)		30%	n.a.	n.a.	25%	20% <sup>9</sup>
Poverty rate	n.a.	n.a.	12.20	n.a.	10.9	n.a.
Number of registered companies <sup>10</sup>	n.a.	n.a.		11,656	13,103	16,284
Number of registered entrepreneurs	n.a.	n.a.		13,090	14,107	14,774

Source: ISSP

## 50. Is it complicated to register your business?

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



## 51. How long does it take to register a business?

It takes 4 working days.

## 52. What is the minimum financial requirement for a limited liability company?

1 Euro.

## 53. Which institution is in charge of business registration?

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

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

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

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

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

<sup>1</sup> Statistical Bureau, [www.monstat.cg.yu](http://www.monstat.cg.yu) and Institute for Strategic Studies and Prognoses, [www.isspm.org](http://www.isspm.org)

<sup>2</sup> Institute for Strategic Studies and Prognoses, [www.isspm.org](http://www.isspm.org)

<sup>3</sup> Central Bank of Montenegro, [www.cb-cg.org](http://www.cb-cg.org)

<sup>4</sup> Employment Bureau, [www.zzz.cg.yu](http://www.zzz.cg.yu)

<sup>5</sup> Institute for Strategic Studies and Prognoses

<sup>6</sup> Pension Fund, [www.rfondpio.cg.yu](http://www.rfondpio.cg.yu)

<sup>7</sup> Ministry of Finance, [www.ministarstvo-finansija.vlada.cg.yu](http://www.ministarstvo-finansija.vlada.cg.yu)

<sup>8</sup> Central Bank of Montenegro

<sup>9</sup> Center for Entrepreneurship and Economic Development, [www.visit-ceed.org](http://www.visit-ceed.org)

<sup>10</sup> Commercial Court, [www.crps.cg.yu](http://www.crps.cg.yu)

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

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

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

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

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

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

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

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

#### **Limited partnership (k.d)**

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

#### **Part of a foreign company**

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

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



*St. Stefan, South of Montenegro*



*Žabljak, Durmitor, North of Montenegro*

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

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

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

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

1. Public auction
2. Public tender
3. Public offer



*River Tara, North of Montenegro*

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

The privatization process in Montenegro was described as one of the most successful of all the countries in transition. Over 80% of state capital is privatized under the motto: “We aren’t selling our companies, we are buying good owners!” There is no domination by investors from any one country. New owners are coming from Germany, Hungary, Norway, Belgium, Austria, Greece, Italy, Russia, Japan, Singapore, France, Slovenia, Switzerland, Great Britain, USA, etc. The presence of foreign companies in the Montenegrin market is improving the business climate. Post-privatization reforms are directed toward stronger protection of property rights, improvement of corporate governance and further development of capital market.



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

Privatization in 2007 shall be based on privatization methods and principles that are adjusted to the free market requirements. On the basis of past decisions of the Privatization Council, preparation of tenders for the following companies shall continue: “Duvanski kombinat” AD Podgorica, and HTP “Budvanska rivijera” AD Budva – sale of assets (hotels). Privatization procedures shall be activated for the following companies: Institute “Dr Simo Milošević” AD Igalo, and “Elektroprivreda Crne Gore” AD Nikšić – small hydro power. Privatization strategies shall be prepared and privatization shall commence for the following companies: “Plantaže” AD Podgorica; “Luka Bar”, Bar; “Željeznice Crne Gore”; and Aerodromi Crne Gore DOO Podgorica. The current Privatization Plan is available on the web site [www.mipa.cg.yu](http://www.mipa.cg.yu).

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

The law classifies all land into two categories:

**1. Construction land**

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

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

- Cultivable, and
- Uncultivable land.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The average customs rate is 6%.

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

Import duties are set by the Customs Tariff as an integral part of the Customs Tariff Law, which is fully based on the Harmonized Nomenclature and coordinated with the EU Combined Tariff. The value of goods, which serves as the customs assessment base, is the contract price. ([www.vlada.cg.yu/carine](http://www.vlada.cg.yu/carine))

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

Manufactured goods, classified chiefly by materials, are dominant in Montenegrin export (over 50 million €), while imports do not register a single dominant item.

	IMPORTS			
	2004		2005	
	Total	As % of total	Total	As % of total
Machinery and transport equipment	192.273	22.14	209.663	22.3
Miscellaneous manufactured articles	115.587	13.31	160.369	17.05
Food and live animals	172.004	19.8	147.153	15.65
Mineral fuels, lubricants and related materials	113.387	13.05	146.319	15.56
Manufactured goods classified chiefly by materials	127.311	14.66	132.854	14.13
Others	148.023	17.04	143.986	15.31
<b>TOTAL IMPORT</b>	<b>868.585</b>		<b>940.344</b>	

	EXPORTS			
	2004		2005	
	Total	As % of total	Total	As % of total
Manufactured goods classified chiefly by materials	255.872	56.59	243.435	56.03
Machinery and transport equipment	48.508	10.73	50.632	11.65
Food and live animals	39.173	8.66	36.154	8.32
Crude materials, inedible, except fuels	31.459	6.96	34.485	7.94
Beverages and tobacco	46.691	10.33	31.056	7.15
Other	30.445	6.73	38.696	8.91
<b>TOTAL EXPORT</b>	<b>452.148</b>		<b>434.458</b>	

Source: Central Bank

**69. Which countries have signed the Free Trade Agreement with Montenegro?**

Montenegro has signed the Free Trade Agreement with: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Moldova, Romania, Russia and Hungary. This agreement provides liberalization of at least 90% of mutual trade by the end of 2008. In addition, a free trade agreement with Russia is fully active, offering access to a market of 150 million people.

Until May 2007, CEFTA Agreement needs to be ratified which should replace all 31 bilaterall agreement.

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

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

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

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

**72. Which countries are Montenegro’s major foreign trade partners?**

Major foreign trade partners are: Italy, Slovenia, Switzerland, Greece and neighboring countries.



*Industrial Zone, Kotor*

**73. Are there any Free zones in Montenegro and by who it may be established?**

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

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

Importers who use free zones are not liable for paying the corporate tax, VAT and customs. Goods that are imported from the Zones into the domestic market are subject to standard customs procedures and tax procedures. Free zones provide more flexibility, more efficiency, and more profitable conditions for the participants in international operations. The privilege of free zone users is exemption from the burden of taxation and duties, on production for export. In this way they can increase their competitiveness in third-country markets.



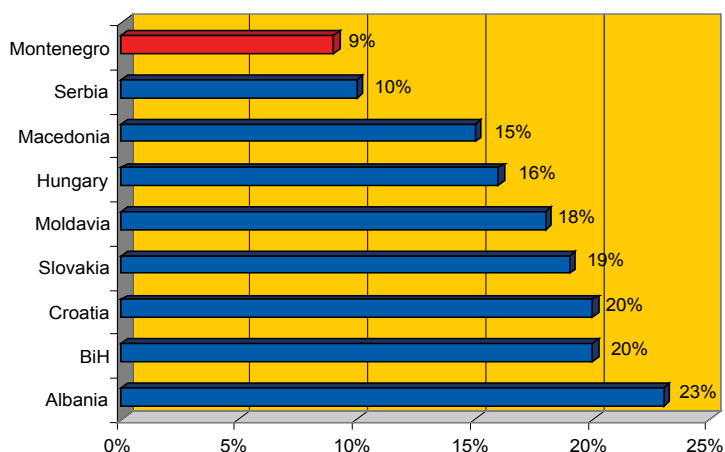
*Free Zone, Bar*

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

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

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

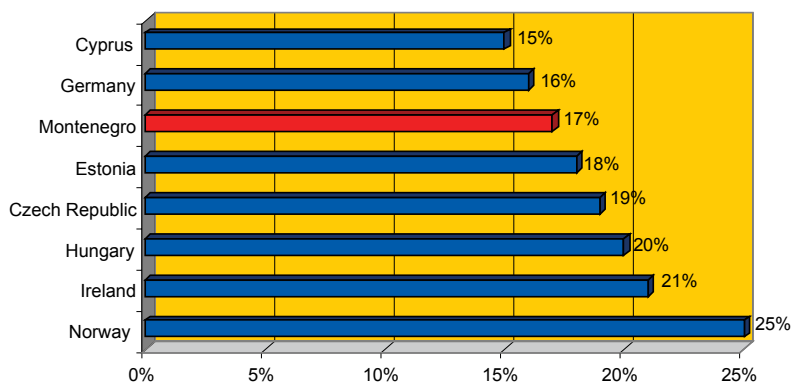
The corporate profit tax is the lowest in Europe - 9%



Source: MIPA based on IPA of countries statistic

## 77. What are Value Added Tax rates?

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



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

## 78. What are depreciation rates in Montenegro?

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

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

- **Group 5:** 30% (computers, system and application software, equipment for data processing, rental cars, billboards, video tapes, CDs, DVDs, etc.).

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

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

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

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

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

- **Tax credits** – The amount of tax due can be reduced by 25% of the amount invested in fixed assets for the respective tax period. This reduction cannot exceed 30% of the total tax liability.
- **Incentives for non-developed areas** - Newly founded companies, in the area of production, are corporate tax-free during the first three years of operation.
- **Carrying Loss** - Losses resulting from business relations, excluding those resulting in capital gains and losses, may be transferred forward to offset profit generated in future calculations periods, but not exceeding five years.
- **Incentives for new employment** - The Law provides tax relieves on the basis of hiring new employees. Tax base shall be reduced to a taxpayer who hires new employees for a permanent employment in a business year, but not less than two years, by gross salaries of such employees plus pertaining contributions for compulsory social insurance paid by employer. This tax relief shall be applied for a period of one year from the day of hiring a new employee.
- **Investments in securities** – If profit from capital investment is used for purchase of new securities, such profit is not taxable under to condition that it is reinvested within 12 months from its arising. Profit from sale of securities held by a taxpayer for more than two years in his portfolio is exempt from taxation.

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

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

*Budva***83. What is the regulation on Personal Income Tax?**

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

**84. What are property tax rates?**

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

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

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

**86. How can foreigners obtain work permits?**

A work permit is required for foreigners employed in Montenegro. The employment bureau in Podgorica issues this document. The validity of a work permit cannot be longer than the validity of the residence permit issued to the foreigner by the Ministry of Interior Affairs. A work permit is valid for no longer than 30 days. Work permits can be renewed without obstacles and the procedure is identical to the first application. Applications for renewing work permits must be submitted no less than 45 days before their expiration date.

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

Possession of a Residency Permit issued by the Ministry of Interior Affairs

- Application by the company
- Application by the individual
- Work permit issued by the

Employment Bureau

**88. Which employment categories does the law stipulate?**

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



*North of Montenegro*

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

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

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

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

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

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

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

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



**93. Is there a minimum wage?**

The employee is entitled to a minimum wage for standard performance and full working hours. The minimum wage is €52 per month. Government of Montenegro and Labor Union agreed that minimum wage will be increased to €55 by July 2007. Mutual consent of the government, the representative trade union and the representative association of employers establish the minimum wage.

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

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

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



*Mountain Lovcen*

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

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

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

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

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

There are five public holidays in Montenegro:

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



*International Airport Podgorica*

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

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

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

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

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

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

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

The employee is entitled to increased earnings, in accordance with the General Collective Agreement, for overtime work, work on public holidays, work at

night and work in shifts, with a minimum of:

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

### **102. How are employees compensated during absences?**

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

### **103. What are current mandatory social insurance contribution rates?**

- Pension and disability insurance: 21.6% (9.6% is paid by the employer and 12% by the employee);
- Health insurance: 13.5% (6% is paid by the employer and 7.5% by the employee);
- Unemployment insurance: 1% (0.5% is paid by the employer and 0.5% by the employee).

Presented percentages are based on gross salary.

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

The average gross wage in Montenegro in November 2006 was €384.45, while the wage without taxes and contributions was €250.34. According to this data on average wages, in the first six months of 2006, the net wage (without taxes and contributions) was 65.10% of the gross wage.

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

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

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

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

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

### 107. What is the total number of schools, universities and students in Montenegro?

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

### 108. What is the education level of Montenegrin citizens?

Number of graduates from 2001 to 2005.

	2001	2002	2003	2004	2005
Associate college	19	21	32	34	74
Faculty (two years)	359	523	457	474	472
Faculty (four years)	608	680	745	907	1071
Academies of Arts	39	50	37	41	39
<b>TOTAL</b>	<b>1025</b>	<b>1274</b>	<b>1271</b>	<b>1456</b>	<b>1656</b>

Source: MONSTAT

### 109. What is the educational level of the employed population?

Educational level of employed population (December 2005)

Without education	1.0%
Has not completed primary school	1.6%
Primary school	4.1%
High school	61.5%
Associate college (two years)	0.3%
Faculty	13.9%
Postgraduate, doctoral studies	17.6%

Source: MONSTAT, Labor Force Questionnaire (December 2005)

### 110. What is the educational level of the unemployed population?

Educational level of unemployed population (December 2005)

Without education	0.3%
Has not completed primary school	1.3%
Primary school	6.5%
High school	73%
Associate college (two years)	-
Faculty	8.3
Postgraduate, doctoral studies	10.6

Source: MONSTAT, Labor Force Questionnaire (December 2005)

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

At the moment Montenegro has representative offices in 6 countries around the world. Locations are listed on this page:

#### **Montegrin Representation Mission to Germany – Berlin**

Predstavništvo RCG - Berlin

tel: +49 30 25 29 19 96 +49 30 25 29 21 74

fax: +49 30 25 29 23 34

Rudolf - von Gneist - Gasse 1 10785 Berlin - Njemačka

e-mail: [abidc@cg.yu](mailto:abidc@cg.yu)

#### **Trade Mission of Montenegro - Washington**

Zorica Marić - Đorđević, head

tel: +202 234 6110, 234 6108,

fax: +1 202 234 6109

N.W. Washington D.C. 20009

e-mail: [misijacg@msn.com](mailto:misijacg@msn.com)

#### **Embassy of the Republic of Montenegro to Slovenia**

Ambassador BRANKO PEROVIĆ

Reseljeva cesta 40, 1000 Ljubljana

tel: +386 1 439 5365, 439 5364,

fax: +386 1 439 5360

e-mail: [miscg@siol.net](mailto:miscg@siol.net)

#### **Permanent Mission of the Republic of Montenegro to the OSCE and other International Organisations**

Ambassador VESKO GARČEVIĆ

Office Center M1.14.07

Landstrasse Hauptstrasse 2, 1030 Vienna

tel: 01/715 31 02

fax: 01/715 31 02 20

e-mail: [diplomat-mn@me-austria.eu](mailto:diplomat-mn@me-austria.eu)

#### **Permanent Mission of the Republic of Montenegro to the United Nations**

Ambassador NEBOJŠA KALUĐEROVIĆ

420E 54 ST 18H, New York, U.S.A.

phone/fax 1212 7539 255

#### **Permanent Mission of the Republic of Montenegro to the EU**

Ambassador SLAVICA MILAČIĆ

tel: +32 2 223 5561,

fax: +32 2 223 6028

34, Rue Marie Therese 1210 Brussels

e-mail : [office@montenegrinmission.be](mailto:office@montenegrinmission.be)

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**E-mail:** [info@vipbroker.net](mailto:info@vipbroker.net)  
**Web site:** [www.vipbroker.net](http://www.vipbroker.net)



Contact person: Snezana Vejnovic  
**Address:** 23. November pf 59  
 85310 Budva, Montenegro  
**Phone:** (+381 86) 403 860  
**Fax:** (+381 86) 454 191  
**web:** [talas-m.cg.yu](http://talas-m.cg.yu)  
**e-mail:** [snezana.vejnovic@talas-m.cg.yu](mailto:snezana.vejnovic@talas-m.cg.yu)

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**Contact person:** Danijela Saban  
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**fax:** + 381 81/ 264 435  
**web:** <http://www.celebic.com>



**Lovcen Insurance Jsc**

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81000 Podgorica, Montenegro  
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**Fax:** + 381 81 665 281  
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**Fax:** +381 81 608 095  
**E mail:** [rokspedcg@cg.yu](mailto:rokspedcg@cg.yu)  
**Web site:** [www.roksped.com](http://www.roksped.com)



Njegoševa 25  
81000 Podgorica  
**Telefon:** +381 (0)81 664 646, 664 545, 664 270, 664 273  
**Fax:** +381 (0)81 664 270, 664 273  
**web:** [www.eminent.cg.yu](http://www.eminent.cg.yu)  
**e-mail:** [eminent@cg](mailto:eminent@cg)



**Contact person:** Aleksandar Prelevic  
**Address:** Bratstva i jedinstva 69, 81000 Podgorica  
**Phone:** +381 81 624 833  
**Fax:** +381 81 624 844  
**E-mail:** [info@jugodata.cg.yu](mailto:info@jugodata.cg.yu)  
**Web:** [jugodata.cg.yu](http://jugodata.cg.yu)

**USEFUL LINKS:****MINISTRIES AND GOVERNMENTAL BODIES**

Ministry Maritime Affairs, Transportation and Telecommunication  
[www.minsaob.vlada.cg.yu](http://www.minsaob.vlada.cg.yu)

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

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

Ministry of Foreign Affairs  
[www.mup.vlada.cg.yu](http://www.mup.vlada.cg.yu)

Ministry of Culture, Sports and Media  
[www.ministarstvokulture.vlada.cg.yu](http://www.ministarstvokulture.vlada.cg.yu)

Ministry of Agriculture, Forestry and Water Management  
[www.minpolj.vlada.cg.yu](http://www.minpolj.vlada.cg.yu)

Ministry of Justice  
[www.pravda.vlada.cg.yu](http://www.pravda.vlada.cg.yu)

Ministry of Education and Science  
[www.mpin.vlada.cg.yu](http://www.mpin.vlada.cg.yu)

Ministry of Interior Affairs and Public Administration  
[www.mup.vlada.cg.yu](http://www.mup.vlada.cg.yu)

Ministry for Economic Development  
[www.minekon.vlada.cg.yu](http://www.minekon.vlada.cg.yu)

Ministry for Human and Minority Rights Protection  
[www.minmanj.vlada.cg.yu](http://www.minmanj.vlada.cg.yu)

Ministry of Health, Labor and Social Welfare  
[www.mzdravlja.cg.yu](http://www.mzdravlja.cg.yu)

Ministry of Defense  
[www.vlada.cg.yu/gdbrana/](http://www.vlada.cg.yu/gdbrana/)

**AGENCIES OF THE REPUBLIC OF MONTENEGRO**

Montenegrin Investment Promotion Agency (MIPA)  
[www.mipa.cg.yu](http://www.mipa.cg.yu)

Agency for Economic Reconstruction  
[www.agencijacg.org](http://www.agencijacg.org)

Customs Administration  
[www.djp.cg.yu](http://www.djp.cg.yu)

Development Fund  
[www.fzrcg.cg.yu](http://www.fzrcg.cg.yu)

Pension Fund  
[www.rfondpio.cg.yu](http://www.rfondpio.cg.yu)

Health Fund  
[www.rfzcg.cg.yu](http://www.rfzcg.cg.yu)

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

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

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

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

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

**INSTITUTIONS THAT SUPPORT DEVELOPMENT OF THE PRIVATE SECTOR**

The Center for Entrepreneurship and Economic Development (CEED)  
[www.visit-ceed.org](http://www.visit-ceed.org)

Directorate for Development of Small and Medium – Sized Enterprises  
[www.nasme.cg.yu](http://www.nasme.cg.yu)

Euro-info Correspondence Center  
[www.euroinfo.cg.yu](http://www.euroinfo.cg.yu)

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

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Montenegro Business Alliance  
[www.visit-mba.org](http://www.visit-mba.org)

Union of Employers of Montenegro  
[www.upcg.cg.yu](http://www.upcg.cg.yu)

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