



Government of Montenegro

# Montenegro Successful Story

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# Montenegro Today

- **Land area:** 13,812 km<sup>2</sup>
- **Coast line:** 293 km
- **Population:** 620,145
- **Capital city:** Podgorica
- **National currency:** Euro
- **Visa regime:** None
- **Sunny days in a year:** 180
- **Climate:** Continental, Mediterranean and Mountain
  
- **Ethnic composition:**

Montenegrins	43%
Serbs	32%
Bosnians	8%
Albanians	5%
Muslims	4%
Other	8%
  
- **Political system:** Parliamentary Democracy





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# Key Foreign Policy Priorities

- EU integration
- NATO membership
- WTO accession





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## Economic Reforms

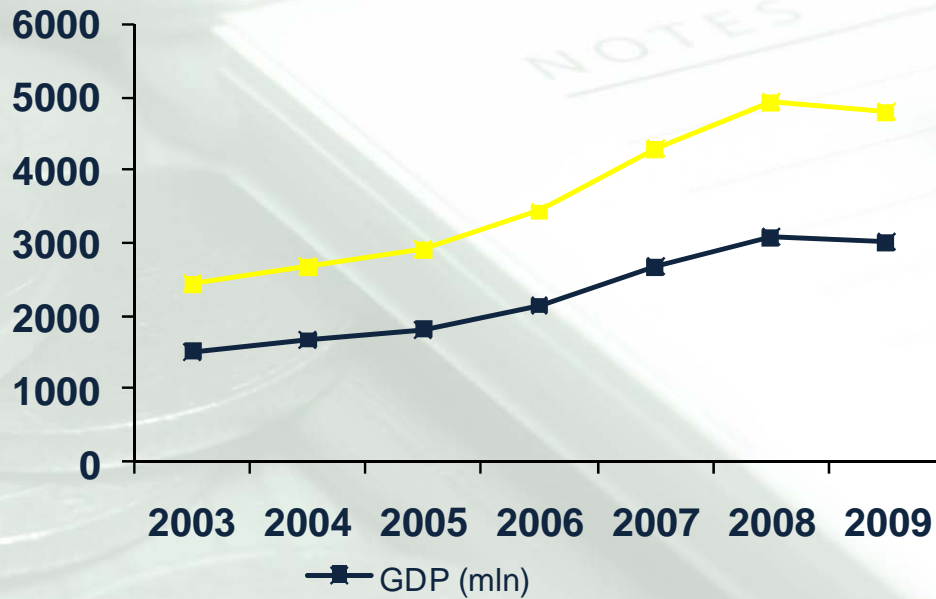
- Openness
- Monetary stability - euro as a legal tender
- Low level of business regulation
- Low level of taxation (CIT-9%; PIT-9%)
- Free regime of capital flows
- New property scheme
- 85% of the economy privatized (cont. in 2010)



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## Macroeconomic outlook

- Average growth rate 2006 - 2008 – 9%
- In 2009 hit by global crises –GDP drop 5.3%

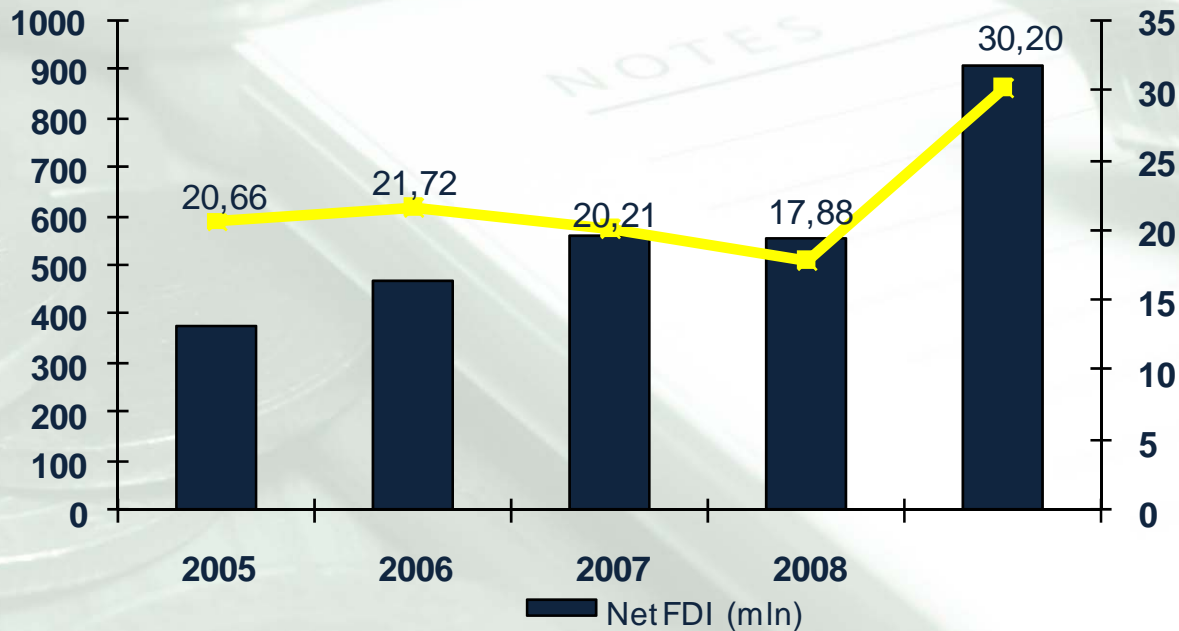




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## Macroeconomic outlook (1)

- Montenegro is the leader in Europe according to the level of FDI

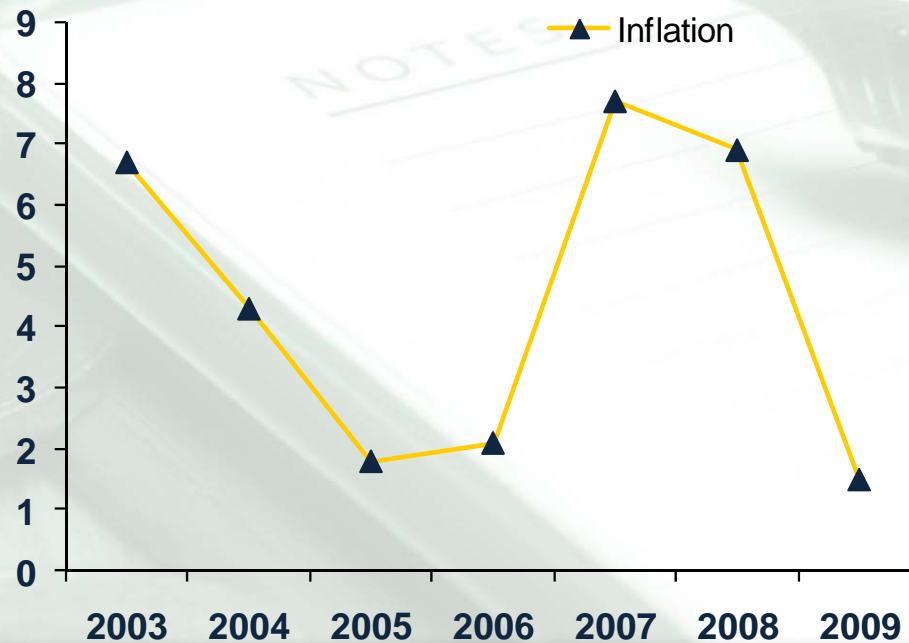




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## Macroeconomic outlook (2)

- Euro – legal tender







## Macroeconomic outlook (3)

- Significant decrease of unemployment rate



\* ZZZ

\* MONSTAT

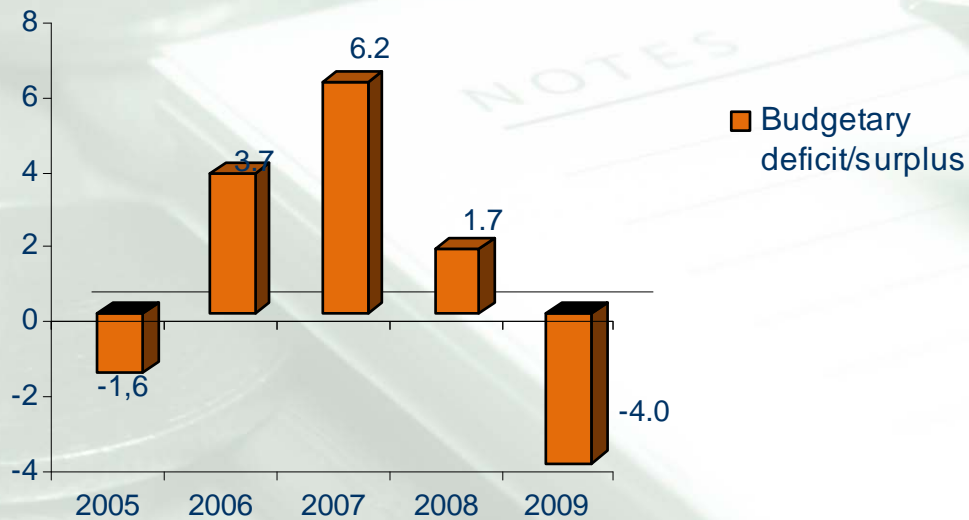
\* Labour force immigration/structural unemploymonet





## Macroeconomic outlook (4)

- Continued budget surplus for three years, in 2009 budget deficit

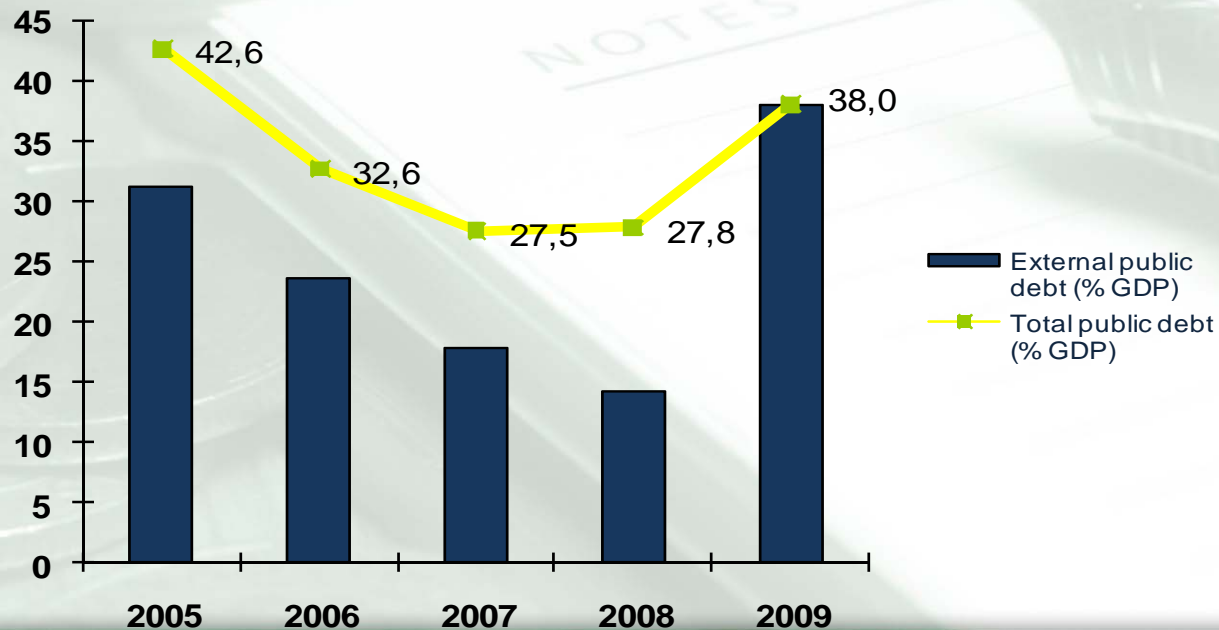


\*cash deficit -2,3



## Macroeconomic outlook (5)

- Low level of public debt
- Net debt significantly lower





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## Improvement of Business Environment

- International organization ratings
  - Doing Business Report – 71 (improved position by 6 places)
  - Heritage Foundation – 68 (improved position by 26 places)
  - Transparency International 69 – (improved position by 16 places)
  - Freedom house – ranked among free countries



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## Response to Global Financial Crises

- Law on Measures for Protection of Banking System
- Support to economy and banking system – KfW, EIB credit lines, establishment of Investment Development Fund
- Law on Budget – savings measures 4%GDP down
- Budget – credit lines (Erste, Credit Suisse) and T-bills
- New tax regulation
- State guarantees/chief industries





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## Potential Buffers

- Potential arrangement with the IMF
- Eurobonds
- Other funds from the World Bank



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# Challenges

- **Sound and consistent fiscal policy despite the impact of global financial crises**
  - Stay in a line with Maastricht criteria
  - Redirection from current to capital expenditures/golden fiscal rule
- **Privatization**
- **Structural reforms: pension system, health, education, social policies**
- **Restructuring inefficient state own companies**
- **Further improvement of business environment**
- **Labor market deregulation**
- **Infrastructure investments – highways, wastewater and reconstruction of water supply system**



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## Main Challenge

**How to benefit from crises – chance to run necessary reforms**



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**Thank you!**