



**MONTENEGRO
GOVERNMENT OF MONTENEGRO**

*ECONOMIC POLICY OF MONTENEGRO
FOR 2008*

Podgorica, 21st December 2007

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1. GENERAL FRAMEWORK OF POLICIES AND GOALS

1.1. Strategic Framework of Economic Policy

Strategic orientation of the Economic Policy for 2008 is **joining the EU system and Euro-Atlantic integrations**.

Openness of the Montenegrin economy and connecting it with the EU system represent an external anchor which directs the Economic Policy towards the increase of competitiveness of economy on the basis of use of domestic resources and creative potentials of economy and society. Continuous inflow of foreign direct investments and incentives for domestic investments are recognized as pillars of economic development. Long-term stable and competitive economy of predictable rules of the game are the guarantor of the genuine market economy based on free exchange of ownership rights.

In that framework, key strategic development priorities are:

- Implementation of sustainable development principle, accompanied by the growth of economic freedoms and strengthening of the private sector role;
- Strengthening of the rule of law as a precondition for building modern institutions of parliamentary democracy and protection of basic human values and rights; and
- Improvement of standard of living through offering better quality of public services, through efficient and sustainable systems of education, health and social care.

1.2. Economic Policy Basic Assumptions

During 2008, the preparation of the National Development Plan of Montenegro is planned as to establish the macroeconomic framework, goals and directions of the development of Montenegro in the long run, and within this framework to summarize and make sectoral development policies consistent.

Economic Policy for 2008 in fact is based on:

- Economic and Fiscal Program for Montenegro 2007-2010 that is prepared by countries that concluded the on Stabilization and Association Agreement and have no status of a candidate;
- Strategy for suppression of poverty and social exclusion;
- Strategy for development of information society;
- Strategy for reform of state administration in Montenegro from 2002 to 2009;
- Education Reform Agenda;
- Revised Strategy for Regional Development of Montenegro;
- National Strategy for Sustainable Development and Sectoral Development Strategies.

In this framework, the concept of the Economic Policy for 2008 is also based on:

- Achieved degree of transformation of economic system in respect of its compatibility with EU system and phased progress in the process of joining the EU;
- Performance of economic system with dynamic economic growth in the conditions of macroeconomic stability;
- Strengthening of the share of private sector in the structure of economy;
- Impact of global trends in the world economy on the open system of Montenegrin economy.

1.3. Goals of the Economic Policy

Overall goal of the Economic Policy for 2008 is **strengthening of competitiveness of economy and increase of standard of living.**

Individual goals of Economic Policy for 2008 are as follows:

- 1. Dynamic economic growth;**
- 2. Commencement of construction of infrastructure facilities in the area of energy, transportation, water supply, solid waste and wastewaters;**
- 3. Development of the Northern region;**
- 4. Promotion of public private partnership model;**
- 5. Improvement of institutional framework for business development.**

2. OVERVIEW OF ECONOMIC INDICATORS FOR THE PERIOD 2006-2008

2.1. Macroeconomic indicators for 2006 and 2007¹

Macroeconomic trends in Montenegro in 2006 and 2007 in comparison to the previous period are characterized with:

- Dynamic real economic growth with the rate of 8.1% in 2006 and 7.0% in 2007;
- Maintaining inflation on the low level in 2006 (2.0%) and its increase in 2007 (6.7%) under the impact of external factors, decision of regulatory bodies on adjustment of the price of electricity and telecommunication services, as well as increase of prices of agricultural products due to extraordinary circumstances (drought);
- Continuous reduction of unemployment rate, from 14.7% in 2006 to 12.2% in 2007;
- Maintaining of public sector surplus at around 3.0% GDP;
- Significant increase of export of goods and services (by 36.9% in 2006) and even greater acceleration of growth of import of goods and services (by 54.7% in 2006), with continuation of discrepancies in the dynamics of import and export trends in 2007. Montenegro has high foreign trade deficit which is the result of high growth of import of supplies and equipment intended for capital investments. In 2007 the deficit increased due to aggravation of the structure of import with prevailing share of consumption goods;
- Trends in international trade of goods and services led to rapid increase of deficit in balance of trade of goods and services, from €632.9 million in 2006 to €817.1 million in 2007;
- Significant increase of net FDI which comprises foreign direct investments and other investments relating to credit arrangements of banks and business organizations abroad from €603.70 million in 2006 to €785.20 million in 2007;
- Reduction of external debt from €504.0 million in 2006 to €481.0 million in 2007 and its share in gross domestic product from 25.15% in 2006 to 21.15% in 2007.

¹ Indicators for 2007 represent forecasted values based on available data for nine or ten months of the current year.

2.2. Forecasted macroeconomic indicators for 2008

	2007	2008
1. GDP in current prices, €million	2,278.14	2,528.73
2. Real GDP growth, %	7.0	7.0
3. Inflation	6.7	4.0
4. Growth of employment (persons), %	5.7	3.7
5. Unemployment rate, %	12.2	10.8
6. Trade balance of goods and services - in € million, current prices	-817.10	-841.20
7. Trade balance of goods and services, % GDP	-35.87	-33.27
8. External debt - in million €	481.00	504.00
9. External debt, % GDP	21.15	19.97
10. FDI – net, in €million	785.20	793.79
11. FDI – net, % GDP	34.47	31.39

It is forecasted that gross domestic product in 2008 will reach the level of € 2,528.73 million and, with the inflation of 4.0% will realize the real growth of 7.0%. GDP growth will primarily be defined by maintaining the trend of strong inflow of foreign direct investments and continuity of tourism expansion which generates growth of other economic areas too, through development of construction activities and activities in the area of financial intermediation.

Maintaining of macro-economic stability is based on the stable and relatively low growth of inflation. The trend of prices will be influenced by changes in the price of oil and oil derivatives in the world market and the decisions of regulatory bodies for energy and telecommunications areas related to changes of tariffs, for the purpose of harmonization with market prices. The improvement of the competitiveness of fiscal system will have positive impact on the trend of prices, as well as the implementation of the Law on Competition Protection for the purpose of reducing unfair competition.

From the beginning of 2008, the new manner for monitoring inflation will be used through harmonized consumer price index instead of retail prices that have been used so far. This will enable comparability with the inflation trends in Euro-zone.

The expected level of foreign trade deficit in 2008 assumes the projection of slower growth of import than export which is to result with the reduction of ratio of foreign trade deficit and GDP (from 35.87% in 2007 to 33.27% in 2008).

The estimate of foreign trade deficit in 2008 is based on the three basic assumptions:

- Continuation of the trend of growth of revenues in tourism;
- Further implementation of adequate restrictive measures of monetary policy commenced in the last quarter of 2007 that are related to reduction of credit expansion, i.e. reduction of personal consumption and its share in GDP;
- Growth of public expenditures resulted from the growth of expenditures in respect of salaries in the public sector.

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Activities on implementation of strategic commitment of Montenegro to the process of accession to the EU system and Euro Atlantic integrations, in 2008, are determined by the obligations undertaken by signing the Stabilization and Association Agreement and Interim Agreement on Trade and Trade-related Matters between European Community and Montenegro. In accordance with this:

- **Interim Agreement** on Trade and Trade-related Matters will come into effect on 1st January 2008.

- The activities will continue on enforcement of the Action Plan for implementation of recommendations from the document European Partnership 2007/2008 and Action Plan for strengthening of administrative capacities for implementation of the Stabilization and Association Agreement (SAA).
- **National Program for Integration of Montenegro in EU (NPI)** as a comprehensive document for enforcement of the Stabilization and Association Agreement, which at the same time will be the Plan for Harmonization of Legislation with the Law of the European Union, will be adopted by the second quarter of 2008 and will be gradually implemented, and the European Commission and the Parliament of Montenegro will be informed thereof on regular bases.
- The activities will intensify on implementation of the **Communication Strategy** for informing the public during the process of association of Montenegro to the European Union and Communication Strategy on Euro Atlantic Integrations.
- **Multiyear Indicative Planning Document (MIPD) 2007 – 2009**, as the strategic planning document of support to Montenegro within the Instrument for Pre-Accession Assistance (IPA) has been adopted and as such defines the contents and determines the significant areas of intervention and main planning priorities for subsequent development of annual Action Plans.
- Montenegro will, in 2008, commence to use the funds in the amount of €26.4 million for **IPA Component 1 (transition assistance and institution building component)**, based on the signed Framework IPA Agreement and financial agreement for use of 2007 IPA funds. Cross-border cooperation will be realized through projects with neighboring countries in the amount of almost €4 million.
- Programs in which Montenegro is involved, and which use the funds for **IPA Component 2 (cross-border cooperation)**, comprise 5 neighboring programs out of which four are with the neighboring countries potential candidates / candidates and they are: Croatia, Albania, Serbia and Bosnia and Herzegovina. The fifth program is Adriatic Cross-border Program which in addition to potential candidates / candidates involves some member countries. Montenegro also participates in two trans-national programs with potential candidates / candidates and EU member countries and these are Mediterranean Program (MED) and South East European Space (SEES).
- The obligation of Montenegro is to establish operational structures for IPA projects, primarily Joint Technical Secretariat, as the main technical body in Kotor and Antennas for distribution of information in Podgorica, Bijelo Polje and Nikšić.
- Cooperation with the **Delegation of the European Commission** and EAR on preparation of the proposal projects and funds for IPA 2008 and 2009 will be realized in phases during the year.
- The database will be prepared for managing donor support projects in cooperation with CDP program and Development Gateway Foundation.
- **Decentralized Implementation System of EU support programs**

In order for Montenegro to manage the funds on its own and to move to Decentralized Implementation System (DIS), it is necessary to establish specific structures, in accordance with IPA implementation Decree and Framework Agreement that the Government of Montenegro signed with the European Commission.

In the first quarter of 2008, the **Action Plan for Establishing DIS** will be adopted.

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The possibilities for managing the process of economic growth in 2008, in the conditions of restricted range of economic policy instruments, significantly depend on the stable public finances and continuation of structural reforms, primarily labor market, financial sector and sector of public services, such as energy and transport. Through quality policies in these areas the competitiveness of economic system will significantly improve and therefore contribute to realization of development priorities.

3. PUBLIC FINANCES

Basic goals of **public expenditures** in 2008 are directed to increase the revenues of the Budget of Montenegro and local self-government budgets, increase of gross salaries in the public sector, increase of the share of capital expenditures and intensifying of reforms in the area of public administration, judiciary and education. Public revenues in 2008 are planned in the amount of €1,282.09 million, the planned consolidated expenditures amount to €1,264.37 which means that for 2008 the surplus of public expenditures is planned to amount €17.72 million. The surplus of public revenues will be directed to financing of principal to residents and non-residents, repayment of FX frozen savings, repayment of liabilities in respect of restitution and arrears from the previous period.

The goals of **fiscal policy** are directed to creation of encouraging economic environment through gradual reduction of tax burdens that is not to threaten the fiscal sustainability of the Budget. This will impact the increase of the level of competitiveness of economy, additionally attract foreign investors and encourage development of private sector.

In accordance with the given goals, the following is envisaged:

- § Integration of extra-budgetary funds into the Budget of Montenegro;
- § Balancing of consolidated public expenditure balance, with realization of slight surplus;
- § Gradual reduction of tax burden for industry and citizens;
- § Increase of the share of capital expenditures and intensifying of investment activities;
- § Increase of salaries in public sector;
- § Reduction of the public debt level;
- § Continuation of implementation of Capital Budget and Program Budgeting;
- § Commencement of implementation of Midterm Budget Expenditures Framework.

The assumptions in projecting the Budget of Montenegro for 2008 are as follows:

- § Results realized in the previous period;
- § Estimated GDP growth;
- § Estimated growth of retail prices, and
- § Estimated fiscal impact of new regulations that are to be applied in 2008.

In 2008, all the current extra-budgetary funds (Pension and Disability Insurance Fund; Health Fund; Employment Bureau; Development Fund of Montenegro and Compensation Fund) will be a constituent part of the Budget of Montenegro, which is to impact the improvement of Budget management and increase the cost-effectiveness and transparency of public finances.

Total envisaged funds of the Budget of Montenegro for 2008 amount to €730.41 million, out of which:

- | | |
|------------------|-----------------|
| § Current budget | €662.98 million |
| § Capital budget | €67.43 million |

Budget framework for 2008 comprises receipts and expenditures of state funds in the amount of €455.57 million, as follows:

- | | |
|----------------|-----------------|
| § Pension Fund | €250.00 million |
|----------------|-----------------|

§ Health Fund	€144.56 million
§ Employment Bureau	€30.17 million
§ Development Fund	€22.31 million
§ Compensation Fund	€8.53 million

Consolidated Budget revenues (without privatization proceeds, donations, borrowings and loans) are planned in the amount of €1,128.47 million, and consolidated expenditures in the amount of €1,121.97 million which means that for 2008 the Budget surplus is planned in the amount of €6.50 million.

Consolidated Balance of the Budget for 2008

- In million €

DESCRIPTION	Plan for 2008	
	In million€	share in GDP
Current revenues	1,128.47	44.64
Taxes	755.56	29.89
• Personal Income Tax	83.78	3.31
• Corporate Profit Tax	47.40	1.88
• Property Tax	11.98	0.47
• VAT	432.52	17.11
• Excise	99.52	3.94
• Tax on Foreign Trade	72.89	2.88
• Other Taxes	7.47	0.30
Contributions	269.95	10.68
• Contributions for pension and disability insurance	172.00	6.80
• Contributions for health insurance	90.47	3.58
• Contributions for insurance against unemployment	7.48	0.30
Fees	28.86	1.14
Charges	26.56	1.05
Other revenues	31.74	1.26
Receipts from repayment of loans	15.78	0.62
Expenditures	1,121.97	44.38
Current expenditures	471.51	18.65
• Gross salaries	263.30	10.42
• Other personal income	21.85	0.86
• Expenditures for supplies and services	112.22	4.44
• Current maintenance	22.50	0.89
• Interest	19.76	0.78
• Lease	9.65	0.38
• Subsidies	16.02	0.63
• Other expenditures	6.21	0.25
Transfers for social care	284.60	11.26
Transfers to institutions, individuals, NGO and public sector	196.59	7.78
Capital expenditures	69.99	2.77
Capital budget of Montenegro	67.43	2.67
Borrowings and loans	21.84	0.86
Repayment of guarantees	0.60	0.02
Reserves	9.41	0.37
Surplus	6.50	0.26

Basic commitments of budgetary policy, which have direct impact on the level of public expenditures, are as follows:

- § Expansion policy of earnings in the public sector;
- § Expansion policy of capital expenditures, and
- § Increase of competitiveness of the fiscal system through reduction of tax rates and social contributions.

The planned increase of budgetary revenues based on positive trends of VAT collection, tax on foreign trade and transactions, excises and personal income tax. The greatest revenues are planned from taxes (€755.56 million), out of which VAT revenues amount to € 432.52 million, which is by 17.0% more than the plan for 2007.

For the purpose of improving the current business environment, the Proposal Law on Amendments to the Law on VAT envisages that the rate of 17.0% for the part related to products and services is to be reduced to 7.0%. The reduction is related to flour, meat, cattle, computer equipment and services in nautical tourism. It is envisaged that the current VAT rate on bread of 7.0% should be reduced to 0.0% with validity period until the end of May 2008. At the same time, envisaged is the possibility of more rapid increase of VAT refund, which is particularly significant for realization of investment activities in the area of tourism. For the purpose of realizing greater volume of revenues from tax on turnover of immovable property in accordance with the Law on Amendments to the Law on Tax on Turnover of Immovable Property the increase of the current rate from 2% to 3% is envisaged. It is expected that these laws will be applied from the beginning of 2008, with fiscal effects that are included in the Budget for 2008.

For the purpose of further reducing of burden of employers and stimulating development of private sector, in 2008, lower rate of contributions for pension and disability insurance of 21.0% and lower rate of contributions for health insurance of 12.0% will be applied.

In the structure of budget expenditures, 78.2% is related to transfers for social care (€284.60 million), expenditures for gross salaries (€263.30 million), transfers to institutions, individuals, NGO and public sector (€196.59 million) and capital expenditures (€137.42 million).

The increase of funds for gross salaries was effected by changes of several laws and regulations governing this area (Law on Wages and Earnings of Parliament Representatives and Officials, Law on Wages and Earnings of Judiciary and Constitutional-Court Functions, Law on Amendments to the Law on Wages of Civil Servants and Employees, Law on Police, Law on Agency for National Security, amendments to sector collective agreements for health and social care, for the area of education and the area of culture).

Total capital expenditures from the Budget amount to €137.42 million and are by 67.0% higher than the expenditures planned in 2007. Capital expenditures from current budget are planned in the amount of €69.99 million which is by 48.0% higher than previous year and will be directed to construction of infrastructure of general importance, local infrastructure, building facilities, procurement of equipment and investment maintenance. The funds of capital budget for 2008 are planned to amount to €67.43 million which is by 93.0% more than in 2007 and will be directed to the completion of works commenced in 2007 and realization of projects planned for 2008 (through the Directorate for Public Works €35.64 million will be directed for funding of the construction of facilities of general interest, and through the Directorate for Transport €31.79 million will be used to finance the construction, rehabilitation and coating of roads, reconstruction of bridges and tunnels, designing and constructing of the third lane, construction of the ring road and bottlenecks on the road network).

Public debt management policy will be continued for the purpose of reducing its share in GDP. The trend of slight reduction of the share of external debt in GDP will continue (from 21.15% in 2007 to 19.97% in 2008). Domestic debt will increase due to the growth of liabilities in respect of restitution. The regular payment of liabilities in respect of FX frozen savings will continue (5th installment for savings with resident banks and 2nd installment for saving with nonresident banks).

4. STRUCTURAL REFORMS

4.1. INDUSTRY SECTOR

4.1.1. Restructuring and Privatization

Enterprise **restructuring** activities will create conditions for their preparation for privatization process. Realization of projects within TAM/BAS program is particularly important, which are directed to the strengthening of competitive capabilities of companies and use of consulting services in the process of restructuring and development of companies, in particular in less developed regions of Montenegro.

An acceleration of the **privatization** process will be provided for, that will be carried out in accordance with the Privatization Plan for 2008. Implementation of already published tenders will continue, as well as preparation of new tenders and the privatization process will be initiated for a number of companies.

Privatization process will be also carried out by sale of shares and assets through public auction, sale of shares on the stock market, while the privatization of companies from the special purpose industries (military industry) and the forestry sector will be performed through methods to be established by competent ministries based on the proposal of owner.

Procedure for selection of investors for valorization of tourism sites of Ada Bojana, Velika plaža, Buljarica and Jaz will be conducted in the form of public international tender, as well as procedure for valorization or sale of former military property. Initiative for amendments of regulations on privatization of economy will be initiated in order to set the model for restructuring of companies in the area of communal services.

A reference institution will be selected that will analyze effects of the former privatization in Montenegro.

4.1.2. Development of Entrepreneurship and Small and Medium Size Enterprises

Starting from objectives set in the Strategy for Development of Small and Medium Size Enterprises for Period 2007-2010, policy of support to the development of this sector will be continued through new and started activities, in particular:

- § The creation of stable and incentive environment for development of entrepreneurship and small and medium size enterprises through the:
 - Adoption of the Operational Plan in support of realization of the Program “Removing Barriers to Entrepreneurship Development in Montenegro” while specific activities for removing business barriers will be expedited.
- § The Institutional support for development of small and medium size enterprises:
 - Capacity of existing regional/local business centers and Euro-Info Correspondent Center will be continuously improved and new regional /local business centers will be established;
 - Business Incubators established in Bar and Podgorica will get first “tenants”;
 - Pilot project for development of clusters for the purpose of reaching the high level of partner relations through various forms of promotional activities will be prepared; cluster advantages will be promoted, and the cluster knowledge level will be raised and culture of cluster connections developed.
- § The Strengthening of competitiveness of economy and incentives for export orientations:
 - Realization of the “Strategy for Encouraging Export” and of the document “Competitiveness and Export Incentives – Strategic and Operational Plan” will be continued;

- Entry in the final phase of multilateral negotiations and harmonization of trade regimes with WTO Agreements;
 - Completion of the negotiation process for Montenegro to join the WTO;
 - Implementation of CEFTA 2006 Agreement;
 - Support through grant schemes for refund of expenses. Grant schemes relate to the support to enterprises for presentation on trade fairs, development of the market research studies, as well as to marketing/promotion activities of enterprises.
- § Financing of small and medium size enterprises through:
- Credit line for “Encouraging Competitiveness and Export”;
 - Continuation of the credit line “Energy Efficiency for SMEs”;
 - Credit lines of other institutions and banks;
 - Considering possibilities for the establishment of the Credit Guarantee Funds as an alternative instrument for SME support in access bank crediting which reduces the need for securing collaterals.
- § The Improvement of business knowledge through:
- Continuation of the education program – trainings in the area of management business skills, marketing, internationalization and export (organizing seminars, workshops, training with the objective to support start-up and improve existing small and medium size enterprises);
 - Development of the Entrepreneurial Learning Strategy;
 - Introduction of voucher system for training courses for SMEs;
 - Creation of the registry of consultants for small and medium size enterprises.
- § The increase in availability of information to enterprises through:
- Continuous improvement of capacities of services intended for entrepreneurs and SMEs that wish to be present and available at the European business scene (business database of Montenegrin SMEs, EICC club, Business info).
- § The promotion of entrepreneurship and small and medium size enterprises through:
- Improvement of marketing activities;
 - Improvement of public relations;
 - Promotion for start-up enterprises;
 - Promotion of women in business.

Adoption of the Law on Handicrafts will be considered.

4.1.3. Network Industries

4.1.3.1. Energy Sector

Reform of the Energy sector will be continued in accordance with the Energy Policy of Montenegro and Energy Development Strategy of Montenegro until 2025.

Continuation of reform in the energy sector is particularly important due to its significance for the overall economic activity. Montenegro imports around 1/3 of its electricity needs which represents one of the important reasons for such high deficit in the current segment of payment balance. Conditions for the electricity supply of Montenegro will become increasingly difficult, considering trends on the World energy market. Electricity generation and transmission in the country are restricted by the age of facilities, insufficient investments and wearing out of EPCG assets. In accordance with the Energy Development Strategy until 2025, the goal is to significantly increase investments in the energy sector and expedite reform of the overall sector and EPCG in particular. Properly directed and adequately financed programs for provision of social security will be implemented in order to minimize impacts on the poorest social layers since there was an increase of tariff for the purpose of realizing market oriented reform of the energy sector. Particular attention will be directed towards the improvement of the energy efficiency in the public and private sector in order to minimize the pressure for the increased electricity demand, as well as to promote alternative energy sources.

In relation to that:

- § Action Plan for implementation of the Energy Development Strategy of Montenegro until 2025 will be adopted for a five year period (from 2008 until 2012) and the decision on construction of a new large scale electrical energy facility will be adopted;
- § Energy Efficiency Strategy will continue to be implemented:
 - Action Plan for the realization of the Energy Efficiency Strategy in 2008 will be adopted and implemented;
 - Review of the Energy Efficiency Strategy will be conducted, in accordance with the provisions of the Energy Development Strategy, new EU directives in the energy efficiency area, as well as results in the area of the energy efficiency in Montenegro and the EU;
 - The work on capacity building of the Energy Efficiency Unit within the Ministry for Economic Development will continue aimed to create conditions for the increase of the scope and efficient performance in the energy efficiency area, and possibilities for the creation of an independent central institution (Agency and like) for the energy efficiency and renewable energy sources will be considered;
 - Activities on preparation and financing of energy efficiency projects in the public sector will continue in cooperation with the World Bank;
 - The activities on defining financial incentives for energy rehabilitation of residential dwellings and use of renewable energy sources will be undertaken;
 - Program for Development of the Energy Information Database in Montenegro will be developed and its implementation will start;
 - Law on Energy Efficiency will be developed aimed to set legislative framework for all activities in the area of energy efficiency;
 - Local capacities and skills for energy audit of buildings will be improved;
 - Through organizing public presentations and campaigns the need and importance of efficient use of energy will be promoted;
- § Implementation of the Strategy for development of small hydropower plants in Montenegro will continue. Related to that, upon the completion of tender procedure, contract will be concluded with interested investors for the award of concessions under the combined DBOT arrangement for the exploration of water streams and construction of small hydropower plants in Montenegro and their realization will be monitored;
- § Activities related to the research of wind power at the potential sites will continue and relevant regulations will be prepared for constructions of wind turbines and the use of electrical energy thereto;
- § Work will continue on implementation of obligations arising from the Agreement on Establishment of the Energy Community of South East Europe aimed at the market development, enabling competition and increase of business efficiency. In accordance with that, the process of EPCG unbundling will be realized in accordance with the defined model, using as a base the achieved level of restructuring of the electrical-energy sector;
- § Conditions for the realization of projects as part of the Clean Development Mechanism (CDM) of the Kyoto Protocol will be created;
- § Activities connected with the development of energy infrastructure, construction and renovation of regionally important energy interconnections with neighboring countries will continue;
- § Solutions for financing Program of Rural Electrification, along with the timing for realization will be determined in cooperation with the Ministry of Agriculture, Forestry and Water Resource Management and with the EPCG;
- § Base for the development of the energy sector will be created through privatization or private-public partnership forms;
- § In order to create conditions for conducting an active energy policy, conditions for the introduction of the system for monitoring data on generation, consumption and losses of energy will be created, in accordance with the EUROSTAT system of national energy data;

4.1.3.2. Transport and Telecommunications

In the area of maritime industry and transportation basic activities will be directed to: increase of traffic safety and security; improvement of quality of provided services; connection of the transportation system of Montenegro to Trans-European Transport Network (TEN-T); development of the transportation system in accordance with the economic development needs; providing for the protection of environment in transportation system design and functioning; create conditions for healthy competition among all forms of transport and development of the transport infrastructure.

The process of restructuring and complete or partial privatization of public enterprises in the area of transportation and maritime industry will be accelerated. Restructuring of the transportation business activity into a modern, safe and functional transportation system will be conducted while providing: optimal transport infrastructure, efficient use of comparative advantages of all types of transport and increase of competitiveness, improvement of quality of provided transport services and abolition of monopolies.

Within the **road infrastructure and road transport** a particular attention will be given to the: increased quality of use, management, maintenance, reconstruction and construction of road network, which will result in increase transport efficiency; improvement of safety and security while reducing traffic accidents; regulating problems of the road transport in accordance with international standards; creation of adequate requirements for reduction of gray economy in this sector as well as creation of provisions for realization of physical, legal, fiscal and technical conditions for the connection of the transport system of Montenegro with the TEN-T network.

In the area of roads the most important activities will relate to the realization of programs of removing bottlenecks on the road network (16 bottlenecks), which will provide for the higher road serviceability in particular during the tourism season. This program will be realized through the participation of the Government in repayment of credit for the contractor as well through contributions of municipalities.

Following capital projects will be realized through the Directorate of Public Works in 2008: reconstruction of the main city road in Žabljak; reconstruction and improvement of the road Danilovgrad-Spuž; construction of the mini ring-road in Plav and reconstruction of the street "13th July" in Nikšić.

Directorate for Transport will realize following capital projects in 2008, which have been started in 2007: road Risan-Grahovo-Žabljak; rehabilitation of tunnels, bridges, landslides, slopes and walls on arterial and regional roads; section Mišići-Buljarica over col Kufin; and asphalt coating of arterial and regional roads. Furthermore following capital projects will be realized: third lanes and city ring roads; design of ring-roads and bottlenecks at the arterial and regional roads and the section of the highway from Smokovac to Veruša.

Initiated activities for creation of preconditions for the realization of the Project for the construction of Bar-Boljari and Adriatic-Ionic highways will be intensified. This project will be carried out in three phases: Feasibility Study for both highways will be developed in the first phase; Study on options for foreign and private sector partnership will be developed in the second phase, while in the third phase the tender for construction will be launched (concession award or some other arrangement, that will depend on the outcome of the first two phases). Construction of the highway Bar-Boljari will be given a priority in the realization of the Project.

Regular maintenance of arterial and regional roads will be carried out in accordance with the five-year Contract signed between the Directorate for Transport and the company "Crnogoraput" from Podgorica.

Bilateral agreement will be concluded based on the CEMT (European Conference of Ministers of Transport) in the area of road transport, which will in comprehensive manner regulate transportation on bilateral basis. Market conditions will be provided for doing business and fair

competition, equal treatment of domestic and foreign carriers, as well as prohibition of discrimination of foreign against domestic carriers. Significant attention will be given to the development of the cadastre of roads, database of roads, as well as to the application of new technology in road maintenance and improvement of the local roads network under the jurisdiction of local communities. Capacity of the Directorate for Transport will be strengthened in respect of project management, reconstruction, modernization and construction of the traffic infrastructure.

In the **railroad transport** sector the attention will be directed toward: safe and secure transport within the entire railways network; elimination of critical points where the transport is slowed down due to poor technical conditions on the railway tracks; reconstruction of railways; attracting new operators for the railways; coordination of activities with the railways of Serbia in order to prevent further deterioration of the network; promotion of international traffic on the railroad Bar-Belgrade and intensive transport on the line Podgorica – border with Albania. The Law on Contractual Relations in the Railroad Transport will be prepared during 2008, which will regulate contractual and other obligations related relations in the area of transport of passengers and goods. Adoption of the relevant secondary regulations will complete the legal and institutional framework.

Due to the lack of adequate capacity of the road, and also due the unused capacities of the railroad infrastructure, on all routes, the process of restructuring will be accelerated that will result in creation of competitive railway carrier in the transport market. Implementation of the program for the restructuring of railways will result in: decoupling of the infrastructure from the transport; maintenance of the infrastructure in accordance with the special contract between the State and the operator; provision of the concession arrangement for facilities along the railway tracks; complete separation of the passenger and cargo transports; implementation of privatization procedures etc. Obtaining private partnership on the joint investment bases will create preconditions for a qualitative improvement of the state of infrastructure and the level of services in transport; improvement of information-communication systems; increased safety and reduction of negative impacts of the railways on the environment, which will ultimately lead to liberalization of railways services prices.

In the **air traffic** sector, activities will be directed towards: integration of civil aviation entities ("Administration for Civil Aviation" and "Flight Control") into international organizations and association and implementation of required standards; preparation of the legislative framework aimed to increase safety and security standards; development of capacities and provision of higher quality services in the area of passenger reception through the "Open Sky" concept and the implementation of a multilateral and horizontal agreement; decoupling of functions of the infrastructure owner, aviation authorities, traffic regulator and control. Secondary regulations under the Law on Civil Aviation will be adopted, where Directives and Decrees from ECAA agreement will be transposed.

Improvement of the infrastructure on Montenegrin airports will continue, in order to reach standards in the area of safety and security as soon as possible. In that respect, the procedure for obtaining certificates compliant with ISO standards for both airports will be initiated.

Activities for restructuring of the national air carrier "Montenegro Airlines" will continue, in order to: initiate the privatization process and provide funds for procurement of new airplanes, i.e. renew and increase of the fleet; provide for the cost-effective carrying out of the traffic on high-frequency lines; improve the quality of service and realize specialized service of air-transport on the market. Basic directions of the restructuring will be carried out in accordance with the model of maintaining the land and infrastructure in the State ownership, development of the infrastructure through concession arrangements and concession or privatization of performance of certain functions (servicing airplanes and passengers, catering, supply, retail sale, hospitality industry services, ...). Issue of the strategic partnership or sale of the control package our air-carrier will be considered after the restructuring and increase of capital.

In the **maritime transport** sector the focus will be on the: increase of safety and security of all navigable waterways in the internal and territorial waters to the level of international standards; strengthening of the capacity of the Administration of Maritime Safety, sea rescue and search

service, as well as the ecological protection at the sea; revitalization of the merchant fleet; development of the line traffic and increase of the attractiveness of the Port of Bar; restructuring of the harbor industry and privatization of some function of the Port; higher share of the private capital in the shipping, etc.

Consistent application and compliance with the provision of the Law on Ports will create user oriented legal framework for the development of the nautical tourism, which will result in creation of the more favorable environment for the registration, navigation, stay and rental of yachts in Montenegrin waters. Restructuring of the Port of Bar will be carried out through the organizational, management, functional and ownership transformation. That will strengthen the competitive position of the Port of Bar on the transport market and its attractiveness for the private sector participation in operational business activities and for investments in development projects.

Provision of needed funds will be initiated, for the more significant renewal of the merchant fleet and economic justification of the investment in the procurement of ships for the "Crnogorska plovdba" JsC will be considered.

In the telecommunication sector the development will be carried out within the process of liberalization and harmonization of the European **telecommunication sector**, which will enable the entry of the competition, simplification of complex administrative procedures, expansion of the internal market and consumer protection. In 2008 the Strategy of Broadband Access will be developed, which will accelerate development of this segment based on the EU countries model. Introduction of the new operator and license award for the provision of broad-band service will enable further liberalization of the telecommunication sector. Introduction of modern services such as IPTV, WiMAX and similar will provide incentives for the competition.

Strategy for Development of the Postal Services will be developed that will provide guidelines for the introduction of new services for which the postal network has competitive advantages and it will define its development prospective. Restructuring of the Posts of Montenegro will create base for the development and adjustment of business activities of the public posts operator in the case of increasing competition, deregulation and liberalization of the postal market. Particular attention will be placed on the introduction of EU standards in terms of provision of postal services and higher investments in this form of traffic.

4.1.4. Spatial Development

Spatial Plan of Montenegro until 2020 will set State objectives and measures of the spatial development, in accordance with the overall economic, social, ecologic and cultural-historical development, as well as framework for the spatial development of the territory of Montenegro which assumes defining of:

- § General and special principles and objectives of the spatial development based on the sustainable development,
- § Guidelines for creation of sector policies and detailed spatial-planning documents at the State and local level.

In accordance with that the adoption of new and updated of existing plans will continue at all levels, while implementing sustainability requirements. In parallel with the process of update of existing and adoption of new planning documents, development of capacities for new activities at the local level will be done as well as the establishment of adequate institutions. Activities to provide for the consistent compliance with the planning documentation will be carried out and the integral information system for the cadastre, spatial planning, urban development and infrastructure will be instituted.

Spatial plans for the special purposes areas (Maritime Zone and National Parks) will be realized by the adequate elaborations at the lower level through the development of the Site Studies. The plan for 2008 is for 20 site studies to be developed.

Newly established Council for Spatial Development will provide expert review of State planning documents.

4.1.5. Environmental Protection and Improvement

The objective of the policy in this area is the creation of the conditions for establishment of integral protection and enhancement of environment through uniform, comprehensive and overall environmental management as well as gradual harmonization of economical and other sector policies with the environmental policy, adhering to the sustainable development principle at the same time. The rehabilitation of the existing condition, consistent conduct of the evaluation of the impact of investments on environment, intensification of inspection oversight in all parts of environment and timely conduction of the measures imposed will contribute to the accomplishment of this objective, as well as permanent monitoring of the condition of environment quality, strengthening of the cooperation with the ecological non-governmental organizations, public information outlets and intensified international cooperation. With respect to the above mentioned, the following will be accomplished:

- § New Law on Environment will be adopted and the legislation framework complied with EU regulations and international conventions' requirements will be continued, which will lead to the compliance of the regulations at the national level;
- § The Law on Nature Protection will be adopted;
- § Amendments to the Law on National Parks will be adopted;
- § The implementation of the Law on Environmental Impact Assessment, the Law on Strategic Environmental Impact Assessment and the Law on Integrated Prevention and Control of the Environment Pollution will start in January 2008, which is important for pre-accession program;
- § The implementation of the National Strategy for Sustainable Development will continued;
- § The implementation of the international agreements and conventions in the environmental area which Montenegro has accessed to will be continued, as well as the cooperation with relevant international organizations and cooperation within regional initiatives;
- § The justification of accession to the international agreements and conventions, which have not been implemented so far, as well as international organizations where Montenegro has not participated so far;
- § National strategy of Integral Management of Coastal Area of Montenegro will be adopted;
- § The second phase of the premise of the Agency for Environmental Protection will be completed and the conditions will be created for efficient actions of this institution;
- § The possibility of establishing an eco fund will be reviewed with the introduction of environmental protection fees. In accordance with the Law on the Fund, these funds will be directed to the environmental protection, energy efficiency and use of renewable energy sources;
- § The program of monitoring of the environment will be adopted for 2008, in accordance with the standards of European Environment Agency (EEA);
- § Rehabilitation of the existing industry polluters will be improved (KAP, mine dumpsite in Mojkovac, Thermo Power Plant in Pljevlja and other);
- § The second phase of the Project for rehabilitation and reclamation of lead and zinc mine dumpsite in Mojkovac;
- § The projects for integral management of drainage basins of the Tara and Lim rivers and eco-system of the Skadar Lake;
- § New areas will be protected in accordance with new Spatial Plan of Montenegro according to the determined dynamics;
- § National strategy for biodiversity will be prepared with the Action Plan as well as the first national report;
- § The Project "Implementation of air quality monitoring system in Montenegro" will be accomplished as part of the bilateral cooperation with Italy;
- § Italian Ministry for Environment, Land and Sea will finance international scientific project "Integral system for managing drainage basin of River Bojana and coastal zone of Montenegro" in the amount of €3.2 million;

- § Bjelasica & Komovi Region will be enhanced through the Fund for Sustainable Local Development within the Project of Austrian-Montenegrin partnership for the regions of five municipalities of the North;
- § The realization of the project "Geographic Information System for the environment" will be continued;
- § The implementation of the project "Progress of monitoring of transposition of EU directives in the area of environmental protection" will be continued;
- § The activities on the preparation of the National plan for implementation of Stockholm convention will be continued;
- § The activities on the accomplishment of the Program for Clean Production in Montenegro will be continued, including the establishment of the National Center for Clean Production;
- § The implementation of the National program for eliminating substances that damage ozone layer as well as the Plan for final elimination of chloro-fluoro-carbon (CFC). The purpose of the document is the elimination of substances that damage ozone layer in Montenegro;
- § Aarhus Convention and ESPO convention will be ratified;
- § The realization of the projects within the Stability Pact – Regional Environmental Reconstruction Program (RER-eP) will be continued;
- § The structure at the national level will be established defining the activities for improvement of efficient realization of the recommendations given in the Report on environment conditions prepared by United Nation Economic Commission for Europe (UNECE), and
- § Emerald network in Montenegro will be established.

4.1.6. Regional Development

Policy of regional development will be directed to creation of conditions for the faster development of less developed regions and establishment of permanent policy for reduction of regional differences in terms of the development level, while applying principles of sustainable development and preservation of the ecological balance. With that objective, the institutional framework for the implementation of the regional development policy will be improved, measures and solutions of additional support to faster development of less developed regions will be defined, and the system of support will be harmonized with possibilities of use of resources from certain EU accession process funds. In accordance with that, the Strategy for Regional Development of Montenegro will be adjusted to needs of stronger impact on harmonization of spatial-economic and macro-economic dimension of development. While basing the regional development policy on the project principle and market concept with special measures directed to the support for valorization of the natural resources, strengthening of entrepreneurial activity and human resource potential in underdeveloped area.

To that end:

- § Law on Regional Development of Montenegro will be adopted, which will set basic policies of regional development with measures to support faster development of less developed regions and methodology for establishing development level of regions and municipalities and monitoring of changes to that respect;
- § Classification of territorial units for statistical use will be established in accordance with EU standards NUTS and develop capacity of the Statistics Bureau – MONSTAT for collection and processing of regional statistics data in accordance with that;
- § Center for Regional Development will be established within the Secretariat for Development that will deal with issues of setting policy, systemic solutions and support measures for regional development, monitoring of the implementation process and analysis of effects to the overall macro-economic development;
- § Functions of the Unit for Rural Development with the Ministry of Agriculture, Forestry and Water Resource Management will be strengthened;
- § Advisory body that will monitor the implementation of the policy for regional development and provide initiatives for the improvement thereof will be established;
- § Regional market infrastructure will be strengthened with the function of regional business incubators and Centers for Professional Orientation and Counseling;

- § Establishment of regional associations of agricultural producers will be additionally supported;
- § Law on Agricultural Land will be prepared that will determine treatment of the land as a basic natural resource;
- § National Program of Rural Development will be prepared, aimed to set policies and measures for rural development;
- § Efficiency of certain incentive measures part of the Agro-Budget for the development of agriculture will be reexamined and within that framework strengthen support of rural development and investments in agriculture and international cooperation projects;
- § Possibility for valorization of tourism potentials in Northern Region will be particularly elaborated as part of the revision of the Master Plan for Development of Tourism until 202;
- § Drafting of the special plan for development of the Bjelasica and Komovi region will be initiated that will merge development plans of municipalities in that region;
- § Study on Demographic Trends in Montenegro will be developed, which enable setting of the national demographic policies;
- § Possibilities for improvement of conditions and criteria for giving loans for self-employment and business development will be considered in accordance with needs of higher support for projects in less developed municipalities;
- § Possibilities for establishment of free-trade zones on territories of less developed municipalities will be considered;
- § Construction of functional system of capital infrastructure will be provided. Priority will be given to road infrastructure, therefore all conditions to start with the construction of the section Podgorica-Mateševo will be created. Works on the section Risan-Žabljak will also be intensified.
- § Construction of infrastructure facilities for solid waste waste-waters treatment will be realized as part of strategic master plans;
- § Realization of projects that will provide regular waster supply and projects for reconstruction of electricity supply network will be supported ;
- § Funds for realization of Program for electrification of village settlements without electricity will be provided;
- § Network of educational and health care institutions will be adjusted to the need to provide higher quality living conditions and development in rural regions;
- § Criteria in the Law on Financing of Local Self-Governments that envisage that municipalities may use grants in the amount of up to 50% of the funds envisaged for the realization of the projects of the public interest, provided that meet certain requirements, will be revisited in order to provide priority for financing of projects in underdeveloped municipalities.

4.1.7. Development of the Information Society

The development of the information society will be continued. In accordance with the liabilities arising from eSEE Agenda Plus, which was adopted by the governments of the regional countries for period 2007-2012, the countries are obligated to undertake specific actions towards the society of knowledge and digitalization:

- § With a view of further development of telecommunication infrastructure and the growth in rate of internet penetration and decline in digital gap, the following will be accomplished:
 - new Law on Electronic Communications will be adopted and it will be harmonized with EU directives;
 - the implementation of wireless internet will be continued particularly at the North of the country;
 - the increase of use of broadband services will be continued;
 - regional high capacity broadband backbone that will be connected with EU will be developed;
 - Priority for the improved and expanded local traffic using EU direction and experience will be defined;
 - National framework of interoperability will be adopted and it will be complied with European framework of interoperability for administration.

- § Further strengthening of information staffing capability will be performed through the following:
 - Obligatory curricula for ICT at all educational levels, particularly in elementary schools;
 - Favorable environment for IT experts by encouraging business incubators, technical park and centers for starting up a business through partnership with universities and private sector;
 - Development of open, national database of scientific and research professionals and institutions;
 - Support and financing of local academic network and professional organizations, in order to implement regional and local ICT research;
 - Measurement and monitoring of intellectual capital in IT industry.
- § With a view of enhancing efficiency and transparency of the performance of the public administration, the following is required:
 - accomplishment of services of electronic government and increased use by citizens and companies;
 - introduction of favorable and development oriented tax program systems for IT sector;
 - undertaking actions for overcoming obstacles for development of e-operations;
 - adoption of Action Plan for e-government for period 2008-2012;
 - adoption of Action Plan for e-accessibility for period 2008-2012;
 - continue with activities on establishment of the Central Registry of Population;
 - on-going activities on the establishment of Geographic Information System at state and local level;
 - accomplishment of the electronic procurements system;
 - on-going activities on the realization of the project of primary health care and information system for health care institutions;
 - Establishment of national computer centers for contingencies and initialization of exchange of information.
- § Full protection of information system of public administration bodies of Montenegro will be introduced and the National Program of Information Safety will be prepared, as well as the Law on Information Safety and corresponding subordinate legislation acts;
- § The implementation of the adopted laws will initiate, and the drafted laws will be adopted and harmonized with EU directives;
- § Convergence policies of electronic media will be adopted and harmonized with positive European experience. The efficient National strategy of managing radio frequency spectrum will be adopted and harmonized with the region;
- § National programs for digitalization of the library will be adopted and the programs for digitalization of cultural heritage will be initiated;
- § Environment favorable for reduction of operational and accompanied cost of software companies services will be created;
- § National regional center - the Office for strategic development of IT services will be established;
- § General and 2010 indicators for Information Society development will be harmonized.

4.1.8. Statistics

Process of the statistical system reform process will be continued with the aim to enable compatibility with international rules and standards and to provide for, on those basis, comparability, reality and comprehensiveness of statistical statements. The system will be shaped to match the needs of monitoring changes in the system of the market oriented economy and exact statistical basis in the process of decision making in the area of designing and monitoring of the macro-economic policy.

To that end:

- § Statistical Council of Montenegro will continue to monitor and direct the transformation process of the statistical system, provide for coordination among producers of statistical data and to improve the quality of dissemination of data and information and to point to the need for advanced training for some methodological solutions;

- § Program of Statistical Surveys for 2008 will be realized;
- § Revised data series on the gross domestic products for the period 2000-2006 will be made available;
- § Application of the so called harmonized consumer price index as a valid inflation indicator will be provided for;
- § Statistics of the foreign trade exchange will be improved;
- § Measures will be undertaken for strengthening of the Statistics Bureau – MONSTAT, as part of the international cooperation and support, in the area of monitoring of the regional dimension of development in accordance with NUTS norms and standards;
- § Cooperation on project with international institutions in the area of statistics and will be continued and it will be adjusted to the priority needs.

4.2. FINANCIAL SECTOR

4.2.1. Banking Sector

With a view of maintaining accomplished stability of the financial sector, the main activities will be directed to the further increase in efficiency of the banking system and strengthening of the financial discipline.

The activities will continue on the development of the complete and comprehensive institutional framework, which will enable the creation of the effective money market and higher security of placements and deposits.

Changes of the legislation, the adoption of the **Law on Banks** will improve the risk management in banking sector and create conditions for the implementation of the principles and standards of Basel II and CRD. In that aspect, the new Law on Central Bank of Montenegro will be adopted in accordance with the international standards.

The implementation of the set of measures that the Central Bank determined will start on 1st January 2008 aimed to limit high credit activities of the banks that resulted from accelerated development of the banking sector. The growth in banks' placements will be limited and the reserve requirement rate will be corrected, whereas the coverage rate will be increased, and the rate of long term deposits will be decreased from 5% as it is now to 2% in 2008. This will encourage commercial banks to change maturity structure of deposits due to the existence of imbalance between domination of long-term loans and short-term deposits.

For the purpose of encouraging the financial discipline, the Regulatory Credit Bureau will start with its operations, which will enable, through the exchange of data on clients' creditworthiness, comprehensive and precise monitoring of credit risk in banks and aggregately at the system level.

Further strengthening of efficiency of banking sector through more qualitative risk management and increase in competition with the entrance of foreign banks will contribute to the decrease in interest rates and higher and diversified offer of new banking products.

Agreement of clearing of international payments and establishment of direct payment system between Montenegro, Serbia and Bosnia and Herzegovina will be signed, and the Law on Payment System will be adopted in accordance with the international standards.

The cooperation with the World Bank and other international financial institutions will be continued for the purpose of further implementation of the reform activities and improvement of the implementation of international standards and criteria in the financial system.

4.2.2. Non-banking Sector

For the purpose of more qualitative regulation of the **insurance area**, i.e. protection of policyholders' interests and other insurance beneficiaries, as well as the provision of stability and development of insurance based on sound competition and equal operating conditions, the beginning of operations of the Insurance Regulatory Agency, which was founded in accordance with the Law on Insurance, will be accelerated.

In the **capital market** area, the measures that refer to the completion and adjustment of the institutional framework with the international standards will be conducted, as well as for the decrease of costs and increase in efficiency of operations of this part of the financial system.

An increasing trend of interest in our capital market will be maintained in 2008, according to estimates. The provision of assumptions for further development of stock exchange operations and inflow of new investments will continue.

In that respect, the main activities will be directed to the following:

- § Completion of the regulatory framework in accordance with the Law on Amendments of the Law on Securities and Law on Voluntary Pension Funds;
- § Activities on expanding capital market, with the increase in offer of securities and trading instruments (short term T-Bills, corporate bonds, and the like);
- § Strengthening of market infrastructure;
- § Conduction of supervision and examination of operations of the capital market participants;
- § Determining the obligations for disclosure of financial reports on company's operations;
- § Review of the possibilities for transformation of the existing investment funds in open-end investment funds;
- § Development of custody operations to make our market more attractive for foreign investors;
- § Development of the pension funds;
- § Cooperation with domestic and foreign institutions.

4.3. LABOR MARKET

4.3.1. Employment and Labor Market

The policy in the area of labor market and human resources arises from the EU guidelines and is based on the National Employment Strategy 2007-2010 and National Action Plan for Employment for 2007 and 2008. The objectives will be greater flexibility of the labor market, as well as greater security, i.e. flexsecurity. The support to this will be provided by the new Labor Law and activities of the Social Council. In accordance with National Employment Strategy, the priorities in the area of labor market and employment are as follows:

- increase of employment and reduction of unemployment through the measures for encouraging employers to open more jobs, measures for reducing long-term unemployment and unemployment among youth, measures for encouraging entrepreneurship, prolonging working life, strengthening of labor market institutions and encouraging partnerships for employment;
- increase of productivity and quality of work with measures directed to improvement of quality of work force and to maintenance/sustainability of jobs, while establishing the educational system in accordance with the needs in the labor market and
- Strengthening of social cohesion through the measures for improvement /promotion of employment of women, prevention of social exclusion, prevention of poverty in the North of Montenegro.

The Law on Employment will be reexamined. The National Framework of Qualifications will be adopted, which is to impact specific compliance with laws in effect in the area of formal education as well as new National Classification of Vocations. The Law on Classification of Vocations, Law on Certification System and Law on Employment of Foreigners will be adopted.

For the purpose of resolving the issue of unemployment, active and preventive measures will be undertaken for early identification of employment needs. Measures and activities will be directed to reduction of structural disharmony in the labor market.

For the purpose of responding to changes and mobility in the labor market the following measures will be undertaken:

- § the reasons will be considered why the employers do not offer greater options for part time employment,
- § the mobility of labor force will be stimulated, particularly towards the underdeveloped areas,
- § the education and professional improvement programs for adults will be improved,
- § The education programs for persons with lower qualification levels will be continued.

For stimulating human resources development and life long learning adjusted to the needs of individuals and the requirements of the society, with informal education and on the job learning, the following measures will be undertaken:

- § analysis of the needs in the labor market will be made and educational programs will be adjusted accordingly,
- § the projection of the demand for specific vocations will be done and new educational programs for priority sectors will be developed (tourism, construction, agriculture, wood processing),
- § new training programs will be developed for unemployed persons in accordance with the needs in the labor market,
- § certification system will be established,
- § dual education system will be established (education with practice),
- § scholarships or crediting for scarce vocations will be provided,
- § The system of informal education will be constituted.

The realization of the Program for employment of trainees will continue, as well as stimulating of employers to employ trainees for open-ended period of time, after the completed training period.

The employment of specific categories of unemployed persons will be encouraged (disabled persons, persons recorded as unemployed for the period exceeding five years, unemployed persons over 50 years of age, techno-economic redundancy, agricultural producers, persons engaged in public works and persons engaged in seasonal works).

The programs in the area of preparation for employment will be realized (training, additional training, retraining, specialization), i.e. the quality of the offered labor force will improve taking into consideration the reduction of regional imbalance in the labor force market.

In accordance with corresponding programs for strengthening administrative capacities, professional improvement of civil servants and employees will be organized for the purpose of improving quality and efficiency of work in the administration, with the expansion of methodological and information knowledge.

The processes for education of managing structures in enterprises will continue, as well as financial support in the form of compensations for work of management teams in enterprises which are of special interest and significance for strengthening industrial activities.

Efficient and timely legal protection will be ensured from any form of violations of the right to gender equality in the labor market. Target programs in the labor market like *Care for the elderly persons* will be implemented. The measures will be developed for prevention, detection and elimination of all forms of discrimination related to employment, keeping employment and promotion, as well as access to rights and benefits in respect of employment.

Employment Bureau will, through realization of new projects and programs that enable opening of new jobs, primarily through provision of financial support to self-employment and small entrepreneurship, impact the reduction of unemployment.

Work-professional and technical training, with greater presence of professional-consulting contents of work will contribute to improvement of employment options.

The system for provision of data and information on labor market will be improved, in accordance with international standards.

4.3.2. Social policy

The goal of social and child care is the creation of conditions for efficient care for standard of living of citizens as well as provision of care for citizens in the state of need for social care, i.e. social exclusion. The programs for care will be realized through responsible state institutions, local communities, non-governmental organizations and civil society organizations.

For the purpose of comprehensive care for various categories of citizens, the Strategy for development of social care for elderly persons 2008-2012, Strategy for development of social and child care in Montenegro for the period 2008-2012, Strategy for integration of disabled persons in Montenegro were adopted and are to be implemented in accordance with corresponding Action Plans.

The implementation of measures from the Strategy for suppression of poverty and social exclusion that link financial and socio-psychological aspects of standard of living will continue. The basic goal of the Strategy is the reduction of the rate of economically threatened citizens and provision of social stability. The Strategy covers activities that are necessary to be realized in the period until 2011 in the areas of: education, health, social care and employment which are recognized as priority for reduction of poverty and social exclusion. As to obtain quality and comparative data on poverty it is necessary to introduce new LSMS research (Living Standards Measurement Survey), as a supplement to the Households Consumption Survey (MONSTAT) in accordance with the norms of European Union.

In accordance with objective capabilities, the commitments from the Strategy for permanent resolution of refugee and internally displaced persons issues in Montenegro will be realized.

The Law on Movement of Blind Persons Led by Guide Dogs, Law on protection of disabled persons from discrimination, as well as the Law on training and employment of disabled persons and Law on Ratification of the Convention of the United Nations on the rights of disabled persons will be adopted.

The commenced activities will continue on opening day cares for children with developmental disorders in Nikšić, Berane and Pljevlja, and the possibilities for opening them in other municipalities will be considered.

The construction of the Home for the elderly in Bijelo Polje will be completed, as well as the new building of the Home for palliative care for the elderly persons "Grabovac" in Risan. The necessary documentation will be developed for reconstruction and adaptation of the PI Center for Children and Youth "Ljubović"-Podgorica, PI Children Home "Mladost"-Bijela and PI "Lovćen" -Bečići.

In the conditions of establishment of tariff and price policy of energy sources on market bases, the subsidies to socially most threatened group of citizens will continue for the purpose of meeting their minimum requirements in electrical and thermal energy.

Information system in the Ministry of Health, Labor and Social Welfare will be upgraded to enable most adequate collecting and processing of data on socially threatened groups, more precise directing of social assistance and improvement of the quality of government services.

Regular payment of fees in respect of rights prescribed under the Law on Social and Child Care.

The transfers for social care will increase. In the Budget 2008, they are planned in the amount of €40.94 million, out of which to the rights from this area related is the amount of €37.29 million, and the amount of €3.65 million is related to redundancy. The funds for redundancy are intended for resolving unrealized obligations in respect of the Program for restructuring enterprises and for enterprises under the privatization procedure or having been privatized.

The activities will improve for realization of the Action Plan for the Decade of Roma, the National Action Plan for Children, the National Program for prevention of unacceptable behavior of youth in Montenegro and other.

4.3.3. Policy of Earnings and Pensions

Earnings in public sector will range in accordance with the Law on Amendments to the Law on Earnings of Civil Servants and Employees which envisages linear increase of the value of coefficient of 30%.

The contribution rate for compulsory pension and disability insurance will decrease from 21.6% to 21.0%, and for health insurance from 13.5% to 12.0%.

Regular payment of benefits from pension and disability insurance will be ensured. Also, the payment of one extraordinary pension will be ensured as well as extra adjustment by 10%, according to established schedule, which is to contribute to improvement of social position of pensioners. In this respect, the budget of the Pension Fund 2008 will increase by about €90 million. A commission will be established of representatives of line ministries, Pension Fund and Union of associations of pensioners, which is, based on the findings of experts, to establish the amount of potential debt towards the beneficiaries of benefits from pension and disability insurance.

For the purpose of efficient collection of contributions for pension and disability insurance, intensive activities will continue in the authorities responsible for control and collection of public revenues. The reduction of liabilities in respect of personal income and unified collection and control with one institution (Tax Administration) will ensure efficient collection of taxes and contributions and greater financial effects.

Pension reform initiated through the system of current financing (Pillar 1) is continued through adoption of secondary legislation acts and creation of other necessary conditions for foundation and operating of voluntary pension funds, in accordance with the Law on Voluntary Pension Funds (Pillar 3).

Financial support to war veterans and personal and family disability benefits will be regularly paid, and these benefits will be semi-annually adjusted in accordance with the trends of costs of living and average salaries.

The receipts of the Pension and Disability Insurance Fund in 2008 will amount to €250 million, out of which €172 million is related to source revenues, while in accordance with the budget for 2008 transfers planned for the Pension Fund amount to €76 million.

4.4. INVESTMENTS

Investments and investment activities are the basic driver of economic growth and development of Montenegro. Anticipation of high inflow of direct foreign investments is based on the sound position of the country and solid safety conditions within the process of Euro Atlantic Integrations, as well as unused natural potentials, incentive-giving tax system and trained labor force.

For the purpose of realization of high inflow of foreign direct investments, further building of investment ambience will continue through elimination of administrative barriers for investing, particularly on the local level, as well as through provision of full and efficient protection of ownership rights. With regard to this:

- § in accordance with the Direct Foreign Investment Incentive Strategy, the conditions will be created for expanding the scope of Greenfield investments, with use of various forms of investing on the principles of private-public partnership, joint ventures, concession arrangements etc.;
- § in addition to completing of the legal framework in accordance with the new Constitution the conditions will be created for consistent application of legal norms for the purpose of overcoming implementation "gap";
- § activities will continue for harmonization of investment policy with the investment policy in the region;
- § The significance of free zones will be promoted and establishing of enterprises in them will be encouraged.

Taking into consideration the envisaged large investments in various segments of capital infrastructure and restricted options for provision of funds from the Budget and borrowing with the guarantee of the State for these purposes, the conditions will be created for implementation of the public-private partnership model and strengthen the current legislation framework for implementation of concession as instruments for financing of infrastructure facilities. For that purpose, the Law on Concession will be adopted to provide reasonable distribution of risk with the investor.

It is estimated that in improved investment ambience, the inflow of FDI-net is to amount €793.79 million, which makes 31.39% of projected GDP. It is estimated that the share of foreign direct investments would amount around €400 million, and the remaining part is related to investments which cover credit arrangements of banks and business organizations abroad. The projection is based on:

- § acceleration of the privatization process, in accordance with the Privatization Plan for 2008;
- § anticipated scope of Greenfield investments, particularly in the area of tourism;
- § realization of contracting liabilities from privatization process that are related to additional investments;
- § Credit arrangements with international financial organizations.

5. REAL SECTOR

5.1. Processing Industry and Mining

Process of restructuring of enterprises will be intensified in the **processing industry**, aimed to create conditions for the completion of the privatization in this area. At the same time the bankruptcy proceedings will be accelerated in enterprises that do not have prospects.

A need to develop an industrial policy will be considered, aimed to determine areas and companies with competitive advantages and sustainability.

Production growth in this sector is expected, in particular in the wood processing and metal processing segments.

In the **geology and mining** activities will include:

- § On-going creation of conditions for the valorization of mineral resources by adopting decisions on awarding concession rights and signing concession contracts, launching tenders and implementation of further procedures, as well as through development of concession detailed studies;
- § Adoption of the Law on Mining;
- § Adoption of the Law on Prospection, Exploration and Exploitation of Oil and Gas.

5.2. Tourism

Activities in the area of tourism will be directed toward the creation of recognizable Montenegro as a Mediterranean destination, whereby the key importance will be the increase of tourism offering quality in the littoral area by developing high quality tourism resorts and improving the quality of existing ones. At the same time activities are being carried out within the overall sustainable development concept, based on the nature oriented tourism that represents a development opportunity, in particular in the segment of valorization of tourism potentials of the hinterlands and the mountain region.

Updated Master Plan for Tourism Development until 2020 will be adopted where possibilities of valorization of the tourism potential in the North region will be specially elaborated. Development of the special Development Plan for the region of Bjelasica and Komovi will be initiated that will enable development plans for municipalities of that region.

Economic Policy in the area of tourism will be directed towards:

- The positioning of Montenegro as an exclusive offerer in the Mediterranean Sea having in mind the quality of facilities for the winter and summer tourism season;
- The development of a sustainable tourism in the Northern and central part of Montenegro;
- The diversification of the Montenegrin tourism products and markets/destinations;
- The increase of the quality and standardization of the tourism offer;
- Development of human resources for tourism in accordance with the Human Resources Development Strategy for the Tourism Sector;
- Creation of the favorable environment for the investments in tourism;
- Creation of infrastructure preconditions for the tourism development; and
- Cooperation with institutions at all levels, private sector and non-governmental organizations.

It is estimated that in 2008:

- § Revenues from tourism will be approximately €540 million, which is 10% higher compared to the estimate for 2007;

- § Number of register tourist will increase from 1.1 million to 1.3 million, where:
 - Number of domestic tourist visits will be around 250 thousands;
 - Number of foreign tourist visits will be 1.05 million.
- § Total number of registered overnights will increase from the estimated 7.3 to around 8 million:
 - Number of foreign tourist overnights will be 6.4 million;
 - Number of domestic tourist overnights will be 1.6 million.
- § Number of persons directly employed in tourism will increase from approximately 15,000 to around 16,200.

The cooperation will be intensified among municipalities through the establishment of clusters and releasing the synergy for the removal of weaknesses, creation of diversified tourism offer, improvement of the infrastructure and creation of preconcerted marketing will contribute to the overcoming of multi-year problems (overbooking of beaches, traffic jams, noise, dirt, etc).

In cooperation with the National Tourism Organization, the Ministry of Tourism and Environmental Protection has envisaged for 2008, in accordance with the Program Budget, a realization of specific activities which relate to following programs:

- § Development of the tourism product and promotion;
- § Creation of the legal institutional framework for the development of tourism and improvement of the tourism offer and supporting application of legislative solutions; and
- § Impact on the tourism product.

In accordance with the program "Development of the Tourism Product and Promotion", activities for the diversification and promotions of the tourism offer will be realized, as well as for the extension of the tourism season duration. Program covers activities on the development of specific forms of tourism, positioning of Montenegro at the international market and reviewing its position compared to the competition. The amount of €2.22 million has been allocated for the realization of this program, with the program objective to be archived that include diversified, ample and recognizable tourism product that will provide:

- § Growth of 10% of the gross domestic product realized in tourism, compared to the previous year; and
- § Employment growth in the tourism sector of 8.0%.

In accordance with the program "Creation of the Legal Institutional Framework for the Development of Tourism and Improvement of the Tourism Offer and Monitoring of the Implementation of Legislative Solutions", existing legislation will be improved and new laws and secondary regulations in the area of tourism will be adopted, tourism and hospitality industry facilities will be categorized, services standardized and inspection supervision undertaken. For the realization of this program the amount of €670,000 has been allocated. The objective of the program is the creation of the tourism products in accordance with the international standards of quality and expectations of target groups. Program will provide:

- § Growth of 5.0% in accommodation capacities of the service quality level with 3 and more stars compared to the previous year;
- § Reduced number of irregularities for 5.0% compared to the previous year.

In accordance with the program "Impact on the tourism product" information and promotion activities will be organized and carried out in line with the marketing concept, aimed to:

- § Create and position the image of Montenegro as an attractive, recognizable and tourism alluring destination during the entire year;
- § Increase the number of tourists and revenues realized from tourism; and
- § Raise the quality and variations of the integral tourism product.

The amount of €1.2 million has been allocated for the realization of this program.

5.3. Agriculture, Forestry and Water Resource Management

Intensive support to the primary **agricultural production** and the reform of the overall agrarian sector and its adjustment to the EU standards will be continued.

Measures of the Agrarian Policy will be carried out for the realization of programs, activities and projects defined in the Agriculture Development Strategy and the continuation of international integration processes.

Incentive policy of the Agro Budget for 2008 means harmonization of incentive measures that are defined through specific budget lines with the principles of the Common Agricultural Policy of the EU.

Having in mind our agrarian specificities, primarily: emphasized multi functionality of the agriculture; stagnation in development and constant depopulation of the rural area; resources for mainly extensive production; lagging behind the region and other, incentives from the Agro Budget will provide:

- § Support in the restructuring of the dairy sector, in particular expansion of the milk purchase zone to the pasture zone and stimulation of production and processing of meat and milk based on domestic resources;
- § Increase of budget funds for programs supporting investments in agriculture and projects of the international cooperation;
- § New support measures for the cattle breeding, sheep breeding and goat breeding, by stimulating various association forms (subsidized interest rate for loans for associated live-stock breeders and similar). In that respect, a possibility of establishment of association of live-stock breeders should be reviewed, which would perform marketing, information and other activities for them, that could serve to overcome some problems, improve realization and to open a special way for the export of lamb meat and other products, which per se would create conditions for the legalization of operations of the entire sector, strengthening of the economic base, stopping the emigration process and overall strengthening of the rural areas.

Harmonization of legislation with EU regulations will be continued. Particular effects are expected from the adoption of the Law on Agriculture and Rural Development, as well as of the Law on Agricultural Land that would define the position of the State towards the most important natural resource and the manner of the sustainable valorization of that resource.

National Program of Rural development will be prepared in order to define State policy towards the rural area, which will set measures for overcoming problems of the rural area.

Support for the resolution of the placement of market surplus of some agricultural products will be continued, as well as incentives for the construction and modernization of purchase centers and processing capacities, as well as instruments for unfair competition protection will be applied.

It is necessary to adopt a comprehensive program of protection and economic use of medical herbs, mushrooms and other forest fruits based on the modern scientific knowledge and experiences and in line with set sustainable development standards. Processing programs should be encouraged in order for a range of products to be expanded with the higher level of processing.

Overall implementation of the Fishery Development Strategy will be supported, aimed to enable valorization of the enormous potential of the freshwater and sea fishing.

In the **forestry** area activities on provision of sustainable and permanent forest management will be undertaken and the overall protection of forests will be strengthened. Process of the forest certification in accordance with FSC standards will continue, as well as the project for the development of the "National Forest Policy".

Analysis of the present status and the degree of forests development will be developed, which will establish possible volume of felling of trees for a longer period of time, whereby the forest users will have an insight in the available estate and to harmonize development plans with it.

Procedures will be conducted and decisions on awarding concessions for use of forests adopted in a timely manner, in order for forest owners to be able to make all necessary preparations for the forest exploitation.

In accordance with the Law on Forests, forests in state ownership will be assigned to companies engaged in a higher level of processing which will discourage resale and export of raw wood products. Activities for the completion of the privatization process in forestry and wood processing will be accelerated.

Realization of number of projects of the international cooperation, which promote and support efficient and sustainable forest policy, will be continued.

Program for the use of 2008 funds will be adopted for the **water resource management** area, which will significantly improve water supply in the rural area.

New BOT concession projects for water bottling will be realized, and thus provide for the best way for valorization of significant water resources.

5.4. Construction Industry and Housing-Communal Area

Maintaining high growth of investments will influence strong increase of the construction activity. In that respect Strategy for the Development of the Construction and Industry of Construction Material will be developed, having in mind the need to improve the environment and to define conditions for the carrying out of the construction industry activities. To that end a new Law on Construction of Building Facilities and Law on Building Land will be adopted, which will be harmonized with the new Law on State Property.

Construction of illegal dwellings will be stopped, while respecting Vienna Declaration and using experience from other countries in this field.

In order to create conditions for the higher and better quality inclusion of our construction industry in the realization of the investments construction projects, possibilities for a systemic support to the development of construction industry will be considered, as well as conditions for the advancement of the technical, organization and other qualifications of the domestic construction industry.

As part of the programs for additional qualifications and re-qualifications, a particular attention will be directed towards the establishment of human resources base of scarce craft professions in the construction sector. Need and the possibility for the introduction of education programs for the specialized professions in the area of spatial planning and urban development into regular education system will be considered.

Implementation of the projects in accordance with the "Housing Policy Action Plan" will be continued in **the housing area**. Projects of housing loans for the public administration employees and solidarity apartments projects will be realized, aimed to reduce the migration of personnel from underdeveloped parts of Montenegro. Apartments for persons in social need will also be provided.

Activities on realization of obligations taken over from the Vienna Declaration on Informal Settlements in SEE will be completed.

Activities on long-term resolution of the issues regarding the water-supply, waste and wastewater management will be continued in the **communal area**.

Realization of activities envisaged by the Plan of the Reform of water-supply sector and wastewater management of Montenegro will be started.

Activities for the realization of the Master Plan for the Water Supply of municipalities of the Montenegrin Littoral and the municipality of Cetinje will be continued, as well as for the construction of the regional system of water supply of the Montenegrin Littoral municipalities with the water capture from the Scadar Lake basin. The system will be constructed with the credit support of the World Bank and the European Bank for Reconstruction and Development, as well as with funds provided by the Government of Montenegro and Public Utility Enterprise "Regional Water-Supply System of the Montenegrin Littoral".

Adequate investment maintenance, application of emergency measures for the rehabilitation of water-supply systems and introduction of the consumption control system will contribute to the reduction of losses and increase of the quality of services in the area of water-supply.

Support of the KfW Bank will continue as part of the German-Montenegrin financial cooperation in the water-supply and wastewaters management sector which includes improvement and rehabilitation of water-supply and sewage systems for the Montenegrin Littoral municipalities (emergency measures II) and activities as envisaged by the project "Drainage of Montenegrin Littoral Wastewaters" (emergency measures III).

In order to resolve issues related to the wastewaters management in line with strategic planning documents, activities for the reconstruction and construction of sewage systems, improvement of pumping stations and construction of wastewaters treatment plants will be continued under set priorities (Nikšić, Bijelo Polje, Pljevlja, Montenegrin Littoral). Furthermore issues related to the wastewaters of large industrial systems will be resolved, by connecting them to city sewage systems with the adequate pre-treatment or by construction of their own wastewaters treatment plants.

Works on the construction wastewaters treatment plant in Mojkovac will continue as part of the improvement and reclamation of the Led and Zinc mine dumpsite.

Application of solutions set in the Law on Waste Management will start at the end of 2008. Until then local self-government units will work and personnel and technical strengthening of public utility companies engaged in the activities of collection and transport of waste and on creation of pre-requirements for the application of solutions set in the Law dealing with the waste disposal or recycling. This means a continuation of activities for the construction of inter-municipal sanitary landfills and adoption of adequate decisions by local self-government units on joint organization of waste disposal activities. The Government of Montenegro will support with funds part of the development of needed documentation – feasibility study and detailed study on the environmental impact assessment.

Special attention will be given to a differentiating waste collection, thus a pilot project on differentiating waste collection will be organized in all municipalities in Montenegro with the support of the Ministry of Tourism and Environmental Protection, which will contribute to the reduction of the waste quantities being disposed and increase the waste being recycled. The Municipality of Podgorica will continue with the realization of activities connected with the construction of a recycling center.

5.5. Trade

In the **trade** area basic objectives are: providing for the market supply, increase the quality of supplied goods both in quantity and assortment, completion of started process of transformation of trade companies with the objective of improvement and modernization of trade, creation of preconditions for the entry of reference world trade systems in Montenegro, further reduction of the gray economy, development of competition, improvement of consumer protection area, improvement of intellectual property rights, improvement of the quality system infrastructure and like.

Activities will be directed on the:

- § Implementation of laws and secondary legislation that will improve trade regulation;
- § Adoption of the Law on Internal Trade, Law on General Safety of Products, Law on Patents and Law on Geographic Origin, as well as supporting secondary legislation;
- § Strengthening of institutions and cooperation with the non-governmental sector in the development of the National Program of the Consumer Protection, in particular in the consumer complaints processing, arbitration, inspection and raising consumer awareness;
- § Improvement of conditions for inflow of foreign capital in this area;
- § Continuation of activities on promotion of the introduction of the ISO 9000 quality system in the trade area;
- § Strengthening activities on improvement of cooperation with local self-government bodies and business associations in the trade area;
- § Establishment of the Administration for Competition Protection pursuant to the Law on Competition Protection;
- § Improvement of the legislative framework for the competition protection in accordance with the Stabilization and Association Agreement;
- § Procurement of the equipment for the operation of the market inspection, which is requirement for the improvement of its function and for it to acquire status of national contact unit for the RAPEX system.

6. SOCIAL ACTIVITIES

The development of social activities will be harmonized with the realistic possibilities. The development, reconstruction and refurbishment of individual premises and implementation of reforms in the area of social activities will be continued using own funds and international community funds.

The following will be performed in the **educational area**:

- § The implementation of the Law on National Professional Qualifications (draft of the proposed Law is prepared and submitted for discussion to competent bodies) will start. Subordinate legislations for the implementation of the law will be adopted;
- § All elementary and high schools at the territory of Montenegro will begin with the application of reform programs in 2008/09 (for individual classes) in accordance with the proposed dynamics of the educational system reform (up to the university level). From that aspect, the Ministry of Education and Science will continue with the investments required (training, furniture, teaching aids), and the Institute for Textbooks and Teaching Aids will continue with publishing of textbooks that follow new educational programs;
- § The introduction of information system in educational institutions will be continued by refurbishing schools and training of school ICT coordinators. The Strategy of development of didactics software in Montenegro will be developed;
- § The rationalization of the existing number of schools will be performed. The Committee for development of proposals for optimization of school network has prepared draft document which will be discussed with the representatives of all municipalities in Montenegro;

- § The implementation of the project “Roma Educational Initiative in Montenegro” will be continued for the purpose of the inclusion of higher number of Roma children in regular education;
- § Gifted pupils and students will be encouraged, as it has been done so far, by awarding scholarships and student loans;
- § The Higher Education Strategy and the Strategy for Scientific and Research Activities will be adopted;
- § The international cooperation will be further developed for the purpose of inclusion European zone of higher education and scientific and research activities by inclusion in single European research area;
- § Agreements on international cooperation in the area of education, science and technology will be prepared, particularly in the area of higher education and scientific and research area;
- § The Law on amendments to the Law on Higher Education (amendments of the provisions that refer to the accreditation and licensing of the institutions of higher education and validation and equalization of foreign certificates);
- § The Law on recognition and valuation of educational documents will be adopted (the proposal of the Law is in the procedure of the Parliament of Montenegro);
- § The activities on the construction of new premises, renovation and enlargement of the existing premises will be continued, and the overall school infrastructure will be maintained. Besides, the activities within “Energy Efficiency” program in educational institutions will be accomplished.

The following will be performed in the area of **culture**:

The further preparation of the legislation in the area of culture will be continued, and in that respect, the following laws will be drafted: Law on Cultural Heritage, Law on Museum Activity, Law on Library Activity, Law on Archive Activity, Law on Publishing and the Law on Depository Library, as well as subordinate legislations required for their implementation. The Culture Development Strategy will be commenced as well as the National Program for Cinematography Development.

The activities on the support to the development of cultural and artistic creative work will be continued through the accomplishment of the program of cultural institutions (Montenegrin National Theater, Music Center of Montenegro, Royal Theater Zetski dom and Montenegro Contemporary Arts Center) and co-financing of the programs and projects of municipal cultural institutions, non government organizations and other entities, as well as projects of independent artists and authors.

The activities in the area of protection and valorization of cultural heritage will be continued and in that aspect, the rehabilitation program of damaged and devastated cultural monuments, the technical documentation for rehabilitation works for some cultural monuments will be done, and the conservation and restoration of large number of objects from museum, archive and library fund will be performed. The protective archeological research, terrain reconnaissance and works on the preparation on Archeological map of Montenegro will be continued.

In accordance with the available possibilities, the international cultural cooperation will be intensified through the participation of initiated and new international projects, and through the participation at international cultural events and presentation of Montenegrin creative work abroad.

The following will be done in **media** area:

The activities on the production and broadcasting of RTVCG programs that are important for development of science, education and culture will be provided as well as the program for informing persons with impaired hearing and sight and informing at the languages of national minorities and ethnical groups.

The privatization of newspaper, publishing and printing joint stock company “Pobjeda” will be performed, as well as the activities of further transformation of RTVCG into public broadcasting service.

Amendments to the legislation will create the conditions for further development of radio-broadcasting system.

The activities on improving programs in printed and electronic media outlets will be continued through co-financing of special programs.

Health care policy will be directed to the creation and development of Montenegrin **health care system** as independent, sustainable and modern system which will completely meet the citizens' needs for health care.

In that respect:

- § Pursuant to the Strategy for safe blood, the Law on blood transfusion will be adopted and the funds will be provided from capital budget for this purpose. Three centers for transfusion have already been prepared in general hospitals at the North of Montenegro;
- § Standards and norms for secondary and tertiary level will be prepared as well as the network of health care institutions; the draft Law on Abortions will be harmonized with the mentioned standards and norms;
- § The Law on obligatory records in the health care area will be adopted for the purpose of regulating the manner of monitoring the changes in functioning and managing health care system, monitoring of health conditions, comparison of data with other health care systems and setting up the basis for the development of information system;
- § The Law on Health Inspection will be prepared, which will define the organization and the manner of health inspection operation;
- § For the purpose of ensuring the organized health care assistance in emergency medical situations, the Strategy on emergency medical assistance will be adopted;
- § The reform of primary health protection will be accelerated and the system will be expanded to cover all municipalities. The introduction of information system in all institutions at the primary health care will continue;
- § Initiated activities for the restructuring of the dental care assistance in public health care institutions will be realized, aimed to provide conditions for dental health care that is accessible, quality, efficient and cost-effective for the State;
- § The conditions were created in 2007 for the Administration for Medicaments and Medical Devices to start with its operations in 2008 in accordance with the Law for this area;
- § The activities on the fight against HIV/AIDS will be intensified through the implementation of the Strategy of set activities and implementation of the Global Fund project;
- § Clinical Center of Montenegro will be functionally completed and modernized and, at the same time, the optimal functioning of all services will be enabled. In addition, the implementation of the first stage of information system will commence, and the supply and replacement of dilapidated equipment for donations will continue;
- § The reconstruction and refurbishment of the Health Care Institute will be continued;
- § The Strategy for fight against non infectious diseases will be adopted;
- § The Strategy for fight against drugs will be adopted;
- § The Law on assisted reproduction will be adopted;
- § The Rulebook on detailed conditions with respect to staff, equipment and funds that must meet health care institutions, legal entities and entrepreneurs for performing operations of disinfection, disinsectization and deratization will be adopted, as well as the Rulebook on detailed conditions on organization and the manner of carrying out of immunoprophylaxis and chemo-prophylaxis, and the Rulebook on the type, scope, deadlines and manner of carrying out obligatory checkups of employees, as well as the appropriate medical documentation proving the fulfillment of such checkups.

In the area of **sport**, bearing in mind its importance for the health care of the nation, social integration, international prestige and affirmation, national pride, sense of national belonging, moral and other values of general interest, and in accordance with the Law on Sport and National Sport Program in Montenegro, the following will be performed:

- § Promotion of sport education of children and the youth – school and student sport, which will upgrade the level of awareness on sport importance, increase the number of children and the youth involved in sports, create prerequisites for more qualitative sport selection and particularly influence in a preventive way the social and pathological phenomena among the youth (alcohol, drug addiction, doping, delinquency, crime, and the like);

- § Creation of optimal conditions for preparation and performance of promising and first-class athletes – teams and national teams, with the purpose of achieving better results at international competitions, and which will be in function of promoting the State;
- § Establishment of model of financing top performance sport;
- § Improvement of professional, advisory, development and research work in sport and establishment of information system in sport;
- § Encouraging the activities of national sport associations;
- § Cooperation with international sport organizations and institutions;
- § Rewarding and awarding scholarships to promising and the top athletes in order to prevent “drain” of young athletes from Montenegro;
- § Adoption of the subordinate legislations and development of the Agenda for the next four-year Olympics cycle (2009-2012);
- § Creation of conditions for Montenegrin Olympic Committee, as a full member of the Olympic family, to enable Montenegrin athletes to participate at the competitions under MOC, particularly at Olympic Games in Beijing.