MONTENEGRO
INVESTMENT CLIMATE STATEMENT
2015

Table of Contents

Executive Summary

1. Openness To, and Restrictions Upon, Foreign Investment

1.1. Attitude Toward FDI

1.2. Other Investment Policy Reviews

1.3. Laws/Regulations of FDI

1.4. Industrial Strategy

1.5. Limits on Foreign Control

1.6. Privatization Program

1.7. Screening of FDI

1.8. Competition Law

1.9. Investment Trends

1.9.1. Tables 1 and if applicable, Table 1B

2. Conversion and Transfer Policies

2.1. Foreign Exchange

2.1.1. Remittance Policies

3. Expropriation and Compensation

4. Dispute Settlement

4.1. Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

4.2. Bankruptcy

4.3. Investment Disputes

4.4. International Arbitration

4.4.1. ICSID Convention and New York Convention

4.5. Duration of Dispute Resolution

5. Performance Requirements and Investment Incentives

5.1. WTO/TRIMS

5.2. Investment Incentives

5.2.1. Research and Development

5.3. Performance Requirements

5.4. Data Storage

6. Right to Private Ownership and Establishment

7. Protection of Property Rights

7.1. Real Property

7.2. Intellectual Property Rights

8. Transparency of the Regulatory System

9. Efficient Capital Markets and Portfolio Investment

9.1. Money and Banking System, Hostile Takeovers

10. Competition from State-Owned Enterprises

10.1. OECD Guidelines on Corporate Governance of SOEs

10.2. Sovereign Wealth Funds

11. Corporate Social Responsibility

11.1. OECD Guidelines for Multinational Enterprises

12. Political Violence

13. Corruption

13.1. UN Anticorruption Convention, OECD Convention on Combatting Bribery

14. Bilateral Investment Agreements

14.1. Bilateral Taxation Treaties

15. OPIC and Other Investment Insurance Programs

16. Labor

17. Foreign Trade Zones/Free Ports/Trade Facilitation

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

19. Contact Point at Post for Public Inquiries

Executive Summary

Montenegro is located in southeastern Europe. It is a country in transition politically and economically. Formerly a part of the Socialist Federal Republic of Yugoslavia and later the Union of Serbia and Montenegro, Montenegro voted for independence from Serbia in 2006. Since then, the country of approximately 625,000 inhabitants has been led by a democratically elected government headed by the Democratic Party of Socialists (DPS). During this time, Montenegro has adopted an investment framework that in principle encourages growth, employment and exports. However, it is still in the process of establishing a liberal business climate that fosters foreign investment and local production.

Although the continuing transition has not yet eliminated all structural barriers, the government generally recognizes the need to remove impediments in order to remain competitive, reform the business environment, and open the economy to foreign investors. Foreign companies and investors are generally treated the same as their domestic counterparts. Nevertheless, Montenegro continues to struggle with corruption, and the government has pursued few high-profile prosecutions of allegedly corrupt officials. Montenegro's public financial situation is relatively weak, with a debt to GDP ratio of close to 60 percent, with forecasts of growing indebtedness to cope with infrastructure challenges.

Montenegro's three biggest sectors for investment and economic growth are agriculture, energy, and tourism, the last of which brings in over a million foreign visitors every year, many of whom arrive by cruise ship at the deep fjord-like Kotor Bay. Montenegro has abundant natural beauty, with 300 kilometers of sea coast, mountains, rivers, and lakes, all in close proximity, which provide for ample scenic views and touristic accommodations and investment opportunities. Several new luxury tourism complexes are in various states of development along the coast, and several envision being used in connection with boating and yachting facilities nearby. As a result of an increase in the number of visitors, the need for a general overhaul of existing transportation infrastructures creates new investment opportunities.

Montenegro is currently planning major overhauls of its road and rail networks, and a possible expansion of its air transportation system. In 2014, the Government of Montenegro selected Chinese companies - China Communications Construction Company (CCCC) and China Road and Bridge Corporation (CRBC) for the construction of the national highway's priority 41 kilometer section connecting Podgorica to the north of the country and ultimately the Serbian border. Its construction will cost around EUR 809.6 million or USD 1.1 billion. In late 2013, for a first time Montenegro published a tender for off shore oil and gas exploration. Currently, the government is evaluating the three bids submitted. A decision should be made in the next several months and the government is expected to announce additional tenders in this field.
The biggest foreign investors in Montenegro are: Italy, Norway, Austria, Russia, Hungary, the U.S. and Great Britain. Lately, China, Azerbaijan, and Near Eastern and Gulf Emirate states have shown increasing interest in investing in Montenegro's resort development industry.

Montenegro is a candidate for European Union membership and is taking active steps to become a member of North Atlantic Treaty Organization (NATO).

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

Montenegro is a country in transition both politically and economically. Formerly a part of the Socialist Federal Republic of Yugoslavia and later the Union of Serbia and Montenegro, Montenegro voted for its independence from Serbia in 2006. Since then, the country of approximately 625,000 inhabitants has been led by a democratically elected government headed by the Democratic Party of Socialists (DPS), which was the leading party in the administration before independence from Serbia. Since then, Montenegro has adopted an investment framework that, in principle, encourages growth, employment, and exports. Montenegro, however, is still in the process of transitioning into a more liberal business climate. The country continues to depend on imports from neighboring countries though it has significant agricultural potential and foodstuff production. The government generally recognizes the need to remove impediments in order to remain competitive, reform the business environment, and open the economy to foreign investors.

Montenegro's public financial situation is relatively weak, with a debt to GDP ratio of close to 60 percent, with forecasts of growing indebtedness to cope with infrastructure challenges.

Other Investment Policy Reviews

On December 17, 2011 Montenegro became the 156th member of World Trade Organization (WTO).

Laws/Regulations of Foreign Direct Investment

Registration procedures have been simplified to such an extent that it is possible to register a company electronically in Montenegro. Bankruptcy laws have been streamlined to make it easier to liquidate a company; accounting standards have been brought up to international norms; and custom regulations have been simplified. There are no mandated performance requirements. Montenegro has enacted specific legislation outlining guarantees and safeguards for foreign investors. Montenegro's Foreign Investment Law establishes the framework for investment in Montenegro. The law eliminates previous investment restrictions, extends national treatment to foreign investors, allows for the transfer/repatriation of profits and dividends, provides guarantees against expropriation, and allows for customs duty waivers for equipment imported as capital-in-kind.

Montenegro also has adopted more than 20 other business-related laws, all in accordance with EU standards. The main laws that regulate foreign investment in Montenegro are: the Foreign Investment Law; the Enterprise Law; the Insolvency Law; the Law on Fiduciary Transfer of Property Rights; the Accounting Law; the Law on Capital and Current Transactions; the Foreign Trade Law; the Customs Law; the Law on Free Zones; the Labor Law (which is currently undergoing amendment to make personnel decisions more efficient); the Securities Law; the Concession Law, and the set of laws regulating tax policy. Montenegro has made significant steps in both amending investment-related legislation in accordance with world standards and creating the necessary institutions for attracting investments. However, as is the case with other transition countries, implementation and enforcement of existing legislation remains weak and inconsistent.

While Montenegro has taken steps to make the country more open for foreign investment, some deficiencies still exist. The absence of fully developed legal institutions has fostered corruption and weak controls over conflicts of interest. The judiciary is still slow to adjudicate cases, and court decisions are not always consistently reasoned or enforced. Montenegro's significant grey economy impacts its open market, negatively affecting businesses operating in accordance with the law. Favorable tax policies established at the national level are often ignored at the municipal level.

NATO invited Montenegro to participate in its Membership Action Plan (MAP) on December 4, 2009. The European Council's decision to permit visa-free travel to Schengen-zone countries for citizens of Montenegro came into effect on December 19, 2009.

Montenegro was formally given the status of an EU candidate country at the European Council summit in Brussels on December 17, 2010. On June 29th, 2012 Montenegro officially started accession negotiations with the EU and has provisionally closed two chapters.

Business Chambers and Organizations

American Chamber of Commerce
In order to further develop commercial ties between the U.S. and Montenegro, the American Chamber of Commerce in Montenegro was launched on November 19, 2008. AmCham Montenegro serves as a leading advocate for American as well as other foreign businesses in Montenegro, seeking to liberalize the labor market and investment climate in order to generate greater FDI.

Ivana Jovovic, Executive Director
American Chamber of Commerce in Montenegro
Rimski Trg 4/V – Telenor building
81000 Podgorica, Montenegro
Tel/Fax: +382 20 621 328
Website: http://www.amcham.me/

Montenegrin Chamber of Economy
The government-supported Chamber of Economy in Montenegro was established in 1928. The Chamber is focused on increasing the competitiveness of Montenegrin enterprises and on promoting Montenegro as an investment destination.

Velimir Mijuskovic, President
Chamber of Economy of Montenegro
Novaka Miloseva 29/III
81000 Podgorica, Montenegro
Tel: +382 20 230 545
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Website: www.privrednakomora.me

Industrial Promotion

The Government of Montenegro does not have any special programs to attract foreign industrial investment.

Limits on Foreign Control

In general, there are no limits on foreign ownership or control in Montenegro.

Privatization Program

The Government of Montenegro is the main institution responsible for the privatization process. The Privatization and Capital Projects Council has been formed to manage, control and supply implementation of the privatization process as well as to propose and coordinate all activities necessary for capital projects application in Montenegro. The Prime Minister of Montenegro is the president of the Privatization and Capital Projects Council.

The Law on Economic Privatization defines the council's responsibilities. The Privatization Council announces each year the plan for privatization, which defines which companies will be privatized and the methods of their privatization and foreign investors can participate in the privatization process.

The privatization process in Montenegro is in its final phases. The majority of companies that have not yet been privatized are of strategic importance to the Montenegrin economy in such fields as energy, transport, and tourism. Further privatization of state-owned companies should contribute to better economic performance, increase the competitiveness of the country and enable the Government of Montenegro to generate higher revenues, which will enhance capital investments and reduce debts.

More information about the Council and the actual privatization plan is available on the Council's website: www.savjetzaprivatizaciju.me/en

Screening of FDI

There are no institutional barriers against foreign investors including U.S. businesses, and there is no screening mechanism specifically oriented to them.

Competition Law

Montenegro adopted a Competition Law in 2012, updating its legal framework and harmonizing it with European Union standards in this important field.

Investment Trends

To better promote investment and foster economic development, the Government of Montenegro established the Montenegrin Investment Promotion Agency (MIPA) in 2005. It seeks to promote Montenegro as a competitive investment destination by actively facilitating investment projects in the country.

Inquiries on investment opportunities in Montenegro can be directed to:

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Jovana Tomasevica 2
81000 Podgorica, Montenegro
Tel/fax: (+382 20) 203 140, 203 141, 202 910
Website: http://www.mipa.co.me/.
E-mail: info@mipa.co.me

Over 5,000 foreign-owned firms are operating in Montenegro, although many of them are small proprietors. Foreign investors come from more than 100 countries, with no single country dominating investment. To date, the most significant investments have come from Italy, Norway, Austria, Russia, Hungary, the U.S. and Great Britain. Lately, China, Azerbaijan, Russia, Taiwan and the Gulf Emirates states have shown increasing interest in investing in Montenegro's resort development industry.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	76 of 175	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2015	36 of 189	doingbusiness.org/rankings
Global Innovation Index	2014	59 of 142	globalinnovationindex.org/content.aspx?page=data-analysis
World Bank GNI per capita	2013	USD 7,250	data.worldbank.org/indicator/NY.GNP.PCAP.CD

2. Conversion and Transfer Policies

Foreign Exchange

The Foreign Investment Law, adopted in 2000, guarantees the right to transfer and repatriate profits in Montenegro. Montenegro uses the Euro as its domestic currency.

Remittance Policies

There are no difficulties in the free transfer of funds exercised on the basis of profit, repayment of resources, or residual assets.

3. Expropriation and Compensation

Montenegro provides legal safeguards against expropriation. Protections are codified in several laws adopted by the government. Montenegro provides safeguards from expropriation actions through its Foreign Investment Law. The law states that the government cannot expropriate property from a foreign investor unless there is a "compelling public purpose" established by law or on the basis of the law. If an expropriation is executed, compensation must be provided at fair market value plus one basis point above the LIBOR rate for the period between the expropriation and the date of payment of compensation. There have been no cases of expropriation of foreign investments in Montenegro. However, Montenegro has outstanding claims related to property nationalized under the Socialist Federal Republic of Yugoslavia.

On March 23, 2004, Montenegro passed a Restitution Law. The necessary sub-acts entered into effect on January 1, 2005, and the Restitution Fund came into existence on March 1, 2005. The basic restitution policy in Montenegro is restitution in kind when possible, and cash compensation or substitution of other state land when physical return is not possible.

At the end of August 2007, Parliament passed a new Law on Restitution that supersedes the 2004 Act. In line with the law, three review commissions have been formed: one in Bar (covering the coastal region); one in Podgorica (for the central region of Montenegro); and one in Bijelo Polje (for the northern region of Montenegro.)

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Montenegro’s legal system is a collection of former Yugoslav, Union of Serbia, and Montenegro, and independent Montenegrin codes and criminal justice institutions. Montenegro's Law on Courts defines a judicial system consisting of three levels of courts: Basic, Superior, and the Supreme Court. Montenegro established the Appellate Court and the Administrative Court in 2005 for special jurisdiction of commercial and administrative matters. There is also specialized Commercial Courts for first instance.

The Basic Courts exercise original jurisdiction over civil and criminal cases. There are 15 Basic courts for Montenegro's 23 municipalities. Two Superior Courts in Podgorica and Bijelo Polje have appellate review of municipal court decisions. The Superior Courts also decide on jurisdictional conflicts between the municipal courts. They are also first instance courts for crimes where prison sentence of more than 10 years is defined-serious crime. They have specialized judges/departments who deal with organized crime, corruption, war crimes and terrorism cases.

According to the recently adopted Law on Courts there is just one Commercial Court based in Podgorica. There is also one more type of the specialized courts according to the new Law and those are Misdemeanor Courts (Basic and on Appellate Misdemeanor Court). Commercial court has jurisdiction in the following matters: all civil disputes between legal entities, shipping, navigation, aircraft (except passenger transport), intellectual property rights, bankruptcy, and unfair trade practices. The Superior Courts hear appeals of Basic Court decisions, and Superior Court decisions may be appealed to the Appellate Court. The Supreme Court is third (and final) instance court for all decisions. The Supreme Court is the court of final judgment for all civil, criminal, commercial and administrative cases and it acts only upon irregular i.e. extraordinary legal remedies. The Appellate Court is a second instance court for decisions of the Commercial Courts.

The commercial court system faces challenges, such as poor implementation of legislation and confusion over numerous changes to existing laws; developing a new system of operations, including electronic communication with clients; and a lack of capacity and expertise among the judges, as well as case backlog in general.

Over the last several years the adoption of 20 new business laws has significantly changed and clarified the legislative environment.

The current Law on the Improvement of the Business Environment adopted in July of 2010 is the first law of its type in Montenegro aimed at equalizing the status of foreign and domestic investors. The law addresses changes in various laws including: Business Organization; Foreign Investments; Cinematography; Assessment of Impact in the Environment; Construction; and Administrative Taxes. The purpose of these changes is to provide the same working conditions to foreign companies operating in Montenegro and to companies with domestic capital. For example, with the Law on the Environment deadlines for issuing different permits were reduced in order to speed up processing and to help businesses meet their obligations more quickly.

The current Labor Law was adopted in November 2011. It defines a single collective agreement for both public and private sectors, maintains the existing level of severance payments (i.e. the average of the past six months' salaries), and retains the current 365 days of allowed maternity leave. The government has put forth amendments to this law, in concert with the local business chambers, to liberalize personnel practices. There is considerable resistance to these changes from the vocal trade unions. Besides the Labor Law, the question of labor-based relations is also defined in the General Collective Agreement, Branch-level Collective Agreements, and with individual labor agreements between employer and employee.

An updated Concession Law was adopted in February 2009 and creates favorable conditions for obtaining and utilizing concession licenses. The law also regulates the conditions and procedures for obtaining a concession to exploit natural resources, use property in the public domain, and/or conduct activities of general interest. The Concession Law is fundamental to support the public-private partnership process through which a number of future projects can be realized in Montenegro.

In January 2012 Montenegro began to implement a new Law on Excise Taxes. The law was adopted in order to bring Montenegro into compliance with European excise standards. The new law increases duties on cigarettes and alcoholic beverages. In April 2012 higher duties were also placed on coffee and sodas, and the government is considering raising the excise rates on soft drinks yet again, though there is evidence this will have an adverse impact on producers operating in the local market.

Bankruptcy

The Bankruptcy Law, adopted in January 2011, mandates that debtors are designated insolvent if they cannot meet financial obligations within 45 days from the date of maturity of any debt obligations. At the end of April 2004, Parliament adopted the Foreign Trade Law. The law decreases barriers for doing business and executing foreign trade transactions and is in accordance with WTO standards. However, the law still provides a scope for restrictive measures and discretionary government interference.

Investment Disputes

Post is not aware of any investment dispute involving U.S. companies in Montenegro. However, there are a number of individual U.S. investors involved in public procurement and construction cases that are in various stages of dispute resolution with the government.

International Arbitration

Dispute resolution is under the authority of national courts, but it can also fall under the authority of international courts if the contract so designates. Accordingly, Montenegro allows for the possibility of international arbitration. Various foreign companies have other bilateral and multilateral organizations -- such as MIGA (World Bank), OPIC (U.S.), ECGD (UK), SID (Slovenia), SACE (Italy), COFACE (France), and OEKB (Austria) -- providing risk insurance against war, expropriation, nationalization, confiscation, inconvertibility of profit and dividends, and inability to transfer currency. In 2012, Montenegro became a member of the International Center for Settlement of Investment Disputes (ICSID).

ICSID Convention and New York Convention

As of 2013, Montenegro became a member state to the International Centre for the Settlement of Investment Disputes (ICSID Convention) and fully enforces it obligations. As of 2006, Montenegro is a signatory to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

Duration of Dispute Resolution

Due to the limited numbers of foreign investors who have entered into formal business disputes in Montenegro, it is difficult to estimate an average timeframe for dispute resolution.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

The GoM has not notified the World Trade Organization (WTO) of any measures that are inconsistent with the WTO's Trade Related Investment Measures (TRIMs), nor have there been any independent allegations that the GoM maintains any such measures.

Investment Incentives

The government is offering, in the partnership with local municipalities new incentives through business zones, which are already created in several cities outside the capital.

Research and Development

U.S. and other foreign firms are not restricted from participating in government/authority financed and/or subsidized research and development programs. However, there have not been any cases of U.S. or foreign firms participating in research and development programs in Montenegro in the past.

Performance Requirements

The government does not impose any performance requirements as a condition for establishing, maintaining, or expanding an investment. Limited incentives are offered to foreign investors; for example, the government offers duty exemptions for imported equipment.

Data Storage

The government does not use forced localization, the policy in which foreign investors must use domestic content in goods or technology. The only exception is the Agreement with two Chinese companies, which will develop the country's first national highway. As it is the most important and the biggest infrastructure project that Montenegro will develop (worth close to one billion euros) it is required that 30 percent of the labor contract be engaged locally.

6. Right to Private Ownership and Establishment

In Montenegro, a foreign investor may acquire real property. The Foreign Investment Law specifically allows foreign investors to purchase real estate through a deed. The Act states that foreign entities can, based on reciprocity, acquire rights to real estate, 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.

7. Protection of Property Rights

Real Property

In July 2002, Montenegro enacted the Law on Secured Transactions and established a collateral registry at the Commercial Court in May 2003. The registry's operational guidelines have been drafted and approved by the Commercial Court. The main goal of the Law on Secured Transactions is to establish a clear and transparent framework. In August 2004, Montenegro adopted a new Law on Mortgages by which immovable property may be encumbered by a security interest (mortgage) to secure a claim for the benefit of a creditor who is authorized, in the manner prescribed by the law, to demand satisfaction of his claim by foreclosing the mortgaged property with priority over creditors who do not have a mortgage created on that particular property, as well as over any subsequently registered mortgage, regardless of a change in the owner of the encumbered immovable property. The Real Estate Administration is making a lot of effort to improve the situation in the cadaster and has made progress in last couple years, though there is more work to be done.

Intellectual Property Rights

The 2006 Law on the Enforcement of Intellectual Property Rights protects the acquisition and disposition of intellectual property rights. The law provides for fines for legal entities of up to 30,000 euro for selling pirated and/or counterfeited goods. It also provides ex officio authority for market inspectors in the areas mentioned above. A new set of amendments to the existing Law on the Enforcement of Intellectual Property Rights were adopted in the last several years in line with the EU regulations, and it is expected to bring more efficiency in implementation as well as a multifunctional approach to property rights protection. In April 2005, the Montenegrin Parliament adopted the Regulation on (TRIPs) Border Measures that provides powers to customs authorities to suspend customs procedures and seize pirated and counterfeit goods.

Montenegro's Penal Code penalizes intellectual property right violations, allows ex officio prosecution, and provides for stricter criminal penalties; however, trademark/copyright violations is a significant problem in the outerwear and apparel market and unlicensed software can be easily found on the general market. The Law on Optical Disks was adopted in December 2006; it requires the registration of business activity when reproducing optical disks for commercial purposes and provides for surveillance of optical disk imports and exports, and imports and exports of polycarbonates. The Montenegrin Intellectual Property Office is an authority within the state administration system of Montenegro which is competent for the activities related to the industrial property rights and receipt and filing authors and related rights. The Intellectual Property Office is established under the Regulation on organization and manner of work of the state administration, dated May 11, 2007 (''Official Gazette of the Republic of Montenegro,'' No. 25/07) and officially started working on May 28, 2008.

A regulation on the recognition of intellectual property rights was adopted in September 2007. Under this regulation, any rights registered with the Union Intellectual Property Office or with the Serbian Intellectual Property Office and any pending applications filed with these offices before May 28, 2008 are enforceable in Montenegro. Any IPR application submitted after that date in Serbia will have to be re-submitted in Montenegro within six months, to retain its acquired priority.

IPR market inspectors, police officers, customs officers, and employees of the Ministry of Economy attended a number of training seminars on intellectual property protection and counterfeiting, including an IPR enforcement workshop hosted by the American Chamber of Commerce and its members. At the end of 2007, the Customs Administration signed a Letter of Intent for Acceptance of SECURE Standards (standards to be employed by customs for uniform rights enforcement), adopted by the World Customs Organization (WCO) to promote the efficient protection of intellectual property rights by customs authorities.

Montenegro is not on the Special 301 Watch List. However, the sale of pirated optical media (DVDs, CDs, software) as well as counterfeit trademarked goods, particularly sneakers and clothing, is widespread. Enforcement is slowly improving as customs, police, and judicial authorities obtain the necessary tools, but institutional capacity and public awareness is still limited.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/.

Resources for Rights Holders

Contact at the Mission in Montenegro:

Name: Jerry Ismail
Title: Pol/econ Chancellor
Telephone number: +382 20 410 500
Email address: IsmailJS@State.gov

To further improve intellectual property protection, AmCham Montenegro established an IPR Committee in April 2009 and today it is operating under the Grey Economy Committee. The main goal of the Committee is to work closely with Montenegrin institutions, which deal with IPR, to increase public awareness of the importance of intellectual property protection, and to help the GoM strengthen its administrative capacities in this field.

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Website: http://www.amcham.me/

Website for list of lawyers: www.advokatskakomora.me

8. Transparency of the Regulatory System

The Law on Foreign Investment is based on the national treatment principle. Any proposed law and regulation is published in draft form and open for public comment, generally for a 30-day period.

Regulations are often applied inconsistently, particularly at the municipal level. Many regulations are in conflict with other regulations, or are ambiguous, creating confusion for investors. As noted in the American Chamber of Commerce's 2014 Business Climate Survey, many municipalities lack adequate Detailed Urban Plans, making construction permit procedures lengthy and complex. Some municipalities are making efforts to speed up procedures in order to provide a more friendly business environment for investors while on the national level there are fewer obstacles for these kinds of activities; however, many larger-scale projects involve both local and national authorities. Often both administrations must be worked with in order to realize a project.

Foreign investors can establish a company and invest in it in the same manner and under the same conditions, which apply to domestic persons. The same regulations are applied to both domestic and foreign investors, and there are no other regulations that might deprive a foreign investor of any rights or limit such rights. The Law of Foreign Investments is now fully harmonized with World Trade Organization rules.

On January 22, 2004, the Parliament of Montenegro established an Energy Regulatory Agency, which has authority over the electricity, gas, oil, and heating energy sectors. Its main tasks are the approval of pricing, development of a model for determining allowable business costs for energy sector entities, issuance of operating licenses for energy companies and for construction in the energy sector, and monitoring of public tenders. The energy law prescribes that energy sectors where prices are affected by monopoly positions of some participants, business costs will be set at levels approved by the Agency. In those areas deemed to function competitively, the market will determine prices. The price of gasoline is set nationally every two weeks and is uniform across all petrol stations.

The Agency for Electronic Communication and Postal Services was founded by the Montenegrin government in 2001. It is an independent regulatory body whose primary purpose is to design and implement a regulatory framework and encourage private investment in the sector.

The State Audit Institution was established in 2004 and serves as the supreme control organ of budget and state property, local government units, funds, the Central Bank of Montenegro and all other legal entities owned by the state. The Institution audits the annual budget balance sheet of Montenegro. The Institution presents an annual report on the audit's results to the parliament by the end of October.

Government procurement is conducted by three different entities: the Public Procurement Directorate, Ministry of Finance, and the State Commission for Control of Public Procurement Procedures. The Directorate started operations in June of 2007 while the State Commission for the Control of Public Procurement Procedures Control was established in 2011. The State Commission emits its decisions in a written format. Decisions are made by a simple majority.

The method of work of the State Commission is specified in its Rules of Procedure. The Law of Public Procurement entered into force in 2011. The Administrative Court oversees cases involving public procurement procedures.

While there is a full legal and regulatory infrastructure in place to conduct public procurement, U.S. companies have complained in numerous cases about irregularities in the procurement process at the national level, and maintain there is an inability to meaningfully challenge decisions they believe were erroneously taken through the procurement apparatus. In other cases, the system delivers appropriate outcomes, though in a complex and time-consuming way.

9. Efficient Capital Markets and Portfolio Investment

The banking sector in Montenegro is completely privatized. There are fourteen banks operating in the country, and all of them are in private ownership; two are locally owned while the others are subsidiaries of international banks (including Austrian and Slovenian). All banks operating in Montenegro reported profits in 2014.

New laws have been adopted and some existing laws have been amended to improve regulation of the banking sector, provide a higher level of depositor safety and increase trust in the banking sector itself.

The Law on the Protection of Deposits has been adopted to bring local legislation on protecting deposits up to European standards. In accordance with the law, a fund for protecting deposits has been established. Deposits are guaranteed up to the amount of EUR 50,000 (USD 53,000).

Money and Banking System, Hostile Takeovers

At the end of the third quarter of 2014, total assets of twelve Montenegrin banks (thirteen have been establish as of March 2015) amounted to USD 4 billion. In previous years, one of the main risks to financial stability was a growing illiquidity in the economy created by non-performing assets (NPA), which at the end of 2014, was at the level of 16.4 percent of total loans and banks obligations.

Montenegro is one of a few countries that does not belong to the Euro zone but uses the Euro as its official currency, without a formal agreement. Since its authority is limited in monetary policies, the Central Bank has focused on control of the banking system, and maintenance of the payment system. It acts as the state fiscal agent and monitors monetary policy.

The Central Bank also regulates the process of bank establishment. A bank is founded as a joint-stock company and acquires the status of a legal entity by registering in the court register. An application for registration in the court register must be submitted within 60 days of the date of the bank being licensing.

10. Competition from State-Owned Enterprises

The privatization process in Montenegro is in its final phase. The majority of companies that have not yet been privatized are of strategic importance to the Montenegrin economy in such fields as energy, transport, and tourism. Further privatization of state-owned enterprises (SOEs) will contribute to better economic performance, increase the competitiveness of the country and enable the Government of Montenegro to generate higher revenues.

The Government of Montenegro is the main institution responsible for the privatization process. The Privatization and Capital Projects Council has been formed to manage, control and supply implementation of the privatization process as well as to propose and coordinate all activities necessary for capital projects application in Montenegro. The Prime Minister of Montenegro is the president of the Privatization and Capital Projects Council.

The Law on Economic Privatization defines the council's responsibilities. Each year, the Privatization Council announces the plan that defines which companies will be privatized and the methods of their privatization, this is provided in a publicly available document.

More information about the Council and the actual privatization plan is available on the Council's website: www.savjetzaprivatizaciju.me.

OECD Guidelines on Corporate Governance of SOEs

Corporate governance within the SOEs is not structured and generally does not adhere to OECD guidelines. From the beginning of the privatization process in 1999 through the end of September 2013, nearly 90 percent of Montenegrin companies have been privatized. The most important state-owned companies still in existence include the Port of Bar, Montenegro Railways, Montenegro Airlines, Airports of Montenegro, and Plantaze Vineyards. All of these companies are registered as joint-stock companies, with the Government of Montenegro appointing one or more representatives to each Board based on the ownership structure. All must provide an annual report to the government and are subject to independent audits.

Sovereign Wealth Funds

There are no sovereign wealth funds in Montenegro.

11. Corporate Social Responsibility

An awareness of corporate social responsibility exists among Montenegrin enterprises and entrepreneurs. Although small and medium sized companies are engaged in various development programs towards the broader community, CSR programs are strongest in large, privately-owned Montenegrin and foreign firms. A survey showed that large private companies and associations are, indeed, more engaged in CSR activities, whereas small companies cited the lack of knowledge about CSR and the lack of support and interest from clients as the main reasons for not participating.

OECD Guidelines for Multinational Enterprises

There is no general awareness of corporate social responsibility among producers or consumers. Companies which are managed and majority owned by foreign investors have introduced a variety of programs to support local communities.

12. Political Violence

Montenegro is a mixed parliamentary and presidential country with a multiparty political system. The current government supports Montenegro's integration into the European Union and NATO. There is no sustained anti-American sentiment among the general public despite some residual resentment stemming from the 1999 NATO campaign against the regime in the former state union of Serbia and Montenegro. Montenegro and the United States share most policy goals and cooperate productively in many areas. There is broad support for the strengthening of ties with the United States, especially in the economic and commercial spheres.

13. Corruption

Corruption and the perception of corruption are significant problems in Montenegro. Corruption routinely places high on the list of citizen concerns in opinion polls.

Montenegro placed 76th in the Transparency International (TI) 2014 Corruption Perception Index list, nine places lower compared to the previous year.

A legal framework to help combat corruption and organized crime has been in force since the August 2006 adoption of the Law on Witness Protection. Montenegro has been a full member of the International Criminal Police Organization-Interpol since September 2006. In the past two years, the government has achieved some progress on combating official corruption through adoption of important legislation on public procurement, the treasury and budget system, and the courts. Nevertheless, there have been few high-profile corruption prosecutions including at the levels of local and national government. According to recently adopted Law on Courts, there will be one centralized Superior Court, a Special Department for Organized Crime, Corruption, War Crimes, Terrorism and Money Laundering in the Podgorica Superior Court. Through the use of this same law, the crime of money laundering was added under the jurisdiction of this Specialized Department. The main Montenegrin laws in this area are Criminal Procedure Code and Criminal Code which enable extended confiscation of assets; Law on Prevention of Corruption adopted in December 2014 Law on Prevention of Conflict of Interest which has been amended recently define the obligation to report on property on a yearly basis and sentences for not doing so or wrongly doing so. By recent adoption of Law on Prevention of Corruption, the system of prosperity control and conflict of interests is strengthened.

The Government encourages state institutions and the private sector to establish internal codes of conduct. They are encouraged to have Ethical Codes, as well as obliged to have so called Integrity Plans.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Montenegro is a signatory to the UN Anti-Corruption. To date, no foreign firms have lodged complaints against the GoM under any of these agreements. A number of U.S. firms have specifically noted corruption as an obstacle to direct investment in Montenegro, and corruption is seen as one of the typical hurdles to be overcome when doing business in the country. Corruption is most pervasive in Montenegro in the government procurement sector; the purchase and sale of government property takes place in a non-transparent environment with frequent allegations of bribery and cronyism.

Resources to Report Corruption

Contact at government agency or agencies are responsible for combating corruption:

Djurdjina Nina Ivanovic
Special Prosecutor for Fighting Organized Crime, Corruption, War Crimes and Terrorism
Office of the Chief State Prosecutor
Slobode 20, 81000 Podgorica, Montenegro
+382 20 230 624
vdtcg@tuzilastvo.me or nina.ivanovic@tuzilastvo.me

MANS (Network for Affirmation of NGO sector) is a non-governmental organization that fights against corruption and organized crime in Montenegro. They are engaged in investigating concrete cases of corruption and organized crime, monitoring the implementation of legislation and government policy, providing free legal aid to citizens, CSOs, media and businesses, developing law and policy proposals and analysis and conducting advocacy campaigns.

Vanja Calovic
Executive director
MANS (Network for Affirmation of NGO sector)
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+382 20 266 326
vanja.calovic@mans.co.me or mans@t-com.me
www.mans.co.me

14. Bilateral Investment Agreements

The United States does not have a Bilateral Investment Treaty (BIT) with Montenegro. The U.S. restored Normal Trade Relations (Most-Favored Nation status) to Montenegro in December 2003. This status provides improved access to the U.S. market for goods exported from Montenegro. The U.S. Government has approved Montenegro's request to be designated a beneficiary developing country under the U.S. Generalized System of Preferences (GSP) program, which provides duty-free access to the U.S. market in various eligible categories (jewelry, ores, stones, many agricultural products etc.).

In December 2006, Montenegro signed the Central European Free Trade Agreement (CEFTA) intended to eliminate all custom restrictions for industrial and agricultural products in member states by 2010. The Parliament ratified CEFTA on March 21, 2007, and it took effect in Montenegro (and simultaneously in Albania, Macedonia, Moldova, and Kosovo) on July 26, 2007. Bulgaria, the Czech Republic, Hungary, Poland, Romania, Slovakia, and Slovenia were already parties to the Agreement. Montenegro held the rotating CEFTA Presidency during 2009.

On November 14, 2011 Montenegro signed a Free Trade Agreement with the European Free Trade Association (EFTA), which expands Montenegro’s small domestic market to include potentially upwards of 500 million citizens of Europe.

Other free trade agreements:
- The 2000 Free Trade Agreement with Russia.
- Preferential Trade Agreement with the European Union.
- The 2008 Free Trade Agreement with Turkey.
- The 2011 Free Trade Agreement with the EFTA countries (Switzerland, Norway, Iceland, and Liechtenstein).

Bilateral Taxation Treaties

In 2014, Montenegro and the U.S. Government concluded an agreement in substance on the Foreign Account Tax Compliance Act (FATCA), which will help the countries better track and report tax evasion.

Montenegro has completed fifty Double Taxation Treaties up to today and is still in negotiations process with many countries. The main purpose of these treaties is the avoidance of double taxation on income earned in any of these countries.

15. . OPIC and Other Investment Insurance Programs

Montenegro, through the State Union of Serbia and Montenegro, became eligible for OPIC programs in July 2001. OPIC activities in Montenegro include: insurance for investors against political risk, expropriation of assets, damages due to political violence and currency convertibility; and insurance coverage for certain contracting, exporting, licensing and leasing transactions. OPIC also established the Southeast Europe Equity Investment Fund that is managed by Soros Management. For more information, please see: http://www.opic.gov

Montenegro became a member of the World Bank Group in January 2007 by signing its Articles of Agreement of the International Bank for Reconstruction and Development (IBRD). Montenegro is a member of the IBRD and has also joined the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA).

EBRD has an office in Montenegro and supports approximately 44 development projects with a total investment of 439 million euros. For more information please see: http://www.ebrd.com/montenegro-country.html

16. Labor

Montenegro's total labor force is comprised of approximately 250,000 people. The total number of employees in the public sector is 60,000. According to data provided by the state statistics agency, MONSTAT, the unemployment level at the end of the 2014 was 18.5 percent. The average monthly salary, net of taxes and contributions, was 477 Euros in December 2014. Foreign investors cite the lack of a highly skilled labor pool as one of the challenges facing

Montenegro, along with a bloated public sector workforce of 60,000 people. The main findings of the AmCham Montenegro survey from 2014 confirm this. Skills and qualifications of the Montenegrin labor pool are a significant business barrier according to AmCham members. Finding skilled middle managers represents a serious challenge for members, so they are often forced to employ people from outside of Montenegro in these positions. More has to be done in order to improve skills of Montenegrin youth, including improving their foreign language and their practical skills. When obtaining their Bachelor's degree, youth in Montenegro have little or no practical or work experience. It is widely mentioned in business circles that Montenegrin youth are more interested in working for the State than for the private companies offering higher salaries.

Over the past few years, employment in private companies has increased, and total employment in the public sector (including state-owned companies) has decreased. Major sectors generating employment in Montenegro are tourism, ports and shipping, and manufacturing.

Bringing Montenegro's labor market legislative framework into accordance with EU standards is one of the primary economic tasks of the GoM. The Labor Law defines a single collective agreement for both public and private sectors, maintains the existing level of severance payments, and retains the current 365 days of maternity leave. Proposed amendments to the law would give employers more flexibility in personnel decisions, one of the key deterrents to opening a business here.

The Law on Peaceful Resolution of Labor Disputes was adopted in December 2007. It introduces out-of-court settlement of labor disputes for the first time in Montenegro. However, the agency required for implementation of the law still needs to be established.

The Law on the Employment of Nonresidents took effect on January 1, 2009 and mandates the government -- set a quota for nonresident workers in the country. The Government of Montenegro adopted a Decision on determining the number of working permits for foreigners for 2015, determining the quota of 23,400 working permits. Procedures for hiring foreign workers have been simplified, and taxes for nonresident workers have been significantly decreased to help domestic companies that are having problems engaging domestic staff, particularly for temporary and seasonal work.

The Law on Foreigners in Montenegro came into force on April 1, 2015. However, some amendments will follow since the minimum price of real estate purchased for obtaining residence permit has not yet been established. It is planned that the foreigners owning houses in Montenegro will be able to obtain a residence permit for 1 year with further prolongation, but in this situation they are not allowed to apply for permanent residence. The new law combines three previously existing documents (Act on Foreigners, the Law on employment of foreigners and Resolution on migration registration of foreigners) and also will slightly reduce bureaucratic red tape. Instead of two documents for foreigners working in the country, there will be one new unified one - in the form of a plastic card, which will be a work and temporary residence permit at once.

The current Labor Law, from the employers' perspective, is not precisely defined in all provisions, creating various business barriers and thus making it difficult for employers to do business in Montenegro. In order to create a better business environment, many employers hope the new Labor Law, which is planned to be adopted in the near future, will bring the necessary clarification and better regulate this area. All relevant business associations in Montenegro, led by AmCham, signed the Memorandum of Understanding in November 2014 and agreed that the issue of monetary claims submitted by employees should have a statute of limitations. Also, the procedure for establishing violations of workplace order should be simplified and stipulated only by the Labor Law.

Substantial amendments to existing legislation and timely adoption of the necessary by-laws are needed to align legislation on workplace health and safety more closely with the EU. The administrative capacity of the Ministry of Labor and its inspection department is not yet strong enough, and the establishment of the workplace safety agency needs to be prioritized.

Changes were also made to the Law on Pensions and Care of Invalids, primarily in the area of increasing the age of retirement to 67 years (both for men and women). This will happen gradually until 2042. These changes are being made to eliminate problems and shortfalls that have occurred in the pension fund. The ratio between pensioners and active employees is very low, leaving the whole system endangered.

Until 2008, there was only one trade union confederation at the national level in Montenegro, the Confederation of Trade Unions of Montenegro (SSCG). SSCG is the successor of the former socialist trade union and as such also inherited the property, organizational structure and rights to participation in the tripartite bodies on the national level. As of 2008, a new confederation, the Union of Free Trade Unions of Montenegro (USSCG), split away from SSCG and has since been campaigning for inclusion in the social dialogue on the national level.

All ILO core conventions are recognized within domestic law such as freedom of association, the elimination of forced labor, child labor and employment discrimination, as well as minimum wages, occupation safety and health and weekly working hours.

17. Foreign Trade Zones/Free Ports/Trade Facilitation

In June 2004, Montenegro adopted a Free Trade Zone Law, which offers businesses benefits and exemptions from custom duties, taxes and other duties. The Port of Bar is currently the only free trade zone in Montenegro. All Free Zone users have at their disposal the use of infrastructure, port handling services, and telecommunication services.

All regulations relating to free trade zones are in compliance with EU legal standards. Complete equality has been guaranteed to foreign investors in reference to ownership rights, organizing economic activities in the zone, complete free transfer of profit and deposit, and the security of investments.

Contact:
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E - mail: lukabar@t-com.me
Web site: http://www.lukabar.me/

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	**Year**	**Amount**	**Year**	**Amount**	
Host Country Gross Domestic Product (GDP) ($M USD)	2013	4,373	2014	4,416	www.worldbank.org/en/country

Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country ($M USD, stock positions)	N/A		2013	1	http://bea.gov/international/factsheet/factsheet.cfm?Area=361
Host country's FDI in the United States ($M USD, stock positions)	N/A		2013	N/A	http://bea.gov/international/factsheet/factsheet.cfm?Area=361
Total inbound stock of FDI as % host GDP	N/A		2013	10.1%	http://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS

*Provide sources of host country statistical data used

Table 3: Sources and Destination of FDI

Montenegro has attracted considerable interest from foreign investors. Although foreign direct investment has decreased in the last two or three years, largely as a result of the global economic crisis, Montenegro remains a top regional investment destination as measured by investment per capita. According to preliminary data FDI in the 2014 reached USD 483 million.

Large investments have been made in the last five years:

Azerbaijan
Investing Company: SOCAR
Investment: Greenfield investment in hotel and resort One & Only and residential area in Kumbor of USD 700 million

Austria
Investing Company: Springer & Sons
Investment: Acquisition of Hotel Panorama for USD 9.3 million

Investing Company: Hypo Group
Investment: Greenfield investment in Hypo Alpe Adria Montenegro of USD 15 million

Canada
Investing Company: Molson
Investment: Acquisition of Brewery for USD 32 million

Investing Company: Adriatic Marinas
Investment: Greenfield investment in hotel and residential area in Tivat, 280 million

Egypt
Investing Company: Orascom Development
Investment: Greenfield investment on Lustica peninsula of USD 14.7 million

Investing Company: Egyptian investment fund
Investment: Greenfield investment of USD 73.5 million

France
Investing Company: Societe Generale
Investment: Acquisition of 64.45 percent of Podgoricka Bank for USD 16.8 million

Investing Company: Alstom
Investment: Expansion of Niksicka Tehno Baza of USD 7.35 million

Germany
Investing Company: Strabag AG
Investment: Acquisition of Public Enterprise Crna Gora Put for USD 10.5 million

Great Britain
Investing Company: Beppler & Jacobson
Investment: Acquisition of Hotel Bianca and Bjelasica Ski center for USD 11.3 million

Investing Company: Beppler & Jacobson
Investment: Acquisition of Hotel Avala for USD 15.2 million

Greece
Investing Company: Hellenic Petroleum
Investment: Acquisition of the 54.4 percent of Jugopetrol Kotor petroleum refinery for USD 120 million

Hungary
Investing Company: Matav (with Deutsche Telecom)
Investment: Acquisition of 51 percent of Telecom Montenegro for USD 142 million

Investing Company: OTP Bank
Investment: Acquisition of CKB bank for USD 134 million

Italy
Investing Company: A2A
Investment: Acquisition of the Electric Power Company of Montenegro (EPCG) of USD 282.3 million

Investing company: Terna
Investment: Greenfield investment in submarine cable of USD 975 million

Japan
Investing Company: Daido
Investment: Acquisition of ball bearing factory for USD 11.2 million

Norway
Investing Company: Telenor
Investment: Acquisition of Promonte mobile operator for USD 145 million

Russia
Investing Company: Rusal
Investment: Acquisition of "KAP" aluminum plant for USD 58.2 million

Investing Company: Salomon Ent
Investment: Acquisition of Bauxite Mine (Rudnici boksita AD Podgorica) for USD 12.5 million

Investing Company: Lukoil
Investment: Portfolio investment in Roksped of USD 39 million

Slovenia
Investing Company: HIT Nova Gorica
Investment: Acquisition of the Hotel Maestral for USD 48 million

Investing Company: LB Leasing Ljubljana
Investment: Greenfield investment in LB Leasing Podgorica of USD 10.1 million

Investing Company: Petrol Bonus
Investment: Acquisition of Montenegrobonus for USD 154.5 million (for six years)

Investing Company: Intereuropa
Investment: Portfolio investment in Zetatrans for USD 12.3 million

Investing Company: Mercator Group
Investment: Portfolio investment in Mercator Mex of USD 8.8 million

Spain
Investing Company: Fersa
Investment: Greenfield investment in the first windmill of USD 82 million

Singapore
Investing Company: Aman Resorts
Investment: Lease of HTP Budvanska Rivijera ("Sveti Stefan", "Milocer", "Kraljicina plaza") for USD 1.95 million per year for 30 years, following a first year payment of USD 2.1 million

Serbia
Investing Company: Delta
Investment: Greenfield investment in Delta City shopping mall of USD 86.9 million

Turkey
Investing Company: Gintas Group
Investment: Greenfield investment in Mall of Montenegro of USD 58.8 million

Investing company: Toshcelik
Investment: Acquisition of Steel Mill for USD 22 million

Investing company: Global Ports
Investment: Container Terminal and general cargo JSC Port of Bar 12 million

United Arab Emirates
Investing Company: Capital Investment
Investment: Greenfield investment in Atlas Capital Center of USD 175 million

USA
Investing Company: Morgan Invest
Investment: Portfolio Investment of Titex for USD 2.45 million

Investing Company: Becovic Management Group
Investment: Acquisition of Hotel Mediteran for USD 1 million

Investing Company: Kingston Partners Master, Kingston Partners II, Ktown, Newtyn Partners, Newtyn TE Partners, Frontier Market Select Fund II, Frontaura Global Fund
Investment Portfolio Investment of Fund Trend USD 10 million

Direct Investment from/in Counterpart Economy Data

From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*

Inward Direct Investment			**Outward Direct Investment**		
Total Inward	5,153	100%	Total Outward	N/A	100%
Russian Federation	669	13%			
Italy	659	13%			
Cyprus	577	11%			
Denmark	433	8%			
Hungary	340	7%			
"0" reflects amounts rounded to +/- USD 500,000.					

Table 4: Sources of Portfolio Investment

Portfolio investment data are not available for Montenegro

19. Contact for More Information

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