

GOVERNMENT
OF THE REPUBLIC OF MONTENEGRO



Investment Opportunities in Montenegro

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Macro-economic Stability

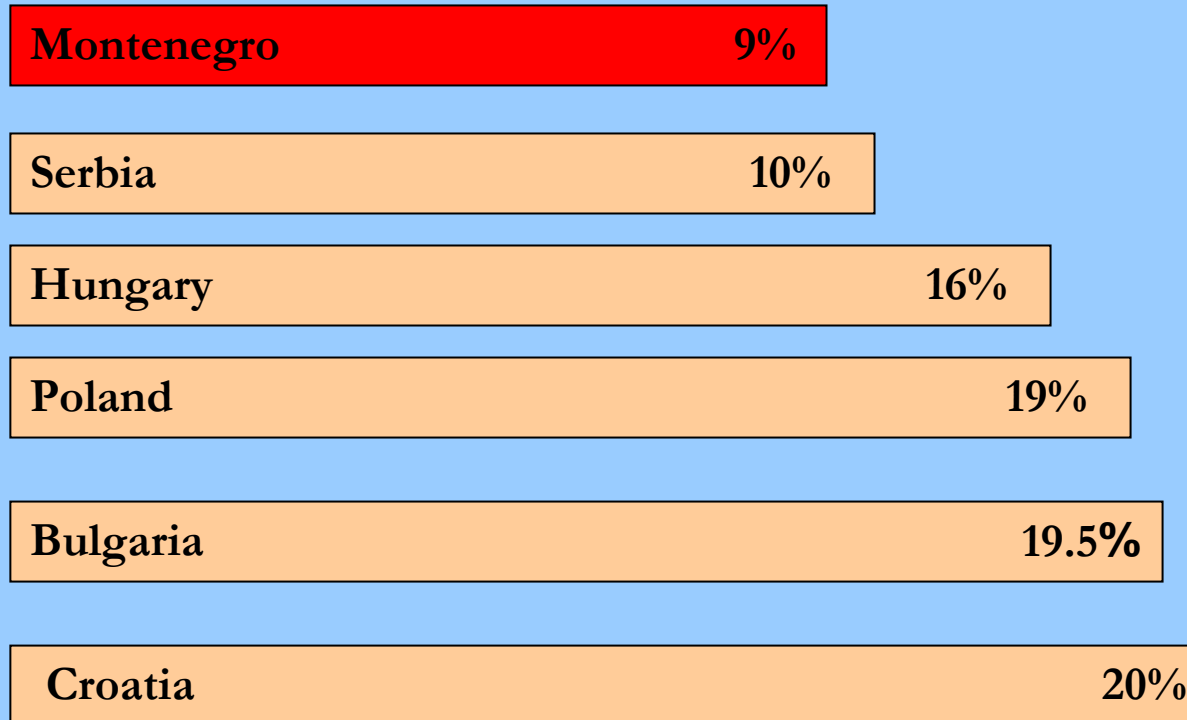
Macroeconomic Overview

- Relatively high level of macroeconomic stability is reached over last 2 years:
 - **Budget deficit** – is below 3% of the GDP for the last 5 years;
 - **Inflation** in 2005 was 1.8%;
 - **New institutional framework** is being developed;
 - **Euro** stabilized financial flows;
- Reform of the state administration is under the way with focus on PPP;
- Reform of the courts and legal system with the focus on the protection of the property rights and settlements is initiated;

Important Figures & Rates

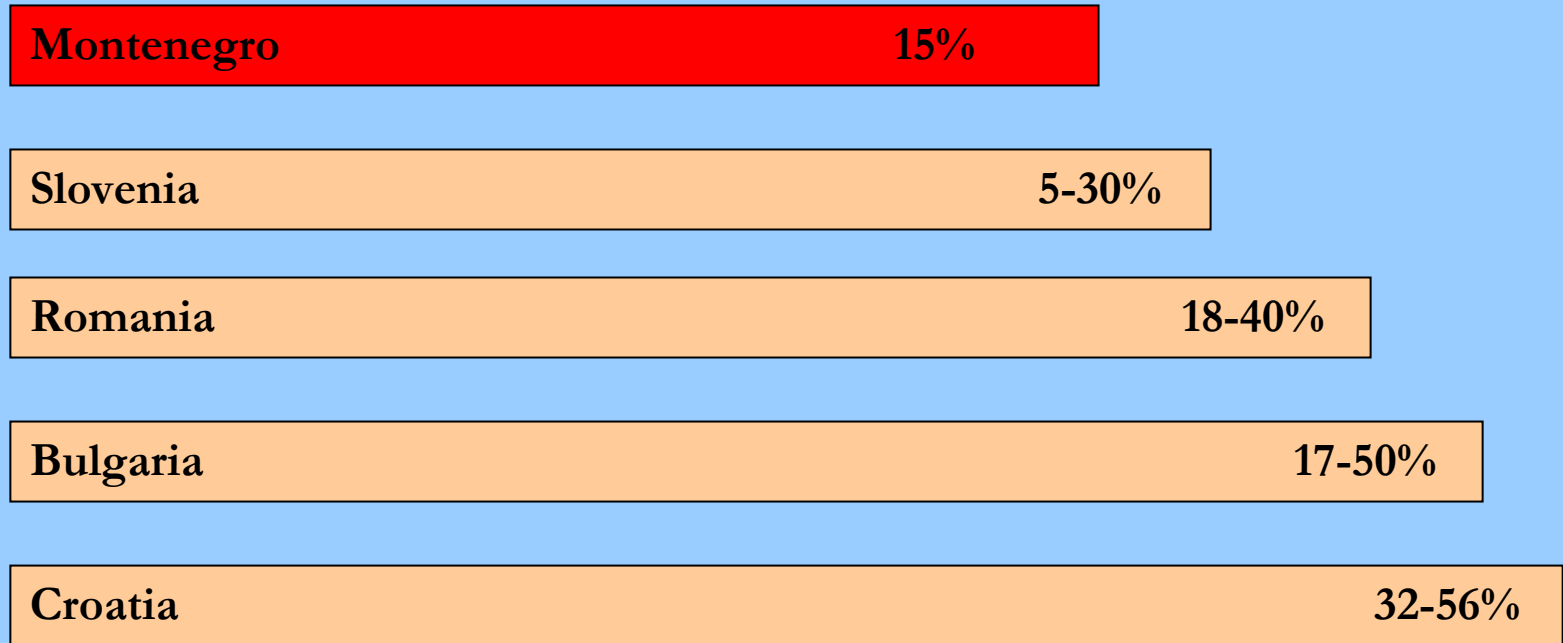
- Currency – **Euro** since 2002 (before DEM since 1999);
- Corporate Tax Rate – **9%**;
- VAT – **17%** except in in tourism (**7%**);
- Personal Income Tax – Flat rate from 01.01.2007 **15%**
- Average tariff rate **6%** (before harmonization was 2.8%)
- Starting Capital for LLC – **1 €**;
- Period for Registration of Your Business – **4 days**;
- National Treatment of Foreigners;
- International Accounting Standards (IAS)
- Standard and Poor Rating for Montenegro – **BB** (2004) and **BB+** (2005)

FAVORABLE TAX REGIME



Lowest Corporate Profit Tax Rate in Europe

FAVORABLE TAX REGIME



Lowest Income Tax Rate

FAVORABLE TAX REGIME

| | |
|------------|-----|
| Montenegro | 17% |
| Slovenia | 19% |
| Albania | 20% |
| Croatia | 22% |
| Poland | 22% |
| Hungary | 25% |

Lowest Value Added Tax Rate



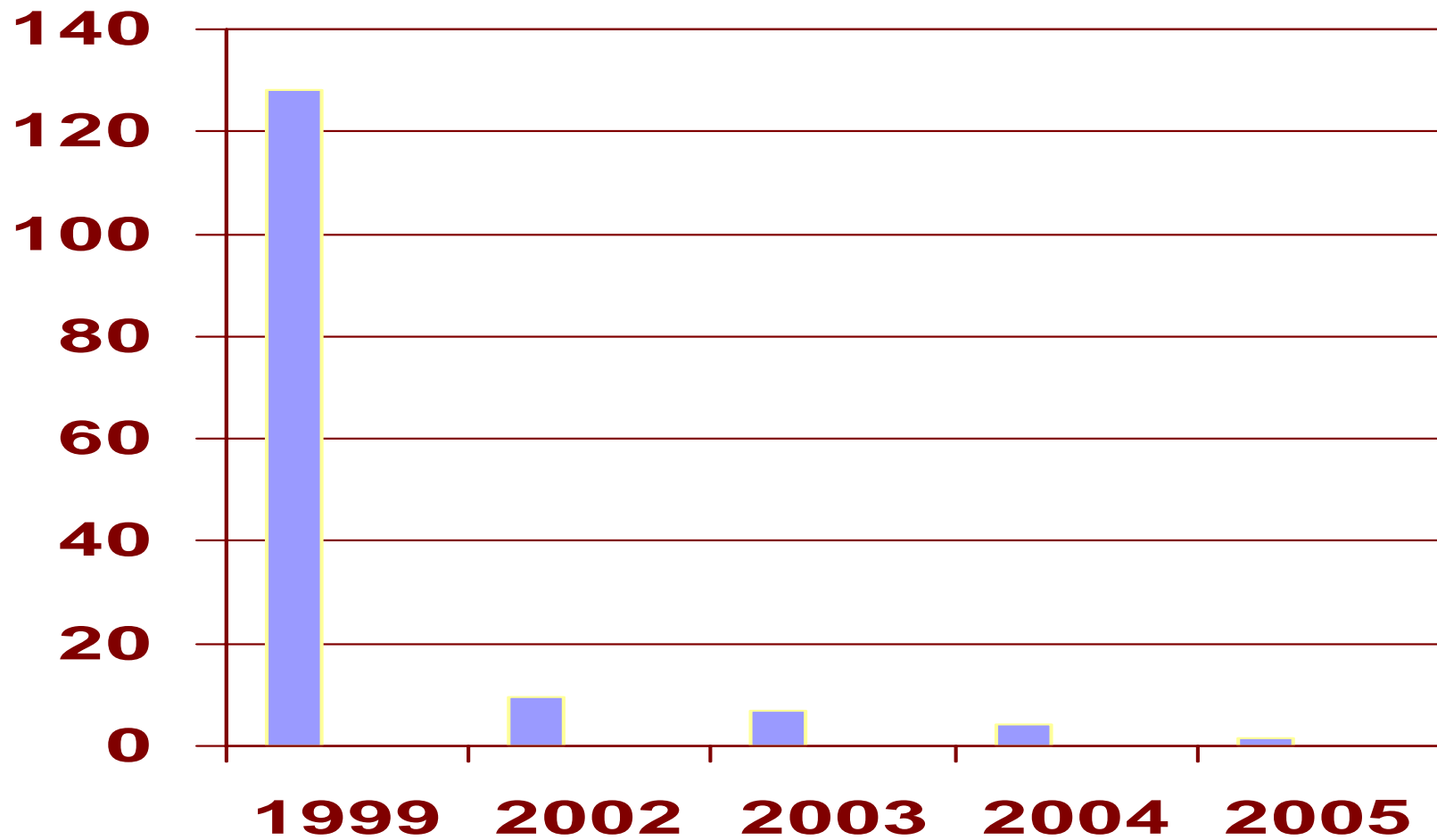
Also Important to Know

- Free repatriation of the capital, profit or dividends;
- Free Trade Agreement with Russia;
- Preferential trade Agreement with the European Union;
- Negotiation with WTO under the way;

Major Macroeconomic Data

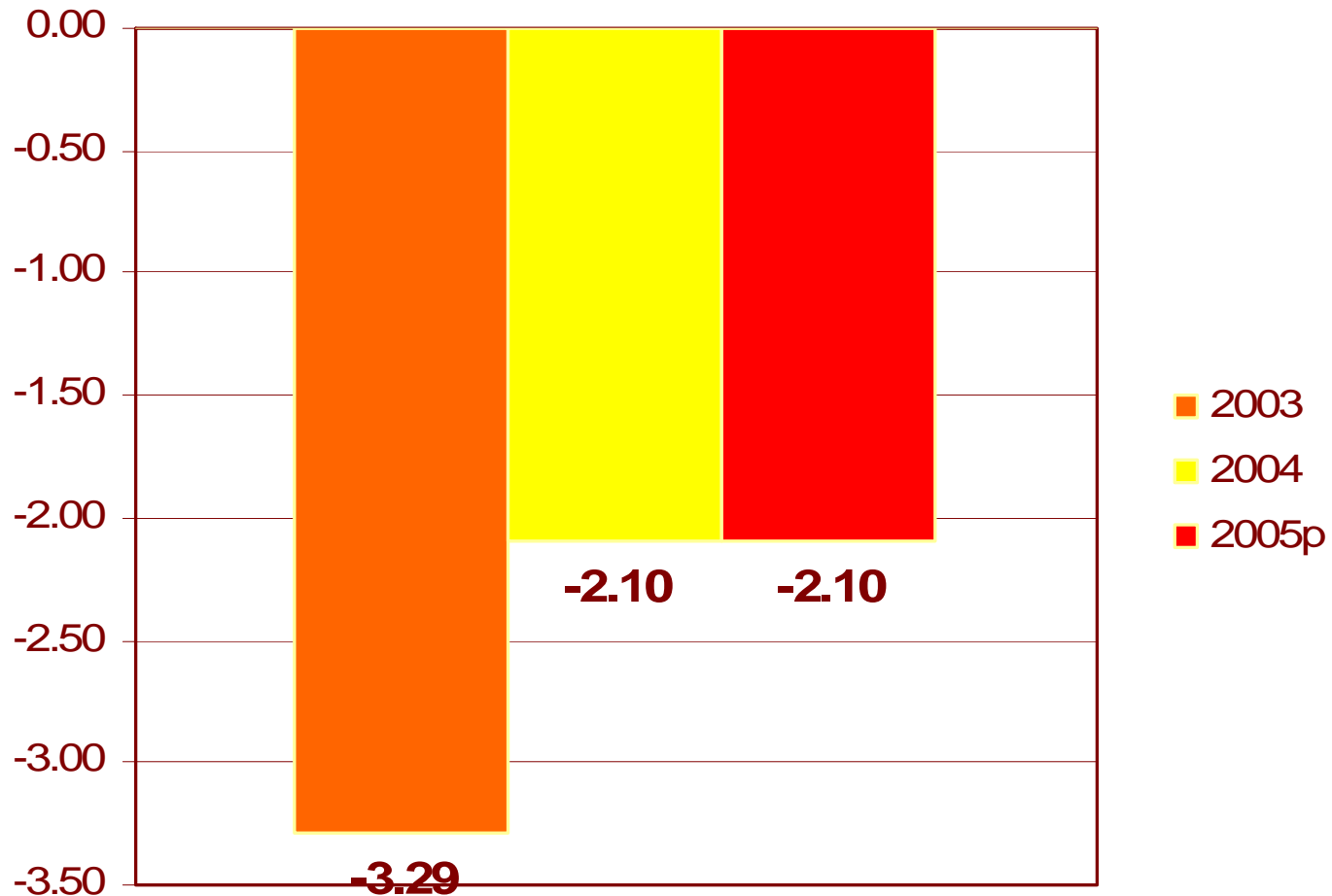
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|-------------------------------|----------|----------|----------|----------|----------|----------|
| GDP (mil €) | 1,022.20 | 1,244.80 | 1,301.50 | 1,433.00 | 1,535.00 | 1,644.00 |
| GDP <i>per capita</i> € | 1,688.51 | 2,024.75 | 2,109.11 | 2,317.90 | 2,472.99 | 2,638 |
| GDP growth (%) | 3.10 | -0.20 | 1.70 | 2.30 | 3.70 | 4.1 |
| Inflation | | 28.0 | 9.40 | 6.70 | 4.30 | 1.80 |
| Unemployment rt. | 32.7 | 31.5 | 30.45 | 25.82 | 22.6 | 20.2 |
| Average wage | 150 | 176 | 193 | 271 | 302 | 319 |
| Revenues from tourism (mil €) | | | 144 | 151.20 | 179.70 | |
| Budget deficit as % of GDP | | | 1.93 | 3.16 | 2.10 | 2.10 |
| Savings deposits | 2.47 | 5.62 | 22.21 | 45.07 | 80.68 | 121.0 |
| FDI | 175.51 | 225.62 | 182.90 | 213.62 | 111.08 | 365.40 |

Inflation

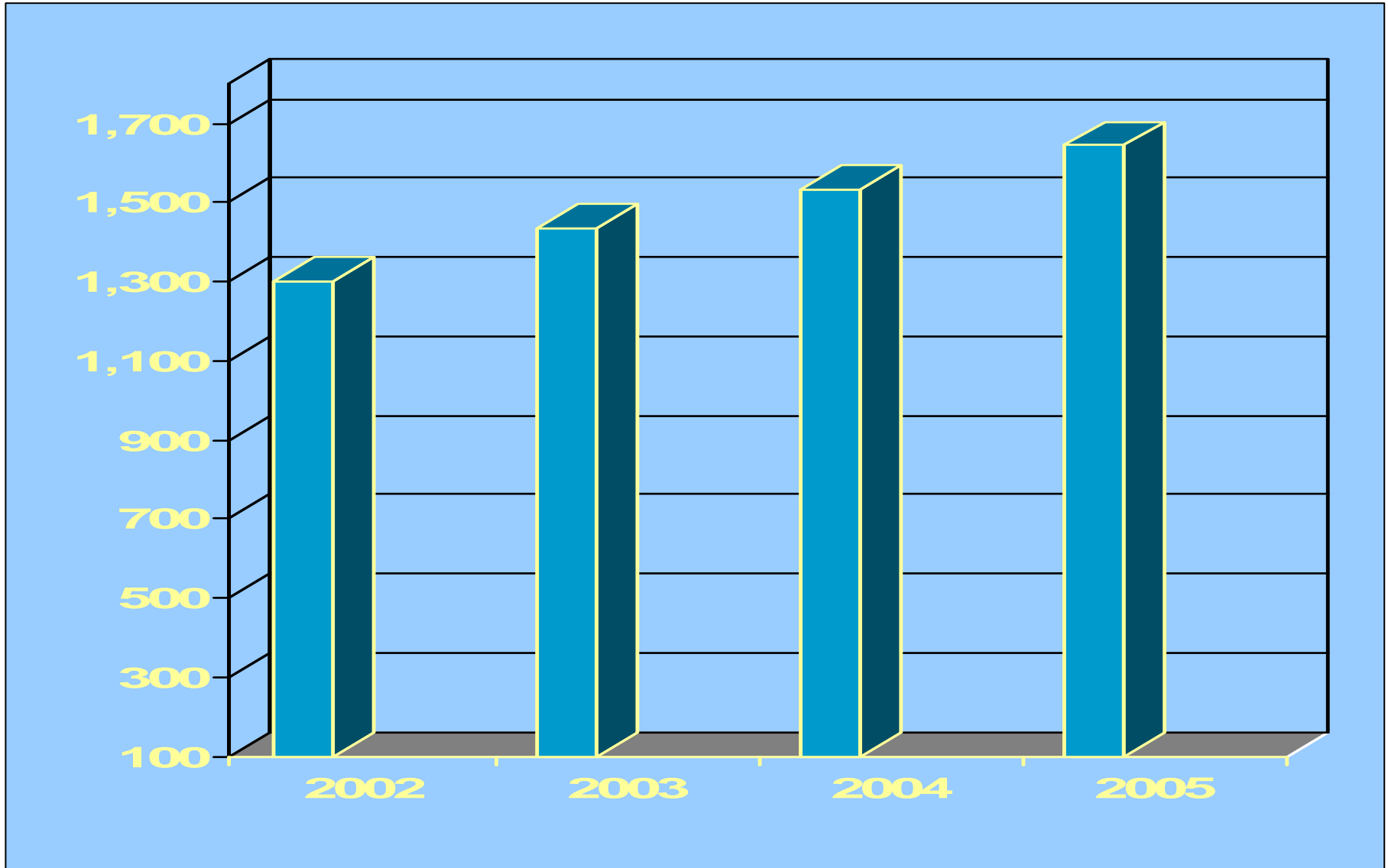


Budget deficit

Deficit/suficit 2002-2005



Gross Domestic Product (GDP)





Private vs. State Ownership

- **Telecommunication** – 100% private ownership;
- **Banking** – 96% private ownership;
- **Capital market** – 100% private ownership;
- **Agriculture** – 100% private ownership;
- **Services** – 100% private ownership;
- **Oil import and distribution** – 100% private ownership;
- **Tourism** – mostly private ownership (just a few hotels remain in majority ownership of the state and will be tendered this year);
- **Industry** – mostly private ownership;



- **On capital market:**

Capitalization has increased from 37 million € in 2002, to over 1,150 million € in 2005.

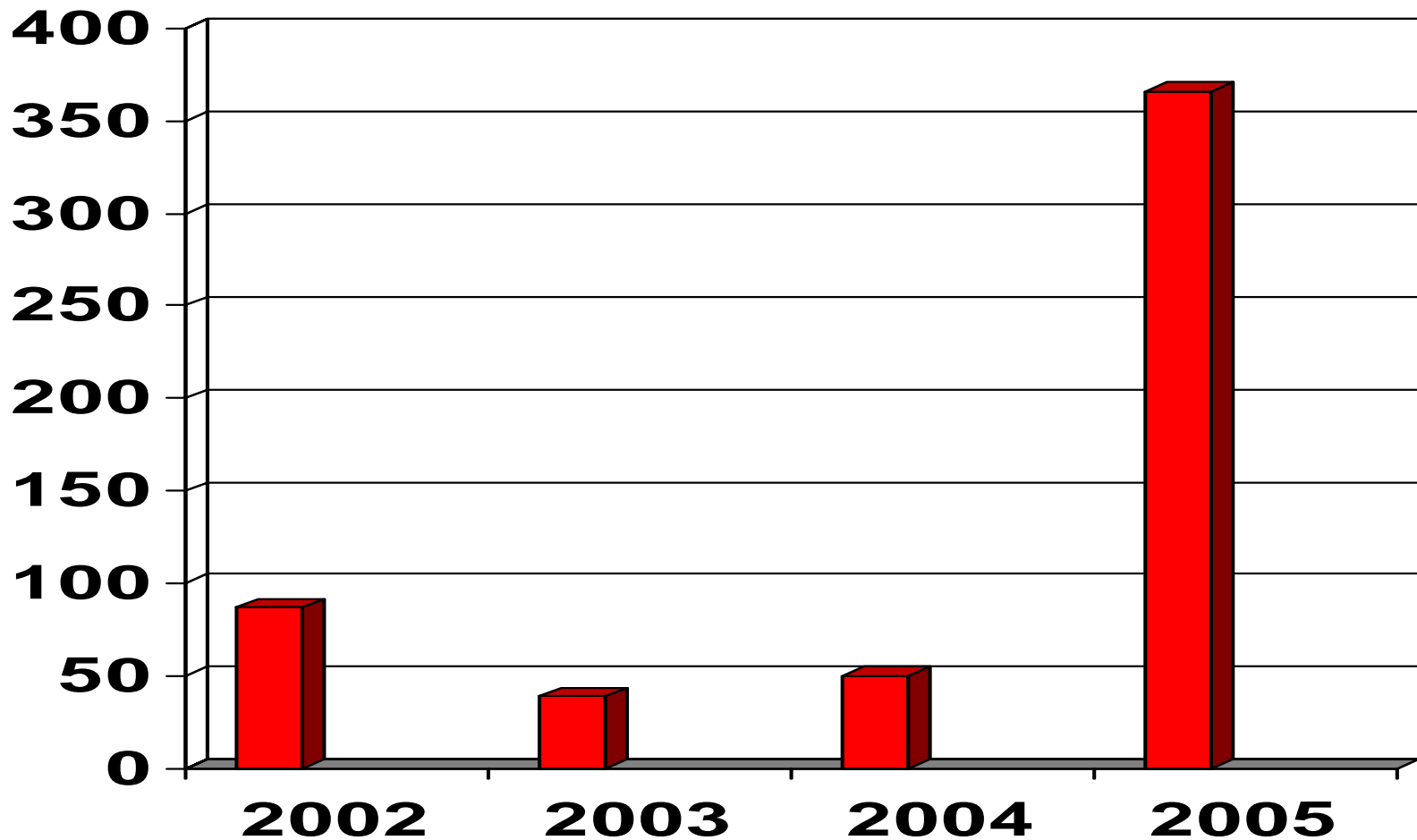
- **On banking market:**

Free access of foreign banks on domestic market and high freedom of capital flow over the border;

Deposits held in private banks- over 80%;

Credit extended to private sector- over 83%;

Investments in Montenegro



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Investment Opportunities

Overview





Important Business Projects

■ Infrastructure

- Highways;
- Port of Bar and Marinas;

■ Tourism

- Privatization of remaining hotels
- Construction of new hotels and resorts

■ Banking

- 23% of one bank left for privatization;
- Two new banks are in process of registration;

Important Business Projects

■ Capital Market

- Investments funds;
- Private pension funds;

■ Energy Sector

- Privatization of Electric Company of Montenegro;
- New hydro and termo power plants;

■ Education

- Private schools and collages;



Important Business Projects

■ Industry

- Wood processing;
- Spare part production;
- Privatization of Tobacco company;
- Software development;

■ Services

- Different area of services (import/export, transportation, services in banking, tourism ...)

Free Trade Zone Port of Bar

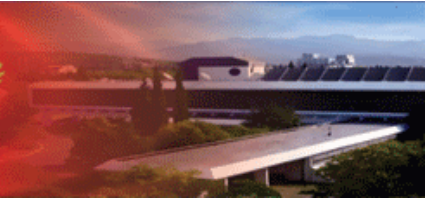


- Favorable geographical positions;
- No customs and tax duties;
- Flexible, efficient and profitable conditions for doing business;
- 95% of total passenger and freight transport in Serbia and Montenegro;



Strong Impact of the FDI's on:

1. the way of thinking;
2. speed of the reform;
3. the structure of the economy;
4. GDP, GDP growth, employment, budget revenues, export/import...
5. regional cooperation;



- Q - Why You Should Invest in Montenegro?
- A - Because you can make profit!
- Q – What you should do?
- A – Do it now. Waiting will only decrease your future profit!

The Most Important Business Project

- The most important business project in Montenegro is **further improvement of the economic system;**
 - Business oriented;
 - With Stable, Predictable Macroeconomic Policy;
 - Effective and Small Government;
 - High Level of Economic Freedom;
 - Property Rights and Protection;
 - Strong Currency;
 - Ability to Remit Profits, Dividends and Interest; and
 - Favourable Tax Climate;

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Thank you!