



**MONTENEGRO
THE MINISTRY OF FINANCE**

MONTENEGRO DEVELOPMENT DIRECTIONS 2018-2021

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Abbreviations

GVA	Gross Value Added
CEFTA	Central European Free Trade Agreement
CIP	Framework Program for Competitiveness and Innovation
COSME	Competitiveness of Enterprises and SMEs
EBRD	European Bank for Reconstruction and Development
EPCG	Elektroprivreda Crne Gore Power Company of Montenegro
EU	European Union
EUREKA	European Network for Market-Oriented Research
EMEP	Transboundary Air Pollution
EFT	European Training Foundation
EE	Energy Efficiency
EEPPB	Energy Efficiency Public Buildings Program
GERD	Gross Domestic Expenditure on Research and Development
GCI	Global Competitiveness Indicator
ICT	Information and Communication Technologies
ILO	International Labor Organization
IPA	Instrument for Pre-Accession Assistance
IPARD	Instrument for Pre-Accession Assistance for Rural Development
IXP	National Internet Exchange Point
ISSS	Information System of Social Housing
JPP	Public-Private Partnership
KfW	German Development Bank
MIPA	Montenegrin Investment Promotion Agency
MONSTAT	Statistical Office of Montenegro
SME	Small and Medium Enterprises
OECD	Organization for Economic Cooperation and Development
RES	Renewable Energy Sources
DD	Development Directions
MDD	Montenegro Development Directions
VAT	Value Added Tax
WAEIR	Weighted Average Effective Interest Rate
WADIR	Weighted Average Deposit Interest Rate
PPP	Purchasing Power Parity
PDO	Protected Designation of Origin
PGI	Protected Geographical Indication
R&D	Research and Development
RIA	Regulatory Impact Assessment
SEECCL	South East Europe Centre for Entrepreneurial Learning
	Support for Improvement in Governance and Management in Central and Eastern Europe
SIGMA	
FDI	Foreign Direct Investment
WTO	World Trade Organization
SWOT	Strengths-Weaknesses-Opportunities-Threats Analysis
SBA	SMEs Act
RPP	Real Purchasing Power
SEE	South Eastern Europe
SEETO	South Eastern Europe Transport Observatory
UN	United Nations
	United Nations Educational, Scientific and Cultural Organization
UNESCO	
UNFCCC	United Nations Framework Convention on Climate Change

I Introduction

In accordance with the Government's Conclusions no. 08-1592 from July 9, 2015 and the Work Program of the Government of Montenegro for 2017, the Ministry of Finance prepared the Montenegro Development Directions 2018-2021, in cooperation with the relevant state institutions.

The establishing of the Coordination Team for the Preparation and Monitoring of the Implementation of the Montenegro Development Directions 2018-2021 and of the Working Group for the Preparation of the Montenegro Development Directions 2018-2021 preceded the preparations for the Development Directions. All the state institutions in accordance with their competences for designing and implementing relevant policy fields that are included in the DD, took part in preparation of the Development Directions 2018-2021.

What is the connection between the Montenegro Development Directions 2018-2021 with the Montenegro Development Directions 2015-2018, or with the Montenegro Development Directions 2013-2016?

At its session held on July 2, 2015, the Government of Montenegro adopted the Montenegro Development Directions 2015-2018 (Government Conclusions No. 08-1592 from July 9, 2015) that are "leaning" on the Montenegro Development Directions 2013-2016 which was adopted by the Government of Montenegro at its session held on March 28, 2013 (Government Conclusions No. 06-536 / 4 from April 4, 2013), and thereby fulfilled the obligation to determine the vision of social and economic development, which it had as an EU membership candidate country.

Development directions, as the umbrella development implementation document, determined the strategic goal of development of Montenegro, which is:

Increasing the quality of life in the long term

In order to realize the strategic development goal, four priority sectors of development have been formally established:

- Tourism;
- Energy;
- Agriculture and rural development and
- Manufacturing.

In order to realize the goals set by the Development Directions, taking into account the natural resources of Montenegro being its comparative advantages, and the need to align with EU standards and requirements, within the Development Directions "smart growth", "sustainable growth" and "inclusive growth"¹, the policy fields were identified, priorities and proposed

¹ The Development Directions, according to the Europe 2020 strategy, define three directions of development (smart, sustainable and inclusive growth). Smart growth represents innovation, digitization and young people mobility, sustainable growth, improved efficiency in using resources and industrial policy, while inclusive growth is in the function of increasing employment and reducing poverty. All EU Member States, as well as candidate countries, have in mind such a structure when preparing strategic documents, before allocating funds from structural or IPA funds

investments/development measures were determined. In this regard, the authentic development interests of Montenegro were taken into account. Development Directions, with specific projects and financial structure, were the basis for investments' programming at the state level, namely, for establishing a direct link between funds and development priorities. At the same time, Development Directions were one of the bases for identifying projects that will be funded by IPA funds in the period 2014-2020.

Development directions and DD policy fields are:

SMART GROWTH	SUSTAINABLE GROWTH	INCLUSIVE GROWTH
1. Business Environment	9. Agriculture and Rural Development	15. Labor Market
2. SMEs	10. Forestry	16. Education
3. Manufacturing	11. Energy	17. Sport
4. Competitiveness	12. Environment	18. Social Welfare
5. Science	13. Transport	19. Healthcare
6. Higher Education	14. Construction and Housing	
7. Information Technology		
8. Tourism		

Why the Montenegro Development Directions 2018-2021 are being adopted?

The Montenegrin Development Directions 2018-2021 have been adopted bearing in mind the significant changes in the conditions and framework for managing development and economic policy at national, regional and global level, as well as the need to extend the timeframe. At the same time, the strategic goal, the individual goals and directions of development, established in the previous period, which are in line with the Europe 2020 strategy, as well as selected policy fields are "retained". The relevance of investments/development measures from the aspect of its adjustment to the current situation, as well as their impact on strengthening economic growth and development, or increase of competitiveness has been reviewed.

The starting point for the allocation of public sources funds by the policy fields are the framework and solutions set out in the strategic development documents adopted in the previous period, primarily in the Rehabilitation of the Budget Deficit and Public Debt Plan and the Fiscal Strategy of Montenegro 2017-2020. At the same time, particular emphasis is placed on structural reforms, planned and "rounded" in the previous period, which are already being implemented or their implementation will begin in the period in which the Development Directions apply. It should be noted that structural reforms in the public and real sector, given in the Fiscal Strategy are elaborated in detail in the Development Directions, as a support for the growth and development of Montenegro's economy and strengthening its competitiveness, as a prerequisite of macroeconomic or fiscal stability.

Development directions, with specific projects and financial structure, are the basis for programming investments at the state level, namely for establishing a direct link between funds and development priorities. At the same time, Development Directions are one of the starting points for the preparation of national economy reforms programs, which are being prepared annually in accordance with the established approach in the economic dialogue of Montenegro and the European Union.

II Realization of the Montenegro Development Directions 2015-2018

This chapter provides a brief overview of the realization of investments/development measures defined by development direction or the corresponding policy fields. A detailed overview of their realization is given in the ANEX of this document. When proposing investment/development measures for the period 2018-2021 the starting point were the results achieved or problems observed in the realization of investments/development measures in the previous period, as well as the current trends and conditions by sectors/policies and, generally, the state and conditions for the overall socio-economic development of Montenegro.

Smart growth

Business environment. Reform activities aimed at improving the business environment resulted in progress, which was also recognized in the World Bank's latest Doing Business 2018 Report, in which Montenegro ranked 42nd out of 190 ranked countries, and compared to the last year's revised report has made progress of 9 places.

The reforms being implemented but initiated in the previous period relate to the following areas: public administration reform, building permits issuing, paying taxes, registration of real estate, simplifying the business licensing procedure, simplifying the procedure for obtaining electricity connection and increasing the number of electronic service on the eGovernment portal. The Regulatory Impact Assessment (RIA) analysis, introduced in the Montenegrin regulatory system in the previous period, and the completion of the implementation of the Regulations Guillotine recommendations, are also regulatory reforms that contribute to improving the business environment.

Small and medium enterprises. The growth tendency of small and medium enterprises sector was established, when looking the number of enterprises and the number of employees. According to the MONSTAT, there were 28,268 SMEs in 2016, which is 8, 9% more than in 2015, and 21, 28% more compared to 2014. By size, there are mostly small enterprises (27,954), while medium-sized enterprises have a total of 268. In addition, those employed in SMEs make $\frac{3}{4}$ of the total number of the employed.

Financial support to the SME sector in the period from 2015 to 2017 was above planned, both by the value of financial placements and by the number of supported projects. In addition, in accordance with the needs of the beneficiaries, financial instruments have been improved in the field of availability of credit lines and factoring, as well as the terms of financing, with special emphasis on the benefits related to entrepreneurship and the establishment of a business. At the same time, opportunities have been created for the use of new financial instruments, such as equity investments. In particular, the support to beginners in business - startup has been improved through the development and implementation of innovative financial support measures for the establishment of businesses and related training and practice, all this aiming to encourage entrepreneurship. In order to strengthen the competitiveness and promotion of the SME sector, the planned activities were mostly implemented, but with limited funds for implementation of measures in the segment of information and internationalization of SMEs, introduction of lifelong entrepreneurial learning, mentoring for enterprises and economic empowerment of women.

Manufacturing. In accordance with the Manufacturing Development Strategy 2014-2018, i.e. the Industrial Policy of Montenegro until the end of 2020 and the accompanying multi-annual Action Plan, whose main goal is to strengthen the competitiveness of the industry, measures and activities were realized aimed at creating the conditions for efficient use of the total potentials, especially in priority development sectors.

In the previous period, the share of manufacturing in the total industry was reduced, from 59.9% in 2015 to 57.7% in 2016. At the same time, the share of the manufacturing in exports of total industry increased from 75.1% in 2015 to 77.26% in 2016, and the share of the number of employed increased, from 53.83% to 55.0%. This trend continued in 2017.

Competitiveness/foreign direct investment. A number of projects and measures have been realized in the previous period in order to increase the FDI inflow, increase the number of operational business zones and increase the functionality of existing ones, improve the functioning of existing clusters and form new ones, increase the number of economic entities whose business complies with the requirements of international business standards, increase exports and substitute imports, namely increase the number of employees.

Science. Awareness of the significance and impact of science and technology, an important mechanism for increasing the competitiveness of the economy, has been increasingly developed. In accordance with the planned dynamics, through various instruments of support, measures were taken towards the development of the scientific and research community and linking science with the economy sector. Investing in scientific research and innovation strengthens the existing production and technological capacities and creates numerous opportunities within the new development directions in the economy, and stimulates competitiveness and the creation of highly qualified jobs.

Higher education. In the previous period, the quality of higher education has been significantly improved. The restructuring of study programs at the University of Montenegro was conducted, from the point of view of the programs' structure and content. Practical lessons have been introduced in the scope of at least 25% of the total student load per course or year, depending on the learning outcome for a particular study program. Preparations are ongoing for the implementation of the follow up evaluation of higher education institutions, to be conducted by the European University Association EUA - Institutional Evaluation Program (IEP). The Decision on the Establishment of the Agency for the Control and Ensuring Quality of Higher Education was adopted, with the ambition of it becoming a member of the European Quality Assurance Register, and the European Network of Quality Assurance. From the current 2017/2018 academic year, the first generation of students who do not pay scholarship is enrolled in the first year of basic studies, at the higher education public institutions.

Special attention is paid to improving the quality of **vocational education**. The work has been done on the modernization of educational programs, the improvement of the quality of educational work, and the popularization of vocational education in order for it to become the first choice for pupils of elementary schools. In cooperation with employers, it has been worked on increasing the scope of realization of practical education, as well as on teachers training. In order to encourage students to enroll in Level III education programs, which are recognized as deficient in the labor market, 119 scholarships was appropriated for first-grade students who are being trained for deficient qualifications.

Information and communication technologies. The legislative framework for the performance of electronic communications activities is harmonized with the EU *acquis communautaire* to a large

extent, and it has been implemented continuously. A good environment for foreign investments and the entities' business in the sector has been created, namely for the provision of quality electronic communication services to citizens, with the possibility of selecting an operator. Therefore, the electronic communications market is legally and regulatory well governed, which is confirmed by the constant operators' investments.

Tourism. The tourism development strategy was adopted in December 2008, namely in the year that preceded the long-standing global economic and financial crisis, which did not spare Montenegro neither. In that period, in difficult economic conditions, especially in tourism as an industry branch reacting first to a negative business environment, the realization of strategic goals took place at a slower pace than it was planned. Nevertheless, even in such circumstances, the business of the tourism industry was satisfactory. From year to year, there was a rise in physical and financial parameters. In 2016, there were record-breaking 1.8 million tourists in Montenegro or 5.88% more than in 2015, which amounted to 11.2 million overnight stays, which is 1.76% more than in the previous year. At the same time, revenues from tourism amounted to €881,00 million, 2,2% more than in 2015.

In order to achieve the strategic goal of tourism development, numerous activities have been realized, in terms of diversification of the tourist offer and improvement or expansion of accommodation capacities. A certain number of activities are being realized continuously, and numerous new project activities and measures are in the pipeline. Their implementation should primarily minimize the existing development limitations, and then should ensure complete and quality valorization of all potentials in a dynamic and optimal manner, as well as with respect for the principle of sustainability.

Promotion of culture as a growth driver (cultural tourism). In accordance with the possibilities, a series of activities are continuously implemented, which create the conditions for adequate definition and better valorization of the cultural and tourist potentials of Montenegro.

Sustainable growth

Agriculture and rural development. During the reference period (2015-2017), the Agriculture and Rural Areas Development Program under the IPARD II 2014-2020 (IPARD Program) was adopted and the capacities of the IPARD Payment Directorate were strengthened. The operational structure for the implementation of the IPARD program is also accredited.

In order to achieve the development goals defined in the Montenegro Development Directions 2015-2018 (sustainable management of resources, stable and acceptable supply of safe food, providing adequate living standards for the rural population and raising the competitiveness of food producers), measures have been implemented including:

- Investments in primary agricultural production, processing and marketing of agricultural products;
- Investments for the implementation of the agricultural land policy (development, use and improvement of the quality of agricultural land, increasing the size of family farms and preventing the fragmentation of the land);
- Improvement and development of rural infrastructure, and diversification of economic activities in rural areas; and
- Implementation of agricultural and ecological measures.

Despite the good results achieved in the observed period, there are still challenges that need to be overcome in the following period: the unfavorable structure of agricultural production; inadequate technical equipment of agricultural producers; better application of all food safety standards at all stages of production; focusing on high quality products (organic, PDO/PGI) and their standardization; underdeveloped physical and social rural infrastructure; depopulation present in rural areas.

Forestry. Activities have been conducted to stop negative trends in forestry, in accordance with development documents (Strategy with Forest and Forestry Development Plan, Rehabilitation Plan for Forests Degraded by Forest Fires). Financial preconditions have been created for the implementation of the Forest Certification Plan, namely the hiring of the certification body (the procedure of selecting the accreditation body is ongoing), the conducting of the certification process and the acquisition of sustainable forest management certificates. However, the process of obtaining the certificates is delayed.

An analysis of the results of the previous implementation of the concession system of forest use has been conducted and, according to the negative trends, a reorganization of the concept has been proposed.

Energy. In order to fulfill the goals of the Energy Policy and the main recommendations of the Energy Development Strategy, activities are being conducted, inter alia, on creating conditions for the construction of new infrastructural facilities, and the realization of projects started in the previous period has continued.

The project of connecting power systems of Montenegro and Italy by the submarine cable of one-way current is being realized with the planned dynamics.

Projects for the construction of facilities for the production of electricity from renewable energy sources are at different stages of implementation. In the previous period, 34 concession contracts for the construction of small hydro power plants (SHPP) were concluded, envisaging construction of 53 SHPPs. So far, construction of 12 SHPPs has been completed, out of which 11 are in operation, and one is in trial work mode. The construction of Krnovo wind farm was completed. Significant potential related to the use of energy from renewable sources and improvement of energy efficiency is valorized, with support for the realization of appropriate projects for energy efficiency in public buildings, as well as projects intended for citizens or households.

Environment. In the previous period, the goals set by the strategic documents have been achieved. The designation of the Regional Park Piva and the Regional Park Komovi for the territory of the City of Podgorica and the Municipality of Andrijevica increased the percentage of the territory of Montenegro under national protection to 12.8%.

In the field of industrial pollution, activities have continued on the realization of the project Industrial Waste Management and Cleaning Project - IWMCP, whose goal is final rehabilitation and remediation of the four identified so called "black ecological points" (Kombinat Aluminijska Podgorica - two pools of red sludge and solid waste dumpsite, Adriatic Shipyard Bijela - dumpsite of grit and contaminated land, Thermal Power Plant Pljevlja - ash and slag dumps Maljevac and "Suplja stijena" Mine Pljevlja - Flotation heap Gradac), as well as solving the issue of hazardous waste treatment. As for the air quality, air quality zones have been established, a state network for air quality monitoring has been established and regular air quality reporting to the European Environmental Agency and the domestic public has been made possible, in accordance with EU standards. An Action Plan for the implementation of the National Air Quality Management Strategy for the period 2017-2020 was adopted.

In the field of climate change, the National Strategy for Climate Change by 2030 was adopted. Within the framework of the document, the Indicative Nationally Determined Contribution (INDC) of Montenegro for reduction of green house gasses emissions, Montenegro committed to 30% reduction in greenhouse gas emissions by 2030, compared to the base year 1990.

As for the waste management infrastructure field, the following facilities were built: regional dumpsites of non-hazardous waste in Podgorica and Bar; recycling centers in Podgorica and Herceg Novi; facilities for the treatment of waste vehicles in Podgorica (2), Berane, Cetinje and Niksic (3); transfer stations in Kotor and Herceg Novi; recycling yards in Podgorica (5), Herceg Novi (1) and Kotor (1). In the Žabljak municipality a waste sorting station was opened (a recyclable yard with a transfer station) and an unregulated city dumpsite was rehabilitated. The first composting plant in Montenegro was opened in Kotor municipality for solving green waste management issues in the municipalities of Kotor, Tivat, Budva and Herceg Novi. In the municipality of Berane, a facility was installed for the treatment of medical waste collected from the territory of municipalities: Kolasin, Mojkovac, Bijelo Polje, Pljevlja, Berane, Rozaje, Andrijevica and Plav and in the Capital of Podgorica.

In most municipalities, projects to improve the water supply system (expansion and rehabilitation of the network, construction of reservoirs and other facilities in water supply systems) are conducted along with projects in the field of wastewater management. Montenegro's Waste Management Strategy by 2030 was adopted as well as the State Waste Management Plan in Montenegro for the period 2015-2020. The Projection of Long-term Water Supply of Montenegro by 2040 was adopted. Reduction of losses in water systems (70%) is a strategic goal that can be brought to a level below 30% by the end of 2040, or below 40% by the end of 2025, by implementing the proposed measures.

Investment plans for all municipalities in Montenegro have been defined, on the basis of which sewage networks, wastewater treatment plants and other segments of the sewage system are being constructed, in order to ensure full implementation of Directive 91/271/EEC on the purification of communal wastewater by the end of 2029. So far, a large number of projects have been implemented, so it can be concluded that the projects defined by the strategic documents are implemented in accordance with the planned dynamics.

Transport. Significant activities were undertaken to create preconditions and start the realization of capital infrastructure projects. The previous period marked the beginning of construction of the first kilometers of the Bar-Boljare motorway, activities have been intensified to create the preconditions for the start of the construction of sections of the coastal variant of the Adriatic-Ionian Highway - the Express road along the Montenegrin coast, and regular and investment maintenance, reconstruction and construction of other state (main and regional) roads are realized in accordance with the appropriate annual plans, resulting in reduction in the number of traffic accidents on roads due to inadequate infrastructure. At the same time, the repair of the Bar-Vrbnica railway line was conducted, the process of privatization of the part of the Port Bar was completed, which was separated as Container Terminal and General Cargo A.D. (the current "Port of Andria" A.D.) after the restructuring process in 2009, the activities started for drafting the new Transport Development Strategy. In the past period, Montenegro has also played an active role in the realization of the activities defined through the so-called Connectivity Agenda within the Berlin Process.

One of the limitations facing Montenegro is still insufficiently developed and inter-connected high-quality transport infrastructure (roads, railways, airports), which leads to high transport costs, inadequate quality of transport services, relatively high maintenance costs, inadequate levels of traffic safety, and all this consequently negatively affects economic growth and employment. In addition, inadequate transport infrastructure is one of the key factors of significant regional differences within

Montenegro and restrictions on exports to the region. One of the key challenges that need to be faced is to provide financial resources for the implementation of infrastructure projects.

Construction. As part of the measure Information Systems Development that Integrate All Information on Spatial Planning and Structure Building, the Rulebook on the Detailed Content and Manner of Maintaining the Central Register of Planning Documents and the Rulebook on the Detailed Content and Manner of Maintaining the Register of Technical Documents and Audit Reports have been adopted. The registers of the planning and technical documentation represent a unique database of valid planning documents for the territory of Montenegro and the technical documentation on the basis of which the building permit is issued.

In order to improve the facilities construction process, the Law on Spatial Planning and Construction of Facilities was adopted. An important novelty is the abolition of the construction and use permit, as administrative acts on the basis of which the construction and exploitation of the building is conducted. The facility can be built on the basis of a building application which is submitted to the competent inspection body with the prescribed documentation. For the use of the facility, the investor shall submit a request to the Cadastre with the prescribed documentation. This does not apply to complex engineering facilities for which there are still an obligation to obtain a building permit and an exploitation permit. A new system was established that will treat the payment of the communal utilities connections after the adoption of the General Regulation Plan.

In order to achieve a higher level of quality and safety of facilities, it is necessary to adopt Eurocodes. In the previous period, out of a total of 58, 11 parts of eurocodes were adopted in the Montenegrin language with national annexes for them, and four more are being prepared. However, it is still not possible to do calculation of construction structures based on Eurocodes as Montenegrin standards.

Housing. The lack of housing space, among other things, has caused the phenomenon of informal construction. This situation is largely a consequence of insufficient and inadequate planning documentation, demographic processes, economic status of the State and population, inadequate control (state and local), inadequate administrative capacity, lack of responsibility of illegal builders for the good of the state, etc. A large part of the residential and non-residential sector is currently being managed through informal structures. This contributes to the reduced quality and safety of housing due to insufficient working skills, unlicensed construction materials and uncontrolled construction. A significant portion of public revenues is not being collected. In order to regularize and valorize the territory of Montenegro, as the State's most important resource, a number of activities were conducted in the previous period, to prevent its further devastation.

Social Housing Program for the period 2017-2020 was adopted in September 2017. The realization of the Social Housing Program for the period 2014-2016, namely the projects that were programmed in it, provided a significant number of residential units of social housing. The number of available apartments for social housing was also determined.

Inclusive growth

Labor market policy. The labor market, with some improvements, is still characterized by low employment rate and high unemployment rate, especially of young people, and high inactive labor rate, long-term unemployment and structural disproportion between supply and demand.

Measures and activities in the labor market policy field are being conducted in accordance with the established strategic framework of the employment policy. Put in the context of inclusive growth, measures have been taken to: stimulate employment creation and encourage competitiveness by improving the business environment in order to increase demand for labor; increase the efficiency of active employment policy measures; further integrate the persons with disabilities and other vulnerable categories of unemployed persons into employment, and increase the formalization of informal employment.

In order to improve the business environment, namely increase the flexibility in the labor market, the new Labor Law and the Law on Mediation in Employment and Unemployment Rights are under preparation.

Education. Children's coverage with pre-school education varies from a rather high (90%) in some municipalities in the southern region to a very low in the northern region (27%). In cooperation with UNICEF, a two-year campaign Preschool for All was conducted in all municipalities in the north, which resulted in the increase of enrolled children in these municipalities by 22% in 2016.

In accordance with the new legal arrangements, the English language started to be studied in pre-school institutions for three year olds; the number of pupils per classroom has been reduced, so that now the classrooms of the first grade of elementary school can have up to 28 pupils, with the minister's approval up to 30 pupils; the number of lessons in elementary schools has been reduced by 10%, as well as the weekly teacher's norm to 18 classes of direct work with students.

The basis for working with children with special educational needs is an individual development and education program (IROP), which is conceived for every child. Teaching assistants are no longer hired by the Montenegro Employment Agency through the public work project – the schools hire them as needed for the school year as technical support for children with special educational needs.

Children of the RE population at risk of dropping out are regularly monitored , the measures to overcome the problems are proposed, the families were visited and teachers, professional associates of city schools are in direct contact with them. Free textbooks are provided for students of the RE population.

The Gifted Students Development and Support Strategy (2015-2019) was adopted, which represents an important contribution to the further development of the system of values of the society as a whole, in a manner to clearly indicate the importance of highly capable, gifted and talented students, and of the value of learning, dedication and work . A Coordination Team for the Improvement of the Quality of Education was established, within the framework of activities aimed at improving students' achievements in PISA testing, through improving the quality of education, namely acquiring functional knowledge.

Social welfare. In accordance with the provisions of the Law on Social and Child Welfare from 2013, measures and activities have been realized, yielding significant results. The Institute for Social and Child Welfare was established and social inspection organized. Phases I and II of the Project for Social Card - Information System were successfully completed. Service standards have been introduced, as well as the procedure of licensing and accreditation of the training programs. In order to ensure better accessibility of social and child protection rights for citizens, new centers for social work have been established, and some have been reorganized. Also, the number of material security beneficiaries has been reduced from 14,737 families recorded in July 2013 to 11,059 in December 2015 and to 8,218 families in September 2017.

Positive trends in the area of social and child protection have been significantly impaired by the adoption of the Law Amending the Law on Social and Child Welfare, which stipulates the right to compensation based on the birth of three or more children. This law violated the principle of fairness, which has led to discrimination in the distribution of social benefits, and had a negative impact on public finances and the labor market, with the rise of the gray economy. Following the declaration of the provisions of this law unconstitutional, appropriate laws were passed which have eliminated these compensations and established just solutions for all beneficiaries.

Pension system. The number of beneficiaries of pension and disability insurance rights in 2015, 2016 and in October 2017 amounted to 127,715, 123,492 and 129,218, respectively. The decrease in the number of users in 2016 was due to the fact that 4,761 pension beneficiaries and 86 beneficiaries of temporary benefits, pursuant to the pension and disability insurance regulations, have switched to using of maternity benefits based on the birth of three or more children, pursuant to the Law Amending the Law on Social and Child Welfare. In 2017, the Constitutional Court of Montenegro declared the amendments to the Law on Social and Child Welfare unconstitutional, so these beneficiaries returned to the use of pensions, that is, monetary compensation under the pension and disability insurance regulations.

Payments under the pension and disability insurance rights for the first 10 months of 2017 amounted to €333,417,075.21. In 2016, they amounted to €390,815,475.43 and were 9.7% higher than in 2015.

Healthcare. The Healthcare Policy Strategy is aimed at raising the quality of the health of the population, while adapting and improving the functioning of the healthcare system, all in line with the financial possibilities. Healthcare policy defines general goals: life extension, improvement of the life quality in connection with health, reduction in health differences, insurance against financial risk.

Investments in projects/development measures identified in the Development Directions, realized in the period 2015-2017

The total estimated value of the identified projects/development measures in the Development Directions 2015-2018, at the level of defined development directions (smart growth, sustainable growth and inclusive growth) amounted to €2,889,114,374². In addition, the value of the identified projects within the individual directions of development was:

- "smart growth" - €1.088.869.799 (37.66% of the total estimated value of the identified projects);
- "sustainable growth" - €1.745.502.372 (60.44% of the total estimated value of identified projects) and
- "inclusive growth" - €54.742.203 (1.90% of the total estimated value of the identified projects).

Considering the Development Directions are "live document", the relevance of the identified investments/development measures has been assessed in the past period of its realization, as well as the need for defining/conducting new measures in order to achieve the set development goals in the each policy field, or to respond to the challenges that the Montenegrin economy faces. In this regard, certain adjustments of investments/development measures have been made, on the one hand, and an assessment of the necessary funds for their realization, on the other, so that the new estimated total value of the necessary funds for the realization of investments/development measures for the period 2015-2018 amounts to €3,205,722,435.38, which is 10.95% more than the value given in the initial document (€2.889.114.374). At the same time, there has been a change in structure, so 40.91%

² The total estimated value of identified projects in Montenegro Development Directions 2013-2016 was. €1.164,71 mil.

of total investments/development measures relates to "smart growth", 57.43% to "sustainable growth" and 1.65% to "inclusive growth".

Table 1 Total estimated investment for the 2015-2018 and realized investments in 2015, 2016 and 2017³

Development Direction	Total investments 2015-2018		Realized investments (€)	Realization (%)
	€	%		
Smart growth	1.311.553.918,59	40,91	1.250.666.141,84	95,36
Sustainable growth	1.841.204.514,60	57,43	904.085.381,43	49,10
Inclusive growth	52.964.002,19	1,65	30.132.461,90	56,90
Total	3.205.722.435,38	100	2.184.883.984,17	68,15

In the period 2015-2017, €2,184,883,984.17 or 68.15% of estimated investments for the 2015-2018 period was spent. The highest level of realization is in "smart growth" development direction (95.36%). In the development directions of "sustainable growth" and "inclusive growth", the level of realization was 49.10% and 56.90% respectively.

In addition, all investments/development measures in the policy fields of "science" and "tourism" were implemented, and in the field of SMEs the level of realization was 95.36%. Within the development direction of "sustainable growth", the level of investment realization ranges from 34.85% in the "environment" policy area to 90.73% in the field of "forestry" policy. Within the development direction of "inclusive growth", all investments/development measures within the labor market and education policy fields were realized, while the level of realization within the framework of social protection was 38.93%.

Out of the total amount of funds spent (€2,184,883,984.17), 11.22% was provided from the Budget, 1.46% from EU funds, 20.94% from loans, 1.10% from donations and 65.28% from other sources, which are mainly related to private funds.

The structure of the source of funds for each development direction varies. For realization of investments/development measures within the development direction of "smart growth", 93,00% of funds was provided from other sources. In addition, a significant part of the funds (€403,996,011,34) relates to funds that were invested by the Investment Development Fund for the development of small and medium enterprises, as well as to funds for tourism projects (€758,000,000.00) which were almost entirely provided from private sources (96.35%).

Within the development direction of "sustainable growth", most funds are secured from the loans (€447,085,359.39 or 49.45%). Out of this amount, €341.289.060,15 or 76.34% was spent for the implementation of projects under the "transport" policy. For realization of projects within the "energy" policy, €274,990,048.28 was spent, of which 81.48% relates to private sources funds.

Within the development direction, "inclusive growth", most of the funds were provided from the state budget, €19,425,523.51 (64,47%), out of which €16,773,011.14 or 86.34% were spent on the

³ The showed amounts will be higher when the data for the whole 2017 become available

realization of investments/development measures in the field of "labor market" policy.

The structure of the sources of funds according to the development directions reflects the policy of the Government of Montenegro, namely its commitment to create an environment for the realization of projects, especially in the tourism and energy sectors, according to a model that does not imply state participation in providing the funds. At the same time, it reflects the government's commitment to expand and improve transport infrastructure, as a precondition for balanced internal regional development, as well as linking with the region and beyond. Strengthening of policies, namely realization of measures within the development direction of "inclusive growth", due to their nature, is mainly supported or financed by the Budget funds.

III GENERAL ECONOMIC FRAMEWORK

3.1. Key economic policy priorities

The strategic goal of development and economic policy, increasing living standards, will be achieved with providing the conditions for more dynamic economic growth and development. In this regard, the concept of economic policy of Montenegro implies the implementation of measures related to strengthening the macroeconomic stability of the country, especially the consolidation of public finances and increasing the stability of the financial sector, as well as the realization of measures related to priority sectoral policies and infrastructure projects. In this way, structural problems in the economy will be resolved and thus eliminate the key obstacles for improving the competitiveness of the country and increasing the potential economic growth in the medium and long term.

The goal of the Government of Montenegro in the field of fiscal policy is to increase budget revenues, reduce current spending and increase investment in infrastructure, establish the trend of public debt reduction and its financing from economic growth.

The problem of imbalance of public finances is conditioned by the construction of the Bar-Boljare motorway to a considerable extent. In addition, the realization of this capital project, namely the most important infrastructure project in the recent Montenegrin history, is not only a cost, but also an engagement of all economic factors, which stimulates a more intensive investment cycle and also positively affects competitiveness. The motorway is a project that changes the flow of economic growth and development of Montenegro for the better and for the benefit of present and future generations. With the motorway, the state resolves the problem of lacking and safer road infrastructure, provides better connection of the Northern region with the Central and South, better connection with the rest of South-Eastern Europe, connects the Port of Bar with the Danube Region, stimulates the growth of the tourism, agriculture and trade sectors.

The pension and health systems also apply growing pressure on public finances. The countries of the European Union (EU) are faced with the same problems, but in a somewhat milder form. Problems related to the sustainability of the pension system are characteristic of the countries in the region. The challenges facing the pension system of Montenegro, such as: financial sustainability of the system in the short and long term, unfavorable demographic trends (aging of the population), increased life expectancy, insufficient labor market activity, early retirement and privileged conditions for retirement, point out to the necessity of reform. In order to ensure an adequate, sustainable and secure pension system, the pension system reform was implemented in 2011, and its full effects will only be visible after the transition period. For the sustainability of the pension system it is necessary that the ratio of the number of employees and the number of pensioners be at least 3: 1. Currently, in Montenegro, this ratio is 1.65: 1. The unfavorable ratio of the number of employees and the number of pensioners has led to expenditures for pensions being higher than the revenues deriving from the contribution, namely to the deficit of the pension system, which conditioned its financing from the Budget of Montenegro revenues. In addition, the share of general budget revenues in the financing of the pension system has been reduced from 32% of the total expenditures of the Pension and Disability Insurance Fund in 2015 to 30.82% in 2016. Therefore, the key objective of the pension system reform is to reduce the pressures the payment of pensions represents for the state budget. In this respect, and in order to ensure greater fairness, legal conditions allowing early retirement and, thus, affect the early abandonment of the labor market will be re-examined.

The financing of the healthcare system also has a significant influence on the long-term sustainability of public finances. In the previous period, the high level of outstanding liabilities of the Health Insurance Fund, namely public healthcare institutions, jeopardized the financial stability of the

healthcare system, and represented a great challenge for the Budget of Montenegro. In this regard, in 2016, unpaid obligations from the previous period in the amount of €46.0 million were paid, thus creating the conditions for the Health Insurance Fund to regularly service its obligations in the following period. In order to overcome financial difficulties and to establish financial sustainability of the healthcare system, reforms are being implemented, which are expected to yield positive results in the forthcoming period.

In order to strengthen fiscal stability, fiscal consolidation measures have been determined in 2017. In order to meet the challenges, namely reduce the budget deficit and cross into the surplus zone in 2020, and establish the trend of declining public debt from 2019, the Government has opted for measures that will evenly and to the least extent possible negatively affect the economy and population. Increasing excises, or accelerating the dynamics of harmonization with EU standards, will have significant effects on revenue growth, but they are not endangering the living standard, on the contrary, the quality of life of the population is raised, bearing in mind that these are products that are harmful to health. The standard VAT rate was increased for 2 pp, while the lower VAT rate of 7% remained at the same level. Other taxes remained unchanged, which is in line with the commitment that Montenegro, from the aspect of the level of tax burden, remains a competitive destination for foreign investments. Simultaneously, significant efforts are being made to increase fiscal discipline and thereby reduce the informal economy, as an obstacle to economic growth. On the other hand, in order to achieve savings in budget spending, public sector wages have been reduced, discretionary spending has been reduced to the level that will ensure the efficient functioning of spending units and the fulfillment of legal and contractual obligations, and the social welfare policy is also redefined.

The mentioned fiscal consolidation measures will not significantly affect the slowing down of the economic growth rate in the medium term, and will contribute to a sustained economic growth in the long run. Moreover, in the forthcoming period, respectable results will be achieved in the part of fiscal consolidation, which will ensure credibility of public finances of Montenegro, and with improvement of the credit rating, Montenegro's position on the financial markets will significantly improve.

In order to further stabilize the banking sector, measures are being taken to address the problem of high participation of non-performing loans in banks' balance sheets, strengthening the capital base and liquidity position of banks, and providing easier accessibility of financial resources under more favorable conditions.

Fiscal policy measures are necessary but not sufficient to maintain macroeconomic stability and create conditions for economic growth, so the structural reforms have become a priority of the economic policy of the Government of Montenegro. The creation of a competitive economic system, which will ensure sustainable and more balanced economic growth and development in the long run, is conditioned by the efficient implementation of the initiated structural reforms and the implementation of appropriate sectoral policies.

In this regard, and in response to the development imperative, systemic solutions are implemented in the direction of improving the business environment, financial and institutional support to the development of entrepreneurship, namely the sector of small and medium enterprises, improvement of labor legislation, pension system, healthcare, education, and the achievement of a higher efficiency and productivity of the state administration.

A special challenge for Montenegro is the improvement of physical capital, primarily in the fields of transport and energy, which is an obstacle for better valorization of potentials, as well as for reducing the differences in development between individual regions of the country and adequate connectivity with the countries of the region and the EU.

In order to create the conditions for better valorization of resources, within the framework of the tax policy reform, special fiscal preferences for investments have been introduced. Simultaneously, in order to better integrate into global flows, inter alia, the work is being done on increasing the competitiveness of companies, through adjusting to the requirements of international standards and improving quality; promotion of agricultural food products, as well as improvement of the institutional framework for promoting and stimulating investments, with emphasis on manufacturing.

In the period 2018-2021, the success of economic policy will be measured by the following indicators:

1. Average GDP growth rate, nominally 4.2%, and in real terms about 3.1%;
2. Average employment growth, about 0.5%;
3. Reducing the unemployment rate from 16.7% in 2018 to 16.5% in 2021;
4. After high growth in 2017, the average growth rate of gross investments will amount to 2.2%, with continuing high share in GDP (around 23.0%);
5. Reduction of the current account deficit, from 18.0% of GDP in 2018 to 12.4% in 2021;
6. Public finances deficit in the period 2018-2021 will gradually decrease from 1.6% of GDP in 2018 to 0.1% of GDP in 2019, while in 2020 and 2021 it will register a surplus of 5.4% and 6.2% of GDP respectively.
7. The government debt will reach the maximum in 2018 - 64.14% of BPD - after which a slight decrease is expected and at the end of the observed period will amount to 50.55% of the estimated GDP.

3.2. The growth pattern changes

The Montenegrin economy, as small and open one, is characterized by:

- (i) a high level of sensitivity to developments in the international economy, and
- (ii) dependence on international markets and inflows of foreign investments, in the absence of domestic sources.

The global economic and financial crisis has pointed to the need to change the global growth model, as traditional sources of growth and economic policy instruments are exhausted. By choosing the right instruments and measures of economic and development policy, the economy will be timely adapted to the current processes and trends.

The current model of Montenegro's economy growth is based on strong investment activity. The non-diversification of Montenegrin economy significantly diminishes the positive effects of investments, as the lack of capacity for the production of goods and equipment necessary for the implementation of investments, and in this regard, the high imports following the investment cycle have a negative impact on the overall results, namely projected growth rates. Investments have limited impact on employment, due to the imbalance between supply and demand of the workforce. In order to ensure the continuity of economic growth, a "change" of the current drivers of growth is needed, so that increasing efforts are directed towards the development of the entrepreneurial sector, namely small and medium businesses, especially in the agricultural and manufacturing sectors.

3.3. State of the economy and perspectives

The Montenegrin economy from 2011 to 2016 is characterized by moderate growth, with a recession in 2012, caused by an unstable economic situation in Europe, with a GDP decline of 2.7%, after which

a recovery period came, led primarily by investments and turnover in the tourism sector. The average GDP growth rate in this period was 2.0%. In 2016, the gross domestic product of Montenegro amounted to €3,954.2 million, or €6,354 per capita. GDP per capita was 42% of the EU28 average, while the indicator of real personal consumption according to purchasing power standard (RPP)⁴ was at the level of 54% of the EU average, which is a slight increase compared to 2015 (GDP per capita was also 42% of the EU28 average, while the RPP was 53% of the average EU28).

Table 2 Purchasing Power Parity in the chosen countries, 2016, EU28=100

State	GDP per capita	Real personal expenditure according to the Real Purchasing Power (RPP)
EU 28	100	100
Slovenia	83	75
Croatia	59	59
Montenegro	42	54
Macedonia	38	41
Serbia	36	45
Albania	30	39
Bosnia&Herzegovina	31	41

Source: EUROSTAT

In the highly import-dependent Montenegrin economy, inflation in the period 2011-2016 was primarily influenced by price fluctuations on the world market (food and oil), with the highest average rate in 2012 (4.1%) and the lowest (-0.7%) in 2014. Employment grew slightly during the period, from 0.8% in 2011 to 1.3% in 2016, with the highest growth in 2016 in the construction sector (8.8%), which is the result of intensification of investments, primarily in the infrastructure and tourism. Wage growth ranged from 1.0% in 2011 to 3.6% in 2016 (change in legislation).

Table 3 The key macroeconomic indicators, for the period 2011-2016

	2011	2012	2013	2014	2015	2016
GDP by current prices, in mil. €	3.264,8	3.181,5	3.362,5	3.457,9	3.654,5	3.954,2
GDP, real growth rate, in %	3,2	-2,7	3,5	1,8	3,4	2,9
GDP structure, % of participation						
Households consumption	81,6	82,7	81,0	80,2	79,2	76,8
State spending	21,1	21,1	19,5	19,4	19,2	19,6
Gross investments in fixed assets	19,5	19,8	20,2	19,0	20,1	23,2
Change in stocks	-0,2	0,8	-0,6	1,2	-0,1	2,9
Net exports	-22,0	-24,4	-20,1	-19,8	-18,5	-22,5

Source: Monstat

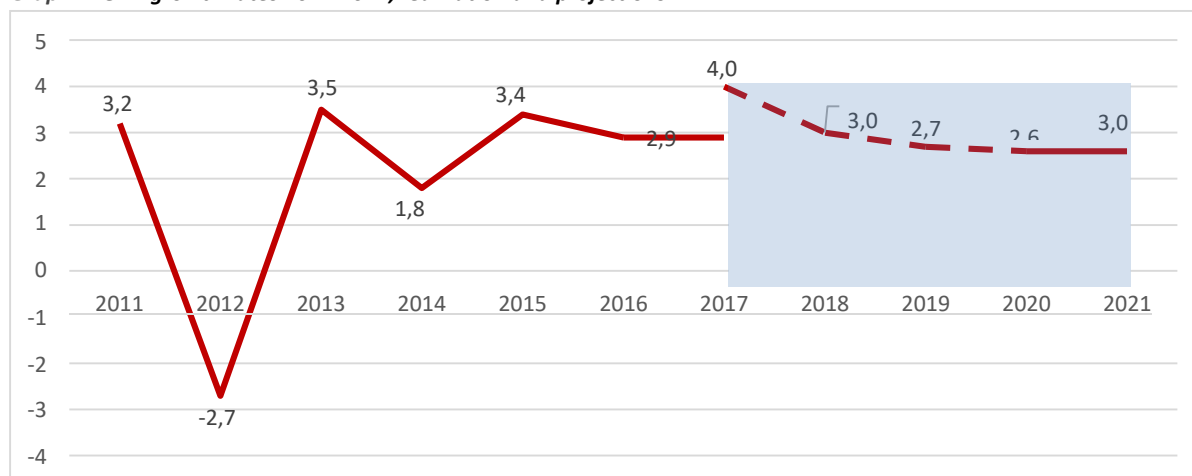
After a weaker growth in the first quarter of 2017, the Montenegrin economy accelerates growth, stimulated by the intensification of works on the realization of transport infrastructure projects, as well as projects in tourism and energy.

In the first two quarters of 2017, the Montenegrin economy grew at a real rate of 3.2 and 5.1% on an annual basis, so the growth rate of GDP in the first half of the year was 4.2%. Economic growth was driven primarily by the high increase in domestic demand, primarily personal consumption and gross

⁴ Besides goods and services purchased directly by households, this indicator includes services provided by the non-profit institution and government for personal expenditure (i.e. healthcare and education services)

investment, which led to an increase in employment and available income. The retail sales growth, wage growth and overall employment growth points to a higher household consumption. Growth in gross investments is indicated by the increase in the value of completed works, the growth of realized effective hours and the growth of employment in the construction sector.

Graph 1: GDP growth rates 2011-2021, realization and projections



Source: Ministry of Finance

Perspectives until 2021

According to projections, the average growth of the Montenegrin economy for the period 2018-2021 is 2.8%. In addition, it will be largely impacted by the growth of investment activities and the engagement of domestic potentials, primarily in the construction and transport sectors, as well as by the multiplying effects of related sectors. The strong contribution of the construction sector will be stimulated by even greater involvement of domestic operators in the construction of infrastructure, new tourism facilities and energy facilities. In the operational phase (the effects of the offer) of the functioning of these projects, the economy potential growth is expected, with multiplying effects on the entire economy. A special contribution is also expected from the agricultural sector, considering the significant investments in this sector, and the effects will be visible through the substitution of food imports and increased exports. Average projected GDP growth rate

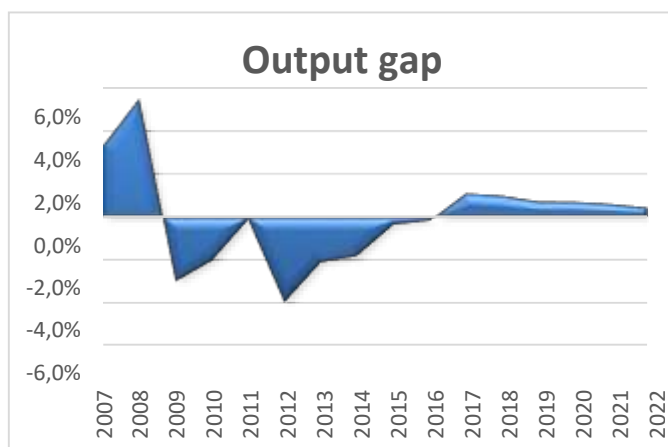
Table 4 The key macroeconomic indicators, estimates and projections for the period 2018-2021

	2018	2019	2020	2021
GDP by current prices, in mil. €	4.397,7	4.569,4	4.729,6	4,943,6
GDP, real growth rate, in %	3,0	2,7	2,6	3,0
GDP structure, % of participation				
Households consumption	77,4	77,3	77,0	77,1
State spending	18,5	18,0	17,4	16,8
Gross investments in fixed assets	23,9	23,1	22,1	22,2
Change in stocks	2,2	2,0	2,0	0,0
Net exports	-22,0	-20,4	-18,5	-16,1

Source: Ministry of Finance

BOX 1: Potential growth in Montenegro

The estimate of potential growth and output gap was made on the basis of the CD⁵ production function, which more accurately depicts sources of growth by production factors. Unavailable data on the value of capital in the economy of Montenegro was replaced by an estimate of the value of the capital. The capital calculation for the initial year is done in accordance with the methodology that takes into account that the value of capital in the initial year equals the value of gross investments in that year divided by the average growth of this item for the available period, to which the value of depreciation of capital is added⁶. Basis of assumption is that the share of labor in production is 0.65, capital is 0.35, while the depreciation rate of capital is 5% per annum. The estimate of the labor movement was based on the estimate of the population movement according to the variant of medium fertility and the assumption that the reforms of the legislation that are being implemented or intended to be implemented will increase the activity rate from the current 55% to about 60% in 2022 and thus contribute to the increase in the potential of the workforce..



Graph 2 Output gap

Analysis of the participation of the production factors and, related to them, the total factor productivity shows that in the period 2007-2016 capital participation in the real growth rate was on average 1.9%, participation of the labor force was 0.3%, while the total factor productivity had a negative share of 0.5%. This indicates that the average growth potential is primarily conditioned by the growth of physical capital, poor labor force participation and a negative share of total factor productivity. For the period 2017-2020, the participations of production factors changes somewhat, the capital remains at the same level of an average of 1.9%, labor force participation increases to 0.5%, while the share for total factor productivity, as a residual, increases to 0.8%. This data indicates that the technological dynamics of the Montenegrin economy's production factors, which are related to technological growth and labor efficiency, are expected to increase.

The results of the model show known dynamics in the period 2007-2015, with high output gap in 2007 and 2008, a double dip recession of 2009 and 2012 and a strong investment cycle starting in 2016, which is assumed to last until 2020, because there are no private investors plans nor the capital budget plans for a longer period. Although the results of the model are taken with a certain reserve, the average potential growth from 2007-2016⁷ is 2.1%, for the period 2017-2020 it increases to 2.9%, because the completed investment projects increase the value of capital as one of the growth components. After that, it is expected that the completion of infrastructure projects primarily will open up new opportunities for investment and that further growth of potential will occur.

3.4. Domestic and external demand

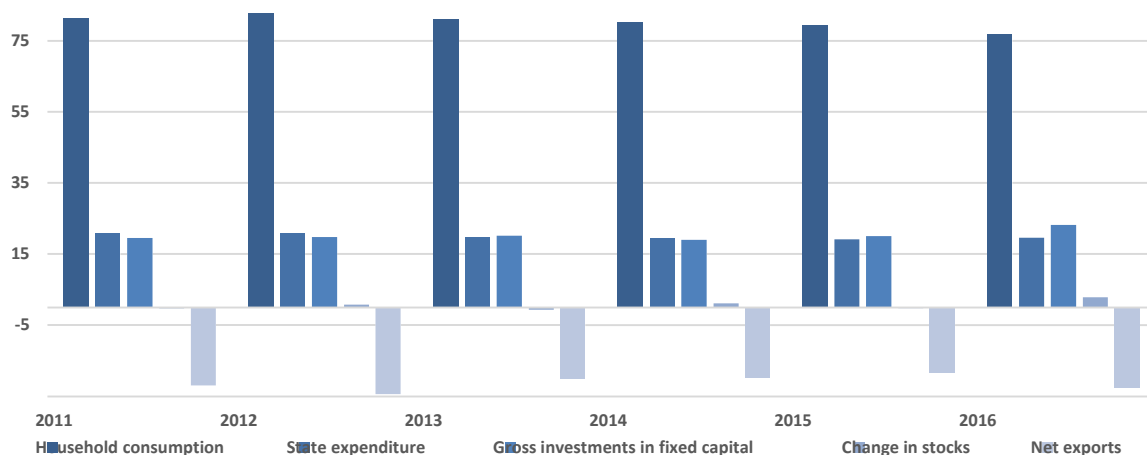
The GDP structure by consumption method in the period 2011-2016 shows slight fluctuations, relatively stable and qualitatively the same participation of all basic components, other than gross fixed capital investments, whose participation in 2016 rose to 23.2% of GDP, due to the strong investment cycle. The negative impact of net exports on GDP is continuously increasing, so that GDP on this basis in 2011 was reduced by 21.9% and in 2016 by 22.5%. Also, under the influence of the negative foreign trade balance, GDP is lower by 40.0% in 2011, and in 2016 by 42.0%. In this regard, the coverage of exports by imports has been reduced from 26.7% of GDP in 2011 to 16.9% in 2016.

⁵ Cobb-Douglass production function

⁶ Hall and Jones –“Why do some countries produce some much more output per worker than others”

⁷ This year, Monstat has conducted data review for the period 2006-2009 and for 2015

Graph 3 GDP-consumption method components

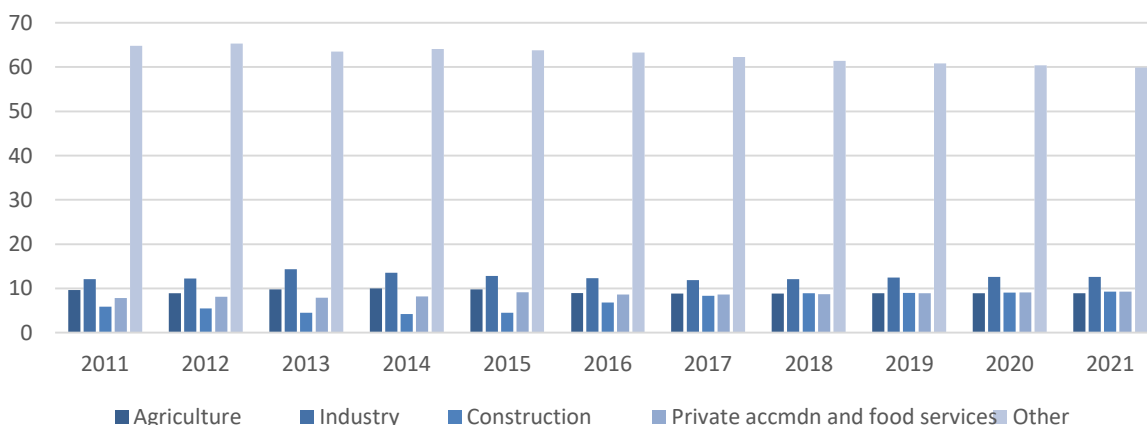


Source: Monstat

3.4.1. Change in the structure of Gross Domestic Product

The Gross Value Added structure for the period 2011-2016 and projections for the period 2017-2021 indicate a change in the participation of certain sectors of the Montenegrin economy and an increase in the participation of the service sector. In the period 2011-2016, there was a decline in the participation of the agriculture sector in the GVA, from 9.6% to 9.0%, industrial production, with mild oscillations, moved around 12.0% of GVA, and the participation of tourism (provision of accommodation and food services) increased from 7.8% to 8.6%, and of construction from 5.9% to 6.8% of GVA.

Graph 4 Participation in Gross Added Value for the period 2011- 2021



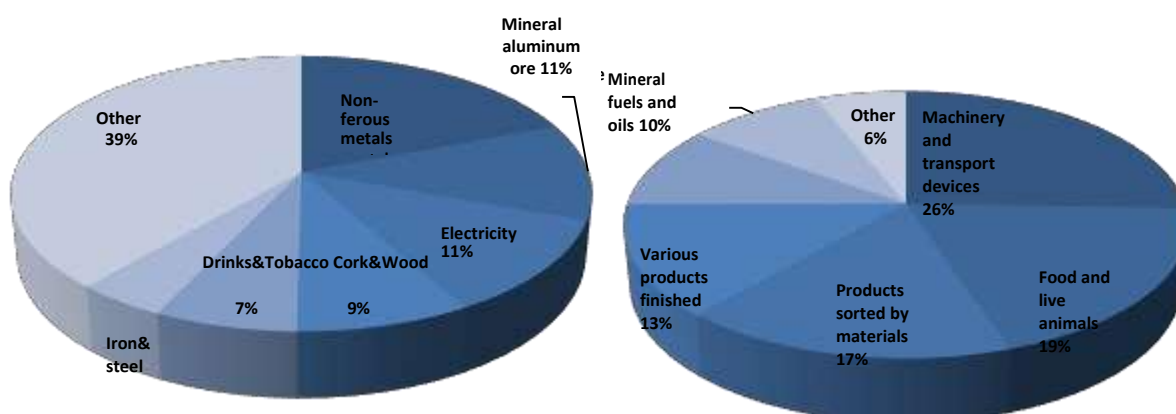
Source: MONSTAT and Ministry of Finance

Due to strong investment activities in infrastructure, tourism and energy, further growth in the participation of the construction and tourism sector is expected, which in 2021 should amount to 9.3% of GVA, for both sectors.

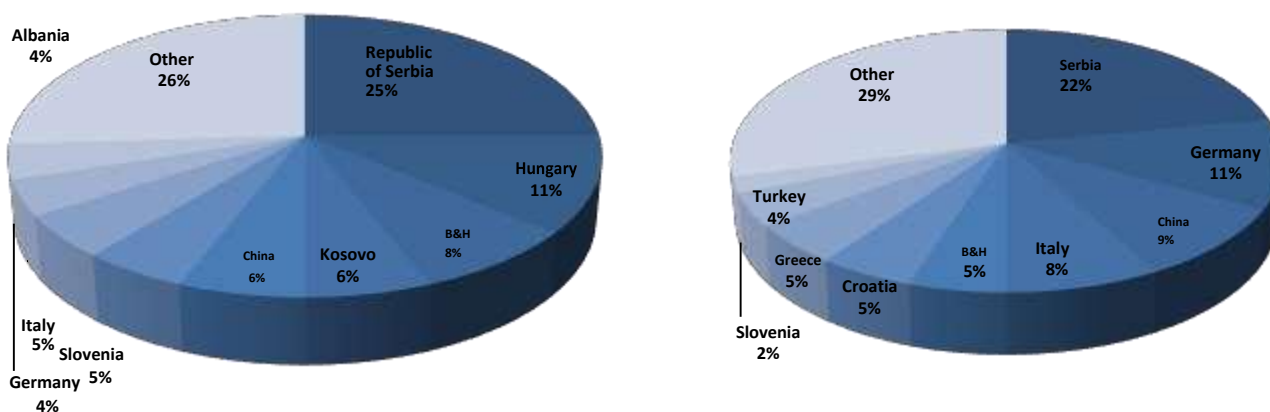
3.4.2. External demand and foreign direct investments are an important source of growth

Montenegro, as an open and highly import-dependent economy, records a negative balance of trade with foreign countries, which, in conditions of a rising import trend, has an impact on further deepening of the foreign trade imbalance. The trade deficit increased and at the end of 2016 it was 42.0% of GDP. Export of goods in 2016 was slightly increased under the influence of exports of raw materials and electricity. Export of aluminum, the main export product, recorded a decline in share in total exports from 55% in 2007 to 19% in 2016, which affected the decline in exports to the EU28. The most important import products are food, energy products, machinery and equipment, mineral products, chemical products and road vehicles. Large infrastructure investments continue to require high imports of capital goods. In the structure of imports, the most significant growth was recorded in the import of machinery and transport equipment (29.2% annually, with a share of 25.6% of total imports), for the purpose of realization of investments (motorway, submarine energy cable, wind power plants and hotel capacities). The increase in imports related to investments, with lower commodity prices, increased the foreign trade deficit. Despite the gradual recovery in EU demand, lower prices have reduced the value of exports.

Graph 5. Export & Import structure by products groups for 2016



Graph 6. Export & Import structure by states - 2016

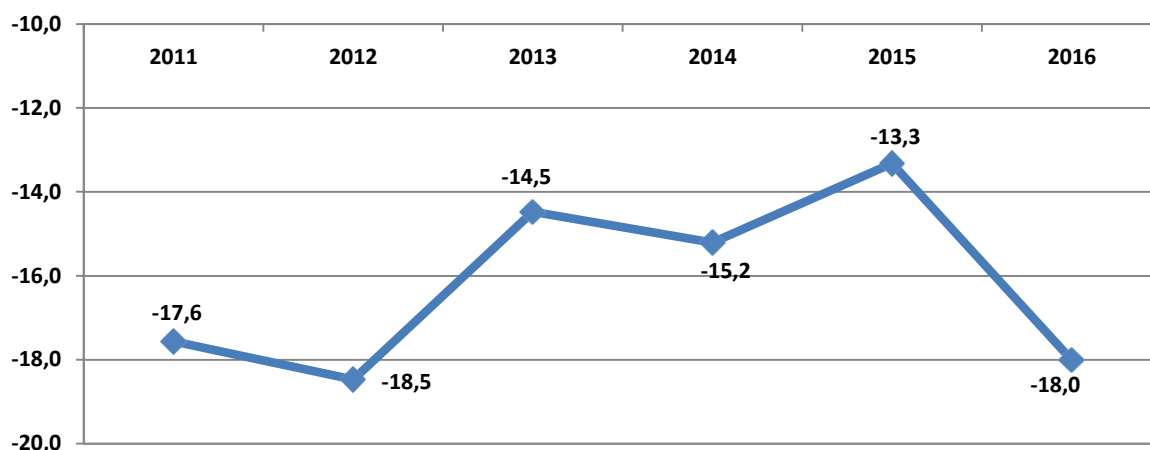


The growing trend in the balance of payments deficit, in conditions of high import dependence and low value of exports, is characterized by developments in the external sector in 2016 and is one of the serious risks for the Montenegrin economy. Financing of the deficit is mainly provided from foreign direct investments and the state borrowing in the domestic and international markets.

The current account deficit in 2016 reached the level of 18.0% of GDP, which is a consequence of an increase in the trade deficit, reduction of surplus on the basis of services turnover and the payments of dividends to non-resident investors.

The trade deficit was followed by a decrease in the surplus on the account of services, with a 14.3% increase in expenditures, based on transport, professional, consulting and other business services. This resulted in an increase in the negative balance of goods and services (net exports) by 31.7% in the final sum. During 2016, the surplus on the primary income account also decreased by 43.0%, due to the payment of dividends to non-residents. The secondary income account shows an increase in the surplus by 21.9%, with a high growth of the inflow in the state sector based on paid state taxes and fees of 97.6%.

Graph 7 Current account balance for the period 2011-2016, in GDP %



Source: Central Bank of Montenegro

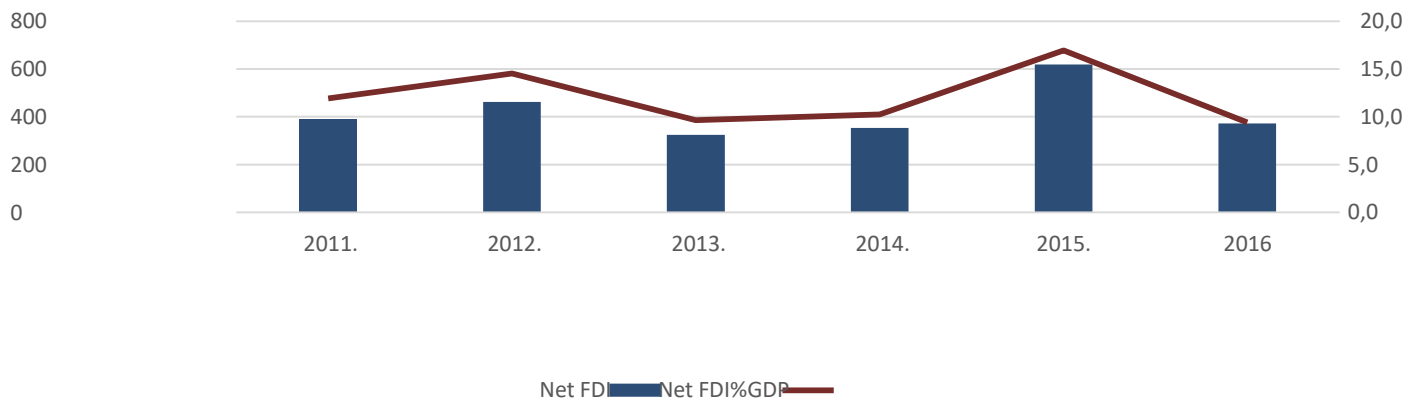
BOX 2: Balance of payments

The current account deficit is still high and is funded primarily by the inflow of foreign direct investments, net transfers from abroad and personal transfers, as well as government borrowing. After a significant increase in 2015, the share of net inflows of foreign direct investment in GDP in 2016 is reduced, but it still finances about 55% of the current account deficit. Net remittances and fees from abroad (income from remuneration of employees with foreign employers and personal transfers remain an important factor in financing the current account deficit with increasing share in financing the balance of payments deficit. In the period 2010-2016, the average participation of these revenues amounted to 9.1% of GDP. Expenditures based on international investment, (payment of dividends) contributed to the increase of the deficit, increasing the deficit of the balance of payments of Montenegro.

Foreign direct investments (FDI) are an important factor of increasing growth and competitiveness. Adverse developments on the global level and a lower level of interest of foreign investors in the period 2011-2014 resulted in a reduced inflow of foreign direct investments, although FDI participation in GDP remains above the average of the countries in the region. In 2015, net inflows of

foreign direct investments grew by about 75.0% compared to 2014. Growth was prompted by a significant increase in inflows from equity investments and a decrease in outflows. The high outflow recorded in February 2016, amounting to about €200 million (dividend payments from the accumulated profit of one company, which according to the IMF methodology is recorded as a capital withdrawal or decrease in foreign investments) resulted in a fall in the net inflow FDI in 2016 by 40.0% compared to 2015. In the period 2018-2021, a strong investment activity is expected, with the largest investment related to the construction of the section of the motorway from Smokovac to Mateševo. In addition, significant investments in tourism, energy, industry and agriculture have been announced.

Graph 6 Net Foreign Direct Investments for the period 2011-201, in € mil. and GDP%



3.4.3. Financial stability is at a satisfactory level, with increased resilience to potential risks

Significant improvements in asset quality and the recovery of credit growth have had a positive effect on banks' operations, which is reflected in the growth of all monetary parameters. Recovery of credit growth is supported by a downward trend in non-performing loans (NPLs), which burden banks' balance sheets and represent a brake on faster economic development. On the other hand, high liquidity parameters point to limited lending activity, due to the high caution of banks in taking risks, which reflects in the relatively high level of interest rates. The financial result at the system level was positive and in October 2017 it amounted to €30 million. There are 15 banks operating in the banking system, dominated by banks with majority foreign ownership, with a share of 74.5% in the total assets of the banking sector.

The security of the banking system is reflected in the continuous growth of deposits, which reached the maximum amount of €3,188.7 mil., which represents an increase of 12.2% annually. However, the maturity structure of deposits is still not satisfactory, given that demand deposits account for (60.3%) of total deposits, while time deposits share is 39.0%.

The credit activity of banks was intensified in 2017, increasing by 13.0% in ten months, while at the annual level this growth was 9.2%. However, credit activity has not yet reached a level that would be a powerful driver of economic growth. The restrictive policy of banks is still present, which makes their contribution to solving the problem of insufficient liquidity of the economy and to accelerating economic growth far smaller than expected.

In 2017, the regulatory framework for the resolution of non-performing loans (NPL) has been significantly improved, and a comprehensive strategy for resolving the NPL in Montenegro is based on it, within the project Podgorica Approach. Considering the unfavorable experience with the application of the Law on Financial Debt Restructuring by Agreement towards Financial Institutions from 2015, with the application timeframe of two years, the Parliament of Montenegro adopted the Law on Amendments to this Law, which has been applied from June 2017. The effects of the application of new solutions are already evident, because the loan restructuring was made with seven of the total of fifteen banks. Observed at the aggregate level, the positive trend of reducing non-performing loans continued. At the end of October, non-performing loans amounted to EUR 194.2 million, which represents a decrease of 25.9% annually.

The trend of falling average weighted nominal and effective interest rates (WAEIR and WADIR), started in the last quarter of 2014, and continued in 2017. At the end of October 2017, the average weighted effective interest rate on total bank loans was 6.94%, or 7.21% on new loans, so the interest rate on total bank loans was lower by 0.71 percentage points on an annual level.

These movements, along with the long-term trend of falling interest rates, led to a decrease in the interest rate spread, from 6.66 p.p. in October 2016 to 6.20 p.p. at the end of October 2017, which impacted the operations of certain banks. The continuation of this trend will exert additional pressure on the profitability of banks, especially smaller ones, which will require their faster adjustment to emerging market conditions, reduction of operating costs and increased competitiveness through the provision of new products and services. Considering the given circumstances, it is possible to expect the merger or consolidation of banks in the banking market in the coming period.

One of the chronic problems facing the economy is high illiquidity, which is confirmed by the fact that at the end of October 2017, out of a total of 65,076 legal entities and entrepreneurs, 16,098 or 24.7% was insolvent. Debt value based on the blockade amounted to EUR 629.4 million, representing an increase of 1.8% annually.

With the aim of aligning with the new EU legal regulations in the field of financial services, significant reforms will be made to regulate banking operations. At the end of October this year, the Law on Financial Leasing, Factoring, Purchase of Receivables, Microcredit and Credit-Guarantee Operations was adopted, which regulates the establishment, operation and control of the operations of the most important non-banking institutions, which until now have not been covered by the current legislative framework, as well as amendments to the Law on the Central Bank, which ensures the institutional and financial independence of the Central Bank of Montenegro. In the process of EU accession, Montenegro has inter alia undertaken to harmonize its legislation with the Directive on the Establishment of a Framework for the Recovery and Resolution of Credit Institutions and Investment Companies 2014/59 (BRRD). Compliance with this Directive will be implemented in the adoption of the new Law on Resolution (initiation of the resolution process, resolution plans, resolution procedures, measures and resolution instruments, resolution funds, etc.), and partly through the adoption of amendments to the Law on Banks (regulating measures within the competence of the supervisory authorities of banks and include the issues of bank recovery plans). The adoption of these laws is planned for the first half of 2018.

3.5. Public finances

3.5.1. The state of public finances and projections

The aim of fiscal policy in the medium term is to establish the sustainability of public finances, namely reducing the deficit and gradually decreasing public debt. In this regard, implementation of the fiscal consolidation measures defined by the Resolution Plan and the Fiscal Strategy will ensure the achievement of this goal.

The public spending deficit for 2016 amounted to €142.2 mil. or 3.6% of GDP and was lower by €160.5 million compared to 2015. In 2016, the primary surplus was 0.7% of GDP.

In the period January-September 2017, the revenues of the Budget amounted to €1,116.1 million, and they were higher by 3.0% compared to the comparative period, and by 0.1% compared to the plan. Budget expenditures, in the same period, amounted to €1,218.8 mil. and are lower by €100.0 mil. or 7.6% of the planned, and higher by 9.7% compared to the comparative period. Budget deficit, in the observed period, amounted to €102.6 mil. or 2.4% of GDP and it is €74.5 million higher compared to the same period in 2015. The primary deficit for the first nine months amounted to €11.9 mil. or 0.3% of GDP.

Budget estimation until the end of 2017⁸. The original budget revenues in 2017 were estimated at €1,580.0 mil. or 37.6% of GDP, which is by €20.4 mil. or 1.3% more than planned in the Budget Revision in June of the current year. Expenditures of the state budget are estimated at €1,752.0 mil. or 41.7% of GDP, of which €1,493.4 million or 35.5% of GDP relates to current budget expenditures, and €258.60 million or 6.2% of GDP to the capital budget. According to estimates, the state budget deficit in 2017 will amount to €172.0 mil. or 4.1% of GDP and will be lower for €61.8 mil. than previously planned.

Projections until 2021. In the period 2018-2021, the original revenues of public finances will range from €1,941.8 mill. to €2,134.3 mil. Although revenues will rise in nominal terms, their share in GDP will decline from 44.2% in 2018 to 43.2% in 2021, due to the increase in economic activity. In the structure of public revenues, a value added tax and contributions (which make

⁸ The estimates were based on the projection of the GDP real growth for 2017 and on the effects of fiscal consolidation measures realization

up roughly 59% of public revenues) will have the highest share, as well as personal income tax. In addition, excise revenues will continue to grow, due to the need to harmonize Montenegro's excise policy with the standards of the European Union.

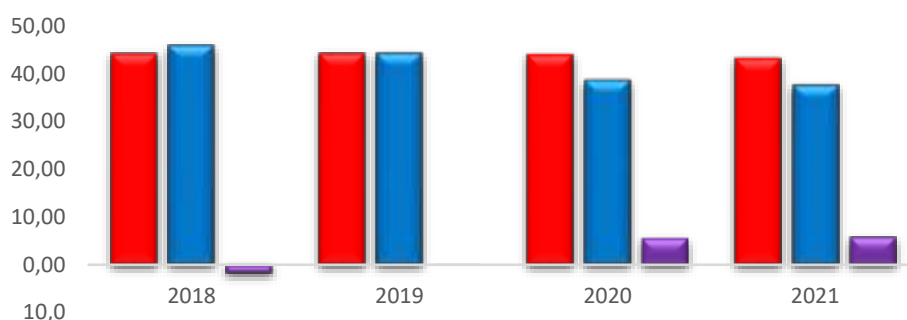
Public spending for the period 2018-2021 will be continuously reduced, as well as its participation in GDP. In this regard, public consumption in 2018 will amount to €2,012.6 mil., and in 2021 will be €1,829.0 mil., while its share in GDP will range from 45.8% in 2018 to 37.0% in 2021. The capital budget will increase from €350.2 mil. in 2018 to €356.3 mil. in 2019, after which it will be reduced and, in 2020 it will amount to €153.9 mil., or €167.4 mil. in 2021, when the surplus of the budget in the amount of 5.6% of GDP is planned. In addition, the volume and dynamics of spending of funds are conditioned by the realization of the project of construction of the Motorway.

BOX 3. Fiscal policy - conditions created for establishing sustainability of public finances

The main objective of fiscal policy in the medium term is to maintain the stability of public finances, through the implementation of adopted fiscal consolidation measures, to ensure a reduction in the public spending deficit, namely to achieve a surplus starting from 2019 and a gradual decline in public debt levels. In the period 2018-2020, the following measures of fiscal policy will be implemented:

- Applying a general VAT rate of 21%, from January 1, 2018;
- Aligning excise policies with EU standards (gradual harmonization of excise taxes on tobacco and tobacco products, excise on ethyl alcohol, excise on carbonated water with the addition of sugar or other sweetening or aromatic substances and introduction of excise on coal from January 1, 2019)
- Establishment of electronic monitoring of fiscal cash registers, starting from mid-2019;
- Collection of outstanding tax debt, through implementation of the Law on Rescheduling of Tax Receivables;
- Taxation of income of natural persons (applied to the share of earnings above the national average) at a rate of 11% by the end of 2019, while a lower rate of 9% is applied to lower wages;
- Creation of legal preconditions for the legalization of informally constructed facilities that will influence the increase in revenues collected by local self-governments;
- Optimization of the number of employees in public administration in accordance with the Public Administration Reform Strategy in Montenegro for the period 2016-2020;
- Redefined social policy that is fiscally sustainable and enables a more equitable distribution of social funds;
- Adjustment of pensions will be done according to current and projected macroeconomic indicators, which have an impact on the amount of pension (average salary and inflation);
- Slowing the expenditure growth, i.e. controlled expenditure growth through better allocation and more efficient management;
- Intensive activities aimed at: reducing the level of informal economy; reduction of tax receivables; as well as cautious issuance of guarantees, which must be mainly in the service of development;
- Implementation of incentive measures that are serving a more balanced development of the country, and faster development of underdeveloped areas.

Graph 7 Public finances 2018-2021 in % of GDP



Original revenue Public spending surplus/deficit

Source: Ministry of Finance

Public finances deficit in the period 2018-2021 will gradually decrease from 1.6% of GDP in 2018 to 0.1% of GDP in 2019, while in 2020 and 2021 it will register a surplus of 5.4% and 6.2% of GDP respectively.

3.5.2 State and dynamics of the state debt movement

At the end of 2016, the state debt of Montenegro amounted to €2,402.96 million, or 60.77% of GDP. Out of that, the internal debt is €400.2 million or 10.12% of GDP, and the external debt is €2,002.76 million or 50.65% of GDP.

The amount of state debt, namely its participation in GDP, is primarily the consequence of the budget deficit, which is mainly financed by borrowing on the international market, by issuing Eurobonds in the period 2014-2016. Also, the amount of debt was affected by the state's credit debt with the Chinese Exim Bank for financing the Bar-Boljare Motorway Construction Project, namely the priority section of Smokovac-Uvac-Mateševu, which, from April 2015 to September 2017, ^[2] amounted to €207.9 million (\$285.2 million) ^[1].

At the end of the third quarter of 2017, the state debt amounted to €2,490.31 million or 62.67% of GDP.

In the forthcoming medium term period, considering the further realization of existing infrastructure projects (Motorway) and the new ones, the growth of the state debt is expected to reach the maximum in 2018 and will be at the level of 64,14% of BPD. From 2019, the government debt will gradually decrease and at the end of the observed period will amount to 50.55% of the estimated GDP. The state debt situation will be partly impacted by the engaging the credit funds for the implementation of infrastructure projects related to the improvement of agriculture, energy efficiency, education, road infrastructure, water supply and wastewater treatment plants and the social housing field, which will have effect on the future economic development of the country and increase of the living standard of the population.

In line with the Budget Law for 2018, the borrowing on the international and domestic market is planned in the amount of €296.0 million, of which €106.0 million relates to debt repayment and capital budget financing. For 2019, the amount of borrowing required to repay the debt will increase significantly, and will be around €573.0 million, which is primarily result of the maturity of Eurobond from 2014, in the amount of EUR 280.0 million. Out of the said amounts, around €178.0 million in 2018 and around €215.0 million in 2019, relates to the necessary funding for the construction of the highway. The largest liabilities due for debt repayment in 2020 relate to repayment of Eurobond from 2015 in the amount of €500.0 million. Bearing in mind that the surplus in 2020 will be around €207.0 million, and that the capital budget will decrease, due to the completion of the motorway construction project, the required amount of debt repayment in 2020 will be around €553 million. Also, the need for borrowing in 2021 will be lower, amounting to about €287.0 million, as the surplus is planned of around €250.0 million.

^[2] This amount relates to 85% of funds needed for the Bar–Boljare Motorway Construction Project, priority section Smokovac–Uvač–Mateševu, while the remaining 15% is provided from the budget of Montenegro.

^[1] According to the contracted fixed rate EUR/USD 1,3718.

Table 6 Movement of the government debt in the period 2016-2021 in mil.€^[3]

Year	2016	2017	2018	2019	2020	2021
GDP	3.954,00	4.202,10	4.397,70	4.569,40	4.729,60	4.943,60
External debt	2.002,76	2.233,85	2.472,03	2.626,22	2.536,02	2.342,47
Internal debt	400,20	412,26	348,57	290,90	183,19	156,48
Government debt	2.402,96	2.646,11	2.820,61	2.917,12	2.719,21	2.498,95
Government debt in % of BDP	60,77%	62,97%	64,14%	63,84%	57,49%	50,55%

Source: Ministry of Finance

3.6. Demographic Trends

Looking at the demographic picture of Montenegro, with marked changes in the age structure of the population, it can be seen that in the longer term, there may be a decrease in the number of inhabitants. The changed age structure will be reflected in certain segments of the social system, primarily on the education system, the labor market, households and families. According to estimates, there will also be an increase in the number of elderly people in the forthcoming period, due also to the increase in the life expectancy span of our time, inter alia.

These changes were primarily triggered and stimulated by the birthrate that has been declining for more than 20 years.

Table 5 Birthrate, death rate and natural increase rate (in permills)

	1996	2006	2016
Birthrate	14,2	12,1	12,2
Death rate	7,8	9,6	10,4
Natural increase rate	6,4	2,5	1,8

Source: Monstat

Table 6 Population by numbers, dynamics and age structure: past, present and future

Year	Number				Dynamics			Age structure			
	In thousands				Index 2003 = 100			in %			
In groups	2003	2011	2016	2021	2003/2011	2003/2016	2003/2021	2003	2011	2016	2021
0-14	127,5	118,8	113.302	105,7	93,2	88,9	82,9	20,6	19,2	18,2	16,8
15-64	413,0	421,7	419.296	425,2	102,1	101,5	103,0	66,6	68,0	67,4	67,8
65+	74,2	79,6	89.789	96,3	107,3	121,0	129,8	12,0	12,8	14,4	15,3
unknown	5,5	0,2	0,0	0,2	3,6	0	3,6	0,9	0,0	0,0	0,0
Total	620,1	620,0	622.387	627,4	100,0	100,4	101,2	100,0	100,0	100,0	100,0

Source: Monstat

According to the population censuses from 2003 and 2011, Montenegro had 620,145 and 620,029 inhabitants respectively, thus it can be concluded that the number of inhabitants has stagnated. At the end of 2016 it was in Montenegro 622,387 inhabitants, out of which 18.2% are children under 14, 67.4% are population able to work from 15 to 64 years of age. Based on natural increase per 1000 inhabitants, the number of inhabitants is increased by 1.8 per year. The share of the population aged 65 and over in 2011 was 12.8%, in 2016 it was 14.4%, and it is expected

^[3] According to the rate going on October 31, 2017

to increase to 15.3% by 2021. The share of the population of 14 years of age or under was reduced from 19.2% in 2011 to 18.2% in 2016, and it is expected it will be reduced to 16.8% by 2021.

Population aging will increase the costs for pension and disability insurance⁹ as well as the costs of healthcare services due to increased demand for treatment and accommodation of the elderly.

Consumption will change to meet the needs of the elderly. On the other hand, aging can negatively affect potential growth, because the aging society has a weaker demand.

Demographic change affects economic growth, inter alia, through their impact on the labor market. A smaller number of newborns will eventually reduce the size of the workforce and cause aging within active age groups. Aging has already begun, while workforce reduction is expected only after 2020. Economic policy needs to stabilize the workforce contingency, by strengthening their participation and increasing labor productivity.

Migration movements in Montenegro, with the negative migration balance of the Northern Region, are in a special focus of the Government policy. The total number of population who moved within Montenegro in 2015 is 4325 inhabitants, while in 2016 this number was 5162. In both observed periods, the majority of this population consisted of women (about 53.8%). During 2015, a positive migration balance (the difference in the number of immigrants and the number of emigrants from a given area) was recorded in six municipalities, in 2016 in eleven. The largest negative migration balance in both years was recorded in Bijelo Polje. Looking it by regions, the Northern Region of Montenegro continues to have a negative migration balance, while the other two regions note a positive migration balance.

In order to mitigate the negative demographic trend, the implementation of economic and development policy measures aimed at accelerating the development of the Northern Region will be continuing, namely ensuring more balanced socio-economic development of all regions. In particular, that would be contributed by measures to be taken in priority areas for regional development, such as: transport and other public infrastructure, agriculture and rural development, energy, environmental protection, competitiveness and innovation, manufacturing, tourism and culture, education, employment and social policy.

Considering the complexity of the issue of unfavorable demographic trends, characteristic of the Northern Region in the last few decades, a significant reduction or complete elimination of the negative migration balance in the Northern Region cannot be achieved in the short term, not even in the medium term.

⁹The unfavorable demographic trends and the situation on the labor market, and on this basis a significant increase in the number of pensioners or pensions, caused the deficit of the Pension and Disability Insurance Fund and created a risk to the sustainability of the pension system. In order to reduce this risk, Montenegro has implemented two reforms of the pension system: the first systemic and parametric, which has been in use since 2004 and the second parametric, which has been applied since 2011. With the last reform, age retirement limit is gradually shifted to 67 years of age, and the pension adjustment formula has been changed. The results of this reform cannot be seen in the short term, given the long period of gradually raising the age limit for the acquisition of the right to the age pension (for men by 2025, and for women by 2041)

IV DEVELOPMENT DIRECTIONS

Increasing the quality of life of citizens, with the increase of employment, is possible with the achievement of a more dynamic, sustainable and inclusive economic growth. In this regard, in line with the established vision of the development of Montenegro, in the forthcoming period, in addition to activities aimed at strengthening of macroeconomic stability and within this framework of fiscal stability, activities will be realized aiming at continuous development, meaning construction of quality infrastructure and sustainable valorization of natural resources through the realization of development projects, especially in sectors where Montenegro has comparative advantages, namely tourism, agriculture, energy and manufacturing.

Through easier access to electricity and better and faster transport connections, obstacles to accelerate growth and development will be eliminated, business environment will improve and greater investment inflows will be stimulated. In order to develop infrastructure, Montenegro will use the support of the European Union in an appropriate manner. EU initiated a specific initiative of financial support for the construction of infrastructure facilities through the Berlin process, with the aim of strengthening links within the region and better linking the Western Balkans with the EU countries.

Improving the infrastructure and realization of development projects imply respect for the principles of sustainable development and the protection of the environment.

In order to accelerate economic growth, it will be worked on raising the competitive ability of the economy, with the continuation of structural reforms and the continuous improvement of the business environment. In addition, the implementation of reform measures in the fields of education and science, healthcare, labor market, social protection and pension system, culture, sport and public administration will continue.

4.1. SMARTH GROWTH

Smart growth implies strengthening the competitiveness of the economy by improving the business environment, developing small and medium business sector, diversifying economic activity, increasing productivity, implementing the latest information and telecommunications technologies, attracting foreign direct investments (FDI). A special challenge is in the promotion and diversification of tourism products.

Table 7 G *The main goals of Montenegro related to smart growth*

Business environment	<ul style="list-style-type: none"> Improved position in the ranking of the World Bank
Small and medium-sized enterprises	<ul style="list-style-type: none"> Increased number of SMEs Increased number of employees in SMEs Increased share of SMEs in exports, Gross Added Value, total investments, turnover
Manufacturing	<ul style="list-style-type: none"> Increased share of manufacturing in GDP and GAV Increased number of employees in manufacturing Increased share of manufacturing in total exports
Competitiveness	<ul style="list-style-type: none"> The number of newly established clusters The number of clusters' members

<p>Science and Higher Education</p> <p>ICT</p> <p>Tourism and "Cultural Tourism"</p> <p>The funds necessary for the financing of "smart" projects/development measures identified in DD</p>	<ul style="list-style-type: none"> • The number of clusters that are users of the Program • Increase in Foreign Direct Investments inflows • A higher number of operational business zones and increase in the functionality of existing ones • Increased number of employees
	<ul style="list-style-type: none"> • Increased investment in science and research • Science and Technology Park established • Adjusted enrollment policy with the labor market requirements • The Career Centers established at all higher education institutions • Increased employability of young people with higher education • Increased enrollment in deficient programs
	<ul style="list-style-type: none"> • Better broadband access • Increased number of electronic services
	<ul style="list-style-type: none"> • The number and the structure of the new hotels • The number of new jobs • Number and structure of tourists • Tourism revenue
	<ul style="list-style-type: none"> • Total: €1.759.270.935,38 • Local Budget: €122.679.417,00 € • Loans: €578.477,38 • EU: €1.740.041,00 • Private funds: €1.605.737.000,00

4.1.1. Business environment

Realization of appropriate reform measures and activities, with the improvement of administrative and other capacities creates a business environment stimulating investment and entrepreneurship development, namely raising the level of economy and, consequently, increasing citizens' standards with the creation of new jobs.

Although significant results have been achieved in the previous period, it is necessary to continue the activities to improve the business conditions and within this framework to create a favorable environment for business development and new investments.

Proposed measures

Current trends in world markets as well as new tendencies of the Montenegrin society in line with the practice of modern and developed countries of the world are the challenges facing Montenegro in creating a business environment for further strengthening the competitiveness of the economy and ultimately the growth of economic activity. In that sense, the state administration institutions will have a goal to complete the reforms that have been started. In this regard, the following activities are planned:

- **public sector reform** through the implementation of the measures set out in the Public Administration Reform Strategy 2016-2020;

- **further simplifying the construction process**, through the implementation of the new Law on Space Planning and Construction of Facilities;
- **improving the situation in the area of company registration** through the introduction of a full electronic registration of the company and enabling registration in all branches of Tax Administration;
- **realization of recommendations foreseen by the action plan "Regulations Guillotine "**;
- **reduction of administrative barriers** through the implementation of the RIA (Regulatory Impact Assessment) at the state and local level.

Structural reforms

The key challenges in implementing the business environment reforms are:

- improvement of technical predispositions and IT solutions in state institutions, aimed at simplifying procedures and increasing the efficiency of the state service; and
- high level of non-transparent procedures, with unpredictable steps necessary for realization of a job, or obtaining some form of the state approval.

In addition to this, Montenegro, as an EU membership candidate country has a growing commitments deriving from EU regulations and the necessity of harmonizing Montenegrin legislation with the same. In that sense, regulatory reforms are necessary, primarily:

- amendments of regulations, in accordance with the recommendations of the Guillotine of Regulations;
- amendments to regulations, in line with private sector recommendations;
- simplification and reduction of costs of procedures and proceedings at national and local level;
- Continuous assessment of regulatory impact assessment (RIA) at national and local level.

4.1.2. Small and medium enterprises

The more dynamic growth and development of small and medium enterprises will result in an increased number of the employed, improving the export possibilities of the economy and the more balanced regional development. The development of entrepreneurship and better use of the development potential of small and medium enterprises in sectors that will make a significant contribution to economic growth and the development and competitiveness of the economy is of particular importance. In that regard, SMEs are directed to **applying the principles of entrepreneurial policy in the EU and adopting the required standards and rules for entering wider market.**

Proposed measures

The framework for implementation of SME sector development policy in the forthcoming period will be defined in the Strategic Guidelines for SME Development 2017-2021, SME Development Strategy 2018-2022 and accompanying action plans.

In order to strengthen the competitiveness and promotion of SMEs, in addition to harmonization of development with the EU recommendations, the following will continue in the forthcoming period:

- **Improving the financial support mechanisms of the SME** sector by improving access to finance for people planning to start a business and for SMEs that are trying to improve the efficiency and productivity of their business. In addition, the financial offer will be aligned with

the needs of SMEs, through the promotion of existing credit lines and the creation of new ones, with more favorable conditions and procedures, with particular attention being directed to support target groups such as those with higher education, youth, women and those made redundant. Additional benefits will be provided through the establishment of the Guarantee Fund and micro credits, especially for beginners and for the implementation of education and training projects in order to prepare for funding through models of financial literacy and investment readiness. Also, it will tend to develop competitiveness in the function of improving international business, through the realization of credit lines for the preparation of a company to enter the single market. Improving companies liquidity will continue to be supported through the implementation of the factoring arrangement under more favorable conditions and within the new models, and the implementation of a new equity investment instrument for start-ups and innovative SMEs will begin. With implementation of the financial instrument of the COSME program by financial intermediaries (banks and financial institutions) for loan guarantees, the possibility will be provided for credit support for SMEs without the need for collateral security;

- Improving entrepreneurial infrastructure and strengthening entrepreneurial knowledge and skills through the implementation of a set of activities in multiple segments of support including information and advisory services for company registration and business, incubation services by entrepreneurial infrastructure (business centers, incubators), organization of training and education and adapting financial offers to the needs of future entrepreneurs, providing mentoring services through direct work with companies. The work will be done to increase the promotion of entrepreneurial learning at all levels of education, with the support of the National Partnership for Entrepreneurship Learning; and
- **Improving the competitiveness of SMEs** through strengthening internationalization and export by providing information and services relevant for business development in the EU market, improving SMEs innovation, implementing measures to improve entrepreneurial potential and supporting women in business and improving administrative capacity for better use of COSME, H2020 and other EU support programs.

Structural reforms

- Development and implementation of the MSP Development Strategy 2018-2022
- Monitoring the recommendations of the EU Small Business Act – SBA
- Monitoring and implementation of the EC Recommendations.

4.1.3. Manufacturing

In line with established strategic orientations, the manufacturing development should be based on incentives in the food and wood industry fields, metal sector development, incentives for direct investment, favorable loans and factoring, business zone development (national and local), support for standardization and the formation of clusters, which, combined with measures and programs in labor market, education and science, should contribute to the stable and sustainable development of the manufacturing.

In addition to the public sector incentive funds, specific EU programs, IPA funds and other donor programs are also significant source of funding for planned activities.

Proposed measures

- **the implementation of the Manufacturing Modernization Support Program** will continue, focusing on the development of new products and services, through simpler implementation of modern technologies and the adoption of new ones. Also, in order to improve the research, the development of innovative potentials in manufacturing SMEs, the SMEs Innovation Introducing Program will be realized. Through Instrument for Pre-Accession Assistance (IPA 2014) and UNIDO Support Mechanisms, activities will be implemented to identify key business needs and create conditions for revitalization and strengthening of the metal and textile industries;
- **Incentive measures in rural areas** will be realized, relating to investment in multiple stages of processing and marketing of food products and diversification of economic activities, using funds from Agro budget and IPARD programs. In the wood industry field, the work will be done on expanding timber supply offer, with the aim of making it more accessible to wood processing companies;
- In order to increase the competitiveness of domestic producers in the domestic and foreign markets, **the existing clusters will be developed through the strengthening of cluster management capacities, work will be done to promote the development of new clusters and their inclusion in the global value chains.** The Regional and Local Competitiveness Incentive Program will also be realized and, within this framework, it will be worked towards alignment with the requirements of international business standards in the field of manufacturing. In order to make better use of space suitable for the construction of capacities equipped with infrastructure, the Decree on Business Zones will be further implemented; and
- **Implementation of the Decree on Stimulation of Direct Investment will continue with the implementation of incentive measures in the field of manufacturing** with the aim of creating new jobs and introducing new technologies and knowledge. The IRF will provide loans under favorable conditions for enterprise development and for improving liquidity in the Manufacturing. Modernized education programs for vocational education and study programs will be applied and employment incentive programs in the manufacturing sector will be implemented.

In addition to these measures and activities planned for the next period, one should have in mind the announced private sector investments in the metal industry. In the forthcoming three-year period, the announced investment of over € 40.0m in production capacities of Toscelik Alloyes Engineering Steel Niksic and Uniprom - KAP Podgorica¹⁰ will contribute to overcome the phasing out of technological obsolescence and premature market liberalization, and, in addition, create a stable sector of steel and aluminum industry that will open up the chance for the development of existing companies and the founding of new ones to be focused on large systems as subcontractors and thus ensure their stable business.

¹⁰ Private sector investment will primarily depend on prices and movements on the global metal market.

Structural reforms

The implementation will continue of the Montenegrin Industrial Policy until 2020, and within this framework manufacturing, through the implementation of the framework multi-annual and annual plans by the end of 2020. By realizing planned measures and activities, the economic growth, resource efficiency and the direction of the manufacturing towards production with higher added value will be impacted.

4.1.4 Competitiveness / Direct Foreign Investments

In the focus of the policy of competitiveness are Foreign Direct Investment (FDI), meaning improvement of the general investment environment, primarily in order to attract Greenfield investment and implementation of public-private partnership and concession model projects. In this regard, it is necessary to make additional efforts to change the structure of foreign direct investments in favor of investment in banks and companies instead of in real estate, while respecting the principles of sustainable development. With Montenegro becoming a NATO member, long-term stability and security have been ensured, which will impact the growth of foreign direct investment (FDI).

The improvement of the competitiveness of the Montenegrin economy is realized, inter alia, through financial and technical support programs for business development, including, inter alia, the implementation of the provisions of the Decree on Stimulation of Direct Investment, establishment of business zones, clustering and implementation of international business standards, customer-centered systemic solutions, industry modernization programs, and innovative activities stimulation, as well as mentoring programs for small and medium enterprises and entrepreneurship development support programs. The core mission of the business zones is to attract new investors, to increase the number of employees and to activate small and medium enterprises sector, especially in less developed areas of the country, which further implies overcoming significant regional differences between the northern, central and southern regions and increasing the competitiveness of the economy. Continuous work will be done on enabling the locations of the declared business zones and, in accordance with the project tasks, on the equipping the locations with the infrastructure. Also, by implementing the provisions of the Decree on Business Zones, local self-governments are obliged to harmonize business and local regulations with the provisions of the secondary legislation and thus establish a legal framework for further functioning of the business zones as separate economic entities.

Amendments to the 2014 Foreign Investment Act have been made to improve the investment environment of Montenegro, meaning greater inflow of foreign direct investment (FDI), as well as secure reliable FDI information, in order to monitor progress.

Associating economic entities into clusters is one of the mechanisms aimed at improving the competitiveness of Montenegro's economy. In this regard, there is an intensive work on policy implementation aimed at increasing companies competitiveness through their clustering and integrating into industrial value chains. This is because SMEs are mainly characterized by small size, insufficient individual production capacity, poor marketing policies, and insufficient absorption capacity of financial resources. To achieve cluster development policy goals, as a new concept of SMEs functioning, it takes a longer period of time; their formation is supported both financially and technically. Although some progress has been made after four years of implementation of this policy, which is reflected in the recognition of the benefits of association, the way cluster functioning, formal registration (currently in Montenegro there are 32 officially-registered clusters), and the support is

still necessary.

Taking into account strengthening of micro-level competitiveness depends to a largest extent on product quality, it is necessary to achieve international quality standards. This is because companies will have to operate under "competitive pressure" on the EU internal market after Montenegro enters the EU. Accordingly, financial support is provided to economic entities in order to strengthen competitiveness by introducing international business standards and obtaining accreditation for conformity assessment.

Proposed measures

- in accordance with the defined **clusters development policy**, activities are ongoing on their development through technical and financial support programs;
- **establishing at least one stop shop for FDI issues** (within the Investment Promotion Agency (MIPA) as the central office), strengthening the institutional framework for enhancing bilateral economic relations through signing agreements on economic co-operation, increasing mutual trade and creating a favorable ambient for foreign investments and joint entering in third markets through the signing of new and revised existing free trade agreements, as well as further improvement of the investment environment through increased number of trade fairs, opening of Montenegrin trade missions abroad, etc;
- **Implementation of annual privatization plans** through the privatization of a large number of companies and the increase of project implementation through public-private partnership (PPP) and concessions; and
- Improvement of the standardization and personnel training systems, in line with the recommendations and standards of European and international standardization organizations.

Structural reforms

- Continuous implementation of the state aid program for cluster development;
- Continuous technical support for cluster development, in cooperation with UNDP;
- Implementation of the provisions of the Decree on Business Zones and the harmonization of legal regulations at the level of local self-government with the provisions of the relevant secondary legislation act;
- adoption and implementation of the FDI Promotion Strategy in Montenegro; and
- adoption and implementation of the Public Private Partnership and Concessions Law which will clearly regulate PPP and concessions issues in an institutional sense.

4.1.5 Science

Investing in scientific research and innovation strengthens existing production and technological capacities and creates numerous opportunities within the new development directions in the economy, stimulating competitiveness and opening of high qualification jobs. In this respect, the scientific research system and innovation system should be advanced in a way that contributes to a knowledge-based economy.

In order to achieve a viable and efficient investment system, which is a guarantee of a stable economy and high employment rates, which has not yet yielded satisfactory results, it is necessary first of all to focus efforts on strengthening human resources and research capacities for research and development. Therefore, special attention should be focused on defining the profession of researcher, providing more attractive conditions for research work and fostering excellence. In addition, infrastructure capacity needs to be strengthened, with particular emphasis on new

infrastructure, such as the Center for Excellence and the Science and Technology Park, which must be operational, sustainable and enable intersectoral connectivity.

Promoting investment is particularly significant in the context of participation in international science and innovation programs and opportunities arising from these programs, in which Montenegro needs to engage further, despite its current active participation. In that sense, encouraging networking is particularly important, as it enables optimal use of international and EU funds for science and innovation and access to modern technologies and large infrastructures. On the other hand, establishing a large regional scientific infrastructure will contribute to regional connectivity based on the most up-to-date sustainable technologies.

Encouraging investments by the economy sector in research and development, which is not at a satisfactory level, will be achieved through the improving mechanisms to foster cooperation between science and industry through specific support programs.

Proposed measures

- "Strengthening human resources and research capacities" through:
 - Recruitment program of PhDs and PhD students Science and
 - Research Projects Financing Program.

- "Improvement of international cooperation and networking" through:
 - Improvement of participation in international and EU programs and collaborations within renowned science and research institutions; and
 - Support for the establishment of the International Institute for Sustainable Technologies in South East Europe.

- "Strengthening the synergy between science and economics" through projects:
 - Establishment of the Scientific and Technological Park and
 - Financial support for research and innovation.

Structural reforms

The Strategy for Innovative Activities (2016-2020) with the Action Plan for the first time defined strategic directions for this area and established a system of innovation as one of the key drivers of the Montenegrin economy and improvements in development, as a result of technological and non-technological innovations, increasing investment in research and development and stimulating private sector investment and its potential for innovation. The objectives of this Strategy are to increase the competitiveness of the economy and to stimulate investment and development, while improving the economic conditions and living standards in the country.

The Science and Research Strategy (2017-2021) will be adopted. Focus is on human resources, quality of research, access to contemporary technologies, participation in international science f, innovation and knowledge flows, as well as openness as a key component of productivity and innovation in science, all with a view to fostering a more competitive knowledge-based economy with the new products and social progress.

Establishing the Science and Technology Park in Podgorica (2018-2021) as well as encouraging the creation of excellence centers in the forthcoming period is an important part of reform activities in the field of science.

4.1.6. Higher Education

Reform in the area of education is aimed at improving the quality of education, better alignment with the needs of the labor market, producing competitive people, creating conditions for acquiring practical skills and skills in the real working environment. This will contribute to reducing unemployment and, ultimately, more dynamic economic growth, along with the better positioning of the Montenegrin system in the European education space.

In order to further improve the quality of higher education, the Academic Integrity Law will be adopted, regulating plagiarism protection as one of the most serious of abuses of intellectual property rights. The subject of the law will, inter alia, be measures to prevent the disrespect of ethical and professional principles as well as to sanction them.

In accordance with the Law on Higher Education, the so-called "contractual model" for higher education funding will be introduced and thus provide greater appropriations from the budget, but also greater responsibility for the University.

Preparations are underway for the implementation of a subsequent coordinated evaluation, which will include the six so-called follow-up evaluations for higher education institutions that were the subject of evaluation during 2013/2014. At the same time, three initial (first) individual institutional evaluations for three higher education institutions will also be conducted. Based on the evaluation reports of all nine institutions, a new systemic report will be prepared, which will point out the main issues and challenges in higher education, and facilitate dialogue between key actors within the institutions themselves as well as with state bodies. Evaluation will be carried out by the Institutional Evaluation Program (IEP) and the European Association of Universities (EUAs). It is planned to be completed by October 2018.

Activities will be carried out to adapt the access of persons with disabilities to facilities where four faculties of the University of Montenegro are located (Faculty of Philosophy, Faculty of Civil Engineering, Law Faculty and Faculty of Tourism and Hospitality). The value of these works is estimated at around €220,000.00. The scheduled completion date is mid-2018.

Proposed measures

The Higher Education Development Strategy of Montenegro 2016-2020 defined priorities, measures and appropriate activities for achieving them. In this respect, in the forthcoming period it will be worked on:

- **further improvement of the quality ensuring mechanisms and harmonization of the enrollment policy with the needs of the labor market.**

Vocational education. The aim of activities on improving quality of vocational education is to educate the cadres that meet the demands of the labor market, with the active inclusion of employers. By linking theoretical and practical teaching, students are able to build a system of durable and applicable knowledge required for professional and personal development and social inclusion. The development of occupational standards, in cooperation with employers, their associations and other partners, as well as the development of qualification standards based on learning outcomes, and based on them of the educational programs, should provide a faster response of education to labor

market needs. Cooperation between schools and employers, primarily in the realization of practical education, realization of practical education with working in a real working environment is an indispensable condition for the quality of practical education, and thus for vocational education as a whole.

In the previous period, the planned measures and activities were implemented in accordance with the established dynamics. In addition, a large number of schools, employers and their associations, as well as other institutions and authorities are involved.

The legislative framework for the realization of practical education with the employer, meaning the dual education, has been improved, and accordingly, all necessary preconditions for its re-launch have been created. Compensations for dual education pupils for first and second grade, when they have one or two days of practical training with an employer, is provided from the Budget. Remunerations for third-grade students, when they spend three days with an employer, are the employer's obligation. In addition, pupils of the first grades of vocational schools are awarded scholarships for deficient qualifications. The result of these activities was increased number of students who are enrolled in the first grade in school year 2017/2018 in the fields of hospitality, agriculture, electrical engineering, automotive mechatronics and construction. In school year 2017/2018, 721 pupils were enrolled in the first grade of three-year programs, which is 15% more than the number of students enrolled in the previous years. Also, in some schools students enrolled in educational programs that could not be enrolled in for more than ten years. Thus, the secondary school "Danilo Kiš" in Budva is again educating pupils by the educational program Chef, while the High Electrotechnical School "Vaso Aligrudić" in Podgorica teaches students by the Electrical Installer educational program.

Proposed measures

In the forthcoming period, it will be worked on:

- development of qualifications in accordance with labor market needs; and
- realization of practical education in a real working environment.

In order to make vocational education qualitative and efficient, relevant for the labor market, accessible to different target groups, with equal opportunities for acquiring qualifications and improving employability, in the forthcoming period it will be worked on developing standards of occupation, in accordance with the established needs of the labor market for deficient skills and qualifications, qualification standards as well as modular education programs. At the same time, it will also be worked on the training of teachers for the realization of new educational programs, continuous professional training of teachers to help students acquire key competencies and cross-sectional skills, realization of practical education in the real working environment, and improvement of competences of schools' career consultation teams.

4.1.7. Information and Communication Technology

Information and communication technologies are the basis for smart growth and development, which means all social segments need to be transformed on the basis of these technologies.

The development of broadband services not only has a significant impact on the development of many

sectors of the economy but also on the society as a whole. Broadband technologies offer great opportunities for improving the socio-economic position of citizens and companies. By using ICT, time and money is saved, which contributes to increasing the quality of life and work with faster and easier access to information that is important to private and business life.

An important segment, but also a driver of economic development as a whole, is the digital development that is achieved through broadband communications. The prerequisite of this approach is the existence of an infrastructure that will allow for constant updating of the Internet in real time, flow of large amounts of information per second as well as simultaneous provision of combined voice, data and video transmission services. Networking infrastructure with this technology, content and applications, with innovation and human resources development, will create an efficient environment for economic growth and development.

In order to align with the Digital Agenda for Europe and the Single Digital Market Strategy, the Information Society Development Strategy until 2020 has been adopted, defining the strategic development directions in the field of information society. When it comes to the Internet, i.e. the availability of broadband access, the goals to reach are:

- basic broadband access ⇒ coverage: 100% of the population by 2018,
- Fast broadband access (30 Mbit/s or more) ⇒ Coverage: 100% of the population by 2020,
- ultra-fast broadband access (100 Mbit/s or more) ⇒ use: 50% of households by 2020.

To achieve these goals, it is necessary to provide legal and regulatory conditions for the construction of electronic communications networks, which impacts cost reduction and eliminate barriers to the construction of modern networks, which will stimulate new investments. The development of broadband access impacts the growth of gross domestic product, with the increase of labor productivity and employment. At the same time, conditions are being created to improve the efficiency of public sector work.

The growth of the broadband market, as presented in the Digital Agenda for Europe, must be a state priority for all developed markets, as it is widely recognized as one of the key platforms for overall socio-economic development. In this respect, activities on the development of fixed and mobile communications networks are continuously realized, as well as is the valorization of state-owned telecommunication infrastructure and the giving of frequencies to use, so-called "digital dividend".

Improving the information society and, within this framework, the creation of a simple, fast and transparent public administration, in which the citizen is first, are the goals that need to be achieved. In this regard, activities should be continued to improve the existing and launch new electronic services for citizens, where the emphasis will be on the quality and "usability" of available e-services, with particular reference to the establishment of a single information system for electronic data exchange between the public administration bodies and state authorities and linking it to the e-government portal. This will improve communication between end users and public administration bodies, and avoid collecting and submitting documentation by the user that the public administration bodies already have. Therefore, the basic challenge is to change the way of providing services and raise public awareness of the provision of services electronically, thereby increasing confidence in the work of public administration.

The adoption of the Law on Access and Establishment of High Speed Electronic Communication Networks, based on EU Directive 2014/61, will contribute to creating conditions for the accelerated development of fast internet access. This law will remove existing barriers to the installation of high speed networks, which will, inter alia, have an impact on synchronized development and coordination

of construction works, cost reduction as well as increased competitiveness and quality of services in the electronic communications market. With the reduction of internet prices, it will ultimately bring certain benefits for the economy and the citizens.

Proposed measures

For the purpose of achieving the goals set by the Information Society Development Strategy until 2020 through the annual action plans, the following activities will be realized:

- draft plan for migration to IPv6 protocol;
- establishing a national point of Internet traffic exchange (IXP);
- encouraging cooperation in the market of electronic communications - Reducing the prices of roaming telecommunication services
- Improving the environment of using information and communication technology services in everyday life and business through:
 - Improving the system for electronic data exchange between state bodies and state administration bodies;
 - analysis and creation of preconditions for inclusion of local self-government in the e-government portal;
 - designing a Main Project for Establishing a Unique Location for Service Access - One Stop Government;
 - increasing the number of electronic services and involving as many institutions as possible;
 - establishing a user satisfaction measurement system for electronic services on the e-government portal;
 - full implementation of electronic document management in all state administration bodies.
- **Improved electronic identification and increased trust in electronic transactions** through:
 - PKI, high availability of CA system;
 - establishment of eID for users of the network of state organs;
 - establishment of a timestamp system;
 - establishment of a "national clock".
- ***improving information security through:***
 - improving the security of information systems and information infrastructure of state bodies and state administration bodies; and
 - modernization of the Data Center, in accordance with the most up-to-date information security standards.

Structural reforms

In line with the Public Administration Reform Strategy 2016-2020, the electronic administration is recognized as one of the key challenges of public administration reform. In this regard, it will be worked on improvement of the environment for safe, efficient and effective provision of electronic services.

4.1.8 Tourism

Development of tourism as a strategic development priority of Montenegro is based on available resources as well as on the fact that tourism is an activity that generates the development of other complementary activities such as transport, trade, banking, agriculture, construction, etc. Commitment to sustainable development of tourism, by which the efficient use of resources is put to the fore, implies the creation of preconditions for tourism development to "produce" a number of positive economic effects, related to GDP growth, in addition to employment growth and raising the level of living standards of the population as well as contributing to a balanced regional development of the state.

In line with the Tourism Development Strategy until 2020, the aim is that Montenegro improve its position as a global high-quality tourist destination by applying the principles and goals of sustainable development, as well as in such a manner to provide new employment and income for the people of Montenegro, and that the state receives income in a stable and reliable manner.

Analyses of the current state of the tourism sector have unambiguously suggested that the limitations to faster development of tourism are reflected in:

- insufficient number of high-quality accommodation facilities;
- regional disparity of tourism offer; and
- still highly pronounced seasonal character of the tourism industry's business.

Proposed measures

In order to create preconditions for overcoming of these obstacles as efficiently as possible, it is necessary to intensify the implementation of measures and activities regarding:

- **tax and other facilitations for new investment** in order to attract investments through the permanent improvement of the business environment in order to stimulate investment in those types of facilities that correlate with the vision of Montenegro as a high quality tourist destination. The activities undertaken in this field in the past period have already contributed to the high level of investment in this sector. However, certain problems and shortcomings in the implementation of investment projects point out to the fact that there is room for further improvement in this domain.
- **adoption of strategic documents**, with action plans, and adoption of incentive programs in the field of tourism, which will create the conditions for the diversification of tourism products along with the tourism valorization of natural wealth and cultural and historical heritage, and the development of tourism products for target (selected) groups of tourists, creation and promotion of authentic tourist attractions, revitalization of cultural and other facilities etc. It is also necessary to work on the implementation of projects related to the development of tourism based on nature, on linking of tourism and agriculture, on the improvement of the event and conference segment of tourism offer, the offer of national parks Montenegro as well as the development of the offer of rural, cultural, healthcare, nautical, sport and recreation, adventure, religious and other forms of tourism.
- **improvement of legal regulations** and, in this regard, the definition of solutions that will enable more intensive development of underdeveloped areas with emphasis on the northern part of Montenegro, along with a wider incentive policy for the development of hotel business, in order for the hotel industry, as the most significant segment of tourism offer, to develop in an adequate manner in the forthcoming period, also with introduction of the new business management models.
- **creating an incentive model for air travel, in order to improve the accessibility of Montenegro,**

with the improvement of the transport infrastructure within the country, meaning the activities aimed at connecting the destination as efficiently as possible through all types of transport, primarily by air, as well as activities in the field of visa liberalization and travel facilitation for organized tourist groups.

- **intensifying marketing activities** directed at new, as well as remote, outbound tourism markets, inter alia, through the implementation of projects aimed at attracting tourists from as many countries around the world as possible in order to reduce dependence on a smaller number of outbound markets. Following the contemporary trends in tourism, the demands and needs of tourists, in cooperation with the tourism industry, provide a quality tourism offer that will be attractive to a wider range of visitors. Also, in order to attract more tourists from Western and Northern Europe, as well as from the new markets, realize activities to promote our product, independently and in cooperation with tourism workers from the region, in the framework of expanding in markets of China, Japan, Brazil, and India as well as other distant outbound markets.

All these activities, with measures for their implementation, aim to form a high quality, diverse and all year-round tourism offer, which is in line with the Tourism Development Strategy. In order to achieve this goal, in the strategic document Montenegro is divided into clusters for which it is necessary to provide the same developmental conditions, so that their tourism products complement each other by making a unique entity.

Structural reforms

Continuing the improvement of tourism products, both quantitatively and qualitatively, Montenegro is becoming an attractive destination on the international tourist map while internally an increasing share of tourism in the GDP is expected, primarily considering its multiplying effects on other branches of economy.

Apart from the reforms related to the adoption of strategic development documents for this sector (strategic marketing plan for Montenegro for the period 2018-2022, rural development strategy and cultural tourism strategy) reforms in other fields or sectors will contribute to the achievement of the strategic goal of tourism development.

4.1.8.1. Promotion of culture as a growth driver (cultural tourism)

Cooperation between culture and tourism is of crucial importance for creating a unique tourism offer of Montenegro. The peculiarities of this branch are reflected in the differences between two fields that originate from completely different needs and priorities and also in special legal and institutional frameworks for carrying out activities. Achieving satisfactory results implies defining common goals, taking into account and harmonizing the needs to ensure the realization of the long-term vision of the development of cultural tourism. Defining and developing a sustainable cultural and tourist product must be a common priority and the subject of cooperation between institutions at the local and national level. Cultural tourism must be recognized as a generator of development and promotion of both fields, which will contribute to the overall socio-economic development.

Culture must therefore be treated in the context of sustainable development, using contemporary approach that implies the thoughtful use of its resources with the stimulation of their promotion, recognizing them as areas suitable for specific investments and projects. With this approach, economy and culture achieve a common goal and provide an adequate number of consumers, which will exclude negative consequences for both areas.

In order to improve the economic status of culture, apart from relying on the national budget, activities to provide funds from other sources need to be intensified, thus enhancing the opportunities

for overall, and in particular, cultural development.

Cultural tourism, in addition to cultural heritage, includes contemporary cultural productions and other attractiveness with along the dialogue with other spheres of a society. Therefore, the original cultural and tourism offer of Montenegro is made up of cultural goods: immovable cultural goods, with special emphasis on cultural landscape, movable cultural goods in protected facilities, museums and galleries, intangible cultural goods and contemporary cultural productions.

Over the past period, a series of projects and activities have been realized, in cooperation with cultural institutions and state bodies, which have improved the status of cultural heritage in Montenegro and conditions for its use within the concept of sustainable development and development of cultural tourism. Cultural heritage as a non-renewable, and on the other hand, an immeasurable resource, requires continuous action to achieve results, which are complex and whose realization has in some cases slowed down for objective reasons. However, in the past period, a satisfactory level of realization of activities and measures in the field of cultural heritage has been achieved, funded from national and foreign funds.

Proposed measures

In the following period, in order to enhance the valorization of significant potentials for the development of cultural tourism and, in this sense, the development of a sustainable cultural and tourist product, the following activities will be realized:

- **the further implementation of annual programs for the protection and preservation of cultural goods;**
- **realization of projects for protection and restoration of cultural goods;**
- **implementation of the management plans** for: the Historic Center of Cetinje, Natural and Cultural and Historical Area of Kotor, Stećci - Medieval Tombstones, The Fortification of Besac, Venetian Fortresses from the 16th to the 17th century;
- **preparation of nominations files for entry to the UNESCO World Heritage List for Places from the Tentative List of Montenegro** (Old town of Bar, Duklja, renewal of the nomination file for Forte Mare - Herceg Novi and Old Town of Ulcinj);
- education and training of staff in the field of cultural heritage;
- design of tourism programs directed towards cultural tourism; and
- linking cultural institutions and local tourism organizations to create cultural tourism offers.

Structural reforms

Following the five-year implementation of the National Culture Development Program, in the context of the need to continue with reforms, a new medium term program will be launched, with measures and activities for improvement of the cultural sector at national and local level until 2020. The goals of the continuous development of the overall culture system are:

- improvement of the legal and institutional framework;
- promotion of cultural activities;
- strengthening human resources capacities;
- stable sources of financing of culture and creation of conditions for the use of alternative sources;
- inter-sectoral connectivity;
- balanced development of culture;
- international cooperation and funds for culture;

- protection and promotion of diversity of cultural expressions.

In the area of cultural heritage, in the period 2018 - 2020, works will be carried out on the protection and restoration of cultural goods, whose realization will significantly contribute to strengthening the tourism offer and the development of cultural tourism. These projects include all municipalities in Montenegro, so even less developed municipalities would be able to devise a more quality tourism offer after the restoration of specific cultural assets located in their territory.

4.2. Sustainable growth

The implementation of the concept of sustainable development in Montenegro implies a transition to an economy that ensures efficient, sustainable use of resources, environmental protection, emission reduction and biodiversity conservation, the development of new technologies and production methods. In this regard, areas with the greatest potential for greening are transport, energy, agriculture and tourism.

Table 8: Main objectives related to sustainable growth

Agriculture and Rural Development	<ul style="list-style-type: none"> gradual adaptation of Montenegrin farmers to the European support model improvement of agricultural farms competitiveness and increase in agricultural products added value by increasing processing efficiency improvement of living conditions and quality of life in rural areas stopping depopulation conservation and rational usage of natural resources biodiversity preservation sustainable management of the agricultural land knowledge based development of agriculture strengthening of institutional support for sustainable agriculture development
Forestry	<ul style="list-style-type: none"> realization of Forestry and Wood Industry Development Strategy certified forested areas – certificates received increase of wood industry in GDP
Energy	<ul style="list-style-type: none"> decreasing the commercial loss of electricity in the system from current 15% to less than 10% satisfying power needs through the minimal economic costs in production and supply systems, and the minimal environment impact increased usage of renewable energy sources through construction of additional capacities reduced final energy consumption through the implementation of energy efficiency measures and consumption rationalization
Environment	<ul style="list-style-type: none"> Natura 2000 network established strategic noise pollution maps drafted the measures from the Chemicals Management Strategy and Stockholm Convention obligations implemented the Law on Climate Welfare adopted, the National Climate Change Adaptation Plan drafted, the Low Carbon Development Strategy adopted the state network for air quality monitoring improved The constructed / reconstructed sewerage network, plants for wastewater treatment constructed
Transport	<ul style="list-style-type: none"> Increased share of the transport in GDP Transport safety Increase

Construction and housing

The funds necessary for financing the "sustainable" projects/development measures identified in the DD

- all information about space integrated, space documentation base established
 - the paper form of drafting planning documents abolished
 - the business costs decreased, improved state and local authorities efficiency and productivity, achieving the higher level of quality and safety of buildings
 - technical legislation renewed
 - integration of illegally constructed buildings in the formal housing sector completed
 - improved organized and efficient management, allocation and maintenance sector of existing housing fund
 - realization of social housing programs, development of modalities of public-private partnership in housing sector
 - higher standard of energy efficiency and higher use of energy from renewable sources in residential buildings.
-
- **Total: €1.532.725.175,81**
 - **State Budget: €196.426.753,57**
 - **Loans: €778.445.399,73**
 - **EU: €58.478.133,57**
 - **Private funds: €216.145.850,79**

4.2.1. Agriculture and rural development

The agriculture and rural development sector plays an important role in the economy of Montenegro with a significant share in gross domestic product, amounting to 7.5% in the year 2016, including forestry and fisheries. Although agriculture is one of the priority sectors of the development of the national economy, 16,000 people are employed in agriculture, or 8.3% of the total number of employed in Montenegro, according to the Labor Force Survey data from 2016. However, according to the Agricultural Census of 2010, out of a total of 620,029 inhabitants of Montenegro, 48,870 agricultural holdings are engaged in agriculture, with the 98,341 employed. When this number is expressed in the number of annual work units, it comes to 46,473 annual work units, with one annual working unit being equivalent to one full-time employee. This suggests that almost 30% of the total number of employed in the country is actually employed in agriculture.

The multifunctionality of Montenegrin agriculture is reflected in the function of balanced rural and regional development, economic function, social and national and cultural function. Montenegro has chosen a sustainable concept of agriculture in its strategic documents.

Generally, a favorable climate for the production of different kinds and varieties of plants, well preserved nature, including high quality, preserved and fertile land, low levels of pollution due to the poor use of mineral fertilizers and pesticides are elements that contribute to the development of agriculture. Climate, the richness of biodiversity and nature and the clean environment are excellent preconditions for the development of organic agriculture. Also, available land resources are an added benefit along with traditional production of typical products and the use of autochthonous varieties, species and breeds in several sectors. The increased demand for agricultural products, which is the consequence of tourism development, gives realistic expectations for the progress of this sector. In recent years, processing capacities have developed in several sectors, and they are a good example of the development of new value added products offered on the market.

With relevant advantages and despite the still significant shortcomings, Montenegrin agriculture has many opportunities for further development. This primarily relates to increased demand, due to economic growth and revenue growth, as well as sales through the growing tourism sector. The local population prefers domestic products, and the growth in living standards also increases demand for labeled, high quality and organic products. The uniqueness of the Montenegrin tradition offers a

number of opportunities for labeling products with labels of origin (for example lamb meat, "Njegusi prosciutto", "Pljevlja cheese", "Kolasin cheese", etc.).

The main challenges for the further development of this sector were identified, based on the analysis of the structure and trends in the agricultural sector, and considering the available natural resources and the strategic framework. In order to improve the multifunctional role of agriculture through increasing competitiveness and sustainable use of resources and improving the quality of life in rural areas, Montenegro will work to align national policy with the EU's Common Agricultural Policy in the forthcoming period.

Increasing productivity, increasing arable areas and introducing EU food safety standards in the primary and manufacturing sectors represent the long-term goals of the Montenegrin agriculture. For this purpose, IPA funds intended for agriculture and rural development will be used. For the purpose of using these resources, an IPARD program has been prepared, whose implementation is expected in early 2018. Amount of appropriated funds for the period 2015-2020 is €39.0 million.

Realization of development goals and implementation of agrarian policy impose the need to continue reforms in the legislative field, through further harmonization of national legislation with the EU legal framework, which will be implemented through amending of existing laws and secondary legislation. In order to implement agrarian policy efficiently and in accordance with EU principles, especially the rural development policy as its most demanding component, a harmonized implementation, control and monitoring system will gradually be established. In addition, agriculture and rural development are faced with limitations, both in terms of access to financial support for investments and institutional/human resources, in order to transfer and implement EU legislation relevant to this sector.

Proposed measures

In accordance with the above, development goals can be achieved through:

- **strengthening the competitiveness and sustainability of the agricultural sector** through investments in primary agricultural production, processing and marketing of agricultural and fishery products;
- **sustainable development of rural areas** through the improvement and development of rural infrastructure, as well as the diversification of economic activities in rural areas;
- **restoration, preservation and strengthening of the ecosystem**, through the implementation of agricultural and environmental measures; and
- **transfer of knowledge and innovation in agriculture**, through investments in education, research and analytical work.

Structural reforms

In order to ensure further development of agriculture and rural areas, reforms related to the adaptation of agricultural policy to the Common Agricultural Policy of the European Union will be given priority. Agriculture Development Strategy for the period 2015-2020 and the Rural Development Program 2014-2020 have been prepared in order to prepare Montenegrin agriculture for joining the EU. In this regard, particular attention will be paid to the information of agricultural producers, capacity building, additional institutional strengthening, to ensure that the adjustment process is completed for the benefit of agriculture in Montenegro. In this regard, special emphasis will be placed on further improvement of the fisheries sector.

4.2.2. Forestry

The importance of forest resources for Montenegro is undeniable in economic as well as in ecological and social terms. Considering to what extent our state is covered with forests, their importance for the economy of Montenegro and overall social and economic development is great. Considering the fact that the most significant forest resources are located in the northern part of Montenegro, where forestry and woodcutting represent traditional activities, a special effect is expected on the development of these underdeveloped areas. All this means that forest-based sectors have great potential for growth. Increasing the economic contribution is possible through the inclusion of all the wood stock flows into a formal economy, increasing the volume of cutting (with the required investments and the creation of new generation of plans), but mostly by increasing added value to the wood industry chain.

For this reason, maintenance of good condition of forest resources and improvement of forest functions is recognized as the goal of national strategic documents and development plans. The protection of the forests from the increasingly negative effects of climate change, plant diseases and pests, as well as from the excessive use, which are the main contemporary threats to forest in Montenegro, represents a challenge for society, considering the number of observed negative phenomena in this sector.

The key challenges in this area are: poor results in the application of concessions in forestry; insufficient responses to degradation processes caused by forest fires and drying of coniferous forests as well as widespread unlawful forestry activities that caused enormous exports of wood raw materials in the past period, illegal logging and forest devastation, especially of those privately owned.

In order to address this problem, significant efforts are being made to exploit this highly valuable natural potential in a better way that will provide greater benefits to both the local population and the national economy. Reform of the forest management system will make it more possible for the private sector to participate in conducting public interest affairs, especially in the forestry sector. Regulating the timber market and stopping the export of raw materials must lead to increased production in the wood industry. This creates the basic preconditions for a more significant development of forestry and wood industry.

Through the process of Montenegro's integration into the EU significant investment in rural development is expected. The fact is that most of the agricultural holdings in Montenegro have forest or forest land as part of the estate. Integrated development measures aim at more intensive forest management in these areas, which would improve their condition in the future, which in turn means a higher degree of cultivation of both agricultural and forest land.

The realization of the Forests and Forestry Development Strategy is defined by the action plan, which emphasized the promotion of reforestation and nursing or revitalization of low-yielding forests for the first five-year period. The strategy also plans for a more dynamic development of the wood industry, based on more efficient use of wood, mobilization of investments in new plants and technology, and increased demand for wood chips and pellets derived from wood biomass. However, the established goals are partially realized. Also, in addition to the mandatory preventive measures, in order to respond adequately to the negative effects of climate change, primarily to forest fire damage, it is necessary to continuously conduct rehabilitation of forest degraded by forest fires - within the repressive packet of measures - which includes several segments of action. The most important measures are the removal of burned and damaged trees from burned areas to prevent the development of plant diseases and harmful insects, as well as artificial reforestation in cases where

forest stands are not naturally renewed. These measures were implemented only partially, since they were in direct connection with the budget funds allocated, insufficient to improve the technical equipment of the fire protection system and the implementation of rehabilitation measures.

In order to ensure and improve the long-term resistance and the productivity of forests, all forest management activities should follow the acquisition of FSC certificates for sustainable forest management to verify the success of set targets and promote forestry activity in Montenegro. The certification process is in the final phase, and the funds for obtaining a certificate for a significant part of the holding units are appropriated.

Through conducting the forest inventory, it is noted that progress has been made in the segment of the increase of wood masses in certain forest areas, which indicates that these forest complexes are managed sustainably. Likewise, some success has been noted in the reforestation of areas degraded by forest fires. However, there are areas where the opposite occurs.

Certain measures are being implemented aimed at the development of the wood industry in Montenegro, the most important of which is currently the ban on the export of wood raw material. There has been a certain increase in production in the wood industry in recent years.

In the forthcoming period, activities started to address the identified problems will be continued. In this regard, in response to the inadequate concession model, the reorganization of the concept of concession based use of forests has begun, meaning the creation of a sustainable model of forests management. The new concept of forest utilization implies the development of wood assortment sales models instead of timber sales, with the involvement of the private sector services in forestry in wood cutting and wood assortments transport operations. An important step in this direction is the establishment of a state forest management company.

In this way, it will contribute to better utilization of forest resources, which will, as an end result, have better effects, in ecological and social, as well as in economic terms.

Current projections of available quantities of wood mass for cutting provide the basis for further development of the wood industry, greater production volume and greater added value of wood products. Annual yields cannot be significantly increased at present and there is a huge potential for GDP growth in wood processing, by increasing the degree of wood product finalization. Also, the development of chains of value added through the principle “from the market to the forest” will continue to be driven by generating demand for biomass, wood as an energy source, incorporating wood products into public buildings, green public procurement and greater export of competitive final wood products. For all of these, it is very important that the sale of wood assortments takes place in a way that will stabilize the timber market and monitor prices on the market.

Proposed measures

In accordance with the above, development goals can be achieved through:

- strengthening the resistance and productivity of forests; and
- reorganization of the concept of concessional forestry, forestry sector reform and support measures for the development of wood processing, which will increase the share of forestry and wood industry in GDP.

Structural reforms

In the forthcoming period, staffing and forest management will be strengthened; involving the forestry and wood industry sectors in rural development support measures, which would stimulate greater investment in these sectors, diversification of products and services in forestry; information on technical training and the establishment of an information system in forestry, which would improve administrative operations in the forestry and wood industry and improve the forest and forest land management monitoring system.

4.2.3 Energy

Montenegro's energy sector and its development need to be seen in the context of the country's overall economic policy. In order to ensure energy services of adequate quality and security of supply, in the context of socially acceptable socio-economic conditions and environmental protection requirements, particular attention should be paid to research and use of energy resources, energy transformation, transmission/transport and energy supply to consumers within specific technological and economic, legal and regulatory, and institutional and organizational conditions of the state.

The energy sector is characterized by a large natural potential (coal, hydropower, biomass potential, wind and solar potentials), which is insufficiently exploited, low energy efficiency, as well as dependence on electricity and fossil fuel imports. Most of the natural resources are located in the northern, insufficiently developed region of Montenegro. Their valorization provides not only energy security and independence, but also contributes to a more balanced economic development of the state.

Development of the energy sector takes place in line with the directions and goals set by the Energy Policy and Energy Development Strategy of Montenegro until 2030. With the more intensive use of domestic energy potentials, especially hydro power, Montenegro can become a significant energy partner at the regional level, and, after 2020, a net exporter of electricity.

The Energy Policy of Montenegro until 2030 recognizes three main priorities:

1. security of energy supply, which implies a constant, safe, high quality and diverse supply of energy, in order to balance delivery with customer requirements;
2. the development of a competitive energy market, which implies the provision of a liberalized, non-discriminatory, competitive and open energy market based on transparent conditions; and
3. sustainable energy development, which implies the provision of sustainable energy development, based on accelerated but rational use of its own energy resources, taking into account the principles of environmental protection, increasing energy efficiency (EE) and greater use of renewable energy sources (RES) as well as the need for socio-economic development of Montenegro.

In order to achieve the defined priorities, Energy Policy has identified the following strategic orientations:

- maintenance, revitalization and modernization of the existing and construction of new infrastructure for generation, transmission and distribution of energy;
- reducing dependence on electricity imports; (i) by decreasing specific consumption of final energy, (ii) increasing energy production (primary and secondary) by using its own resources; and (iii) reducing energy losses from production to final consumption;
- Increasing energy efficiency;
- increased use of renewable energy sources;

- Improvement of heating and/or cooling systems in buildings;
 - realization of strategic 90-day reserves of petroleum products, in accordance with the dynamics and obligations of Montenegro towards the Energy Community or the European Union;
 - exploration of oil and gas in the Montenegrin seabed and in the continental part, as well as coal in Pljevlja and Berane basins;
 - proactive role of the state policy in its efforts to provide access to natural gas systems through international projects (Ionian-Adriatic Pipeline, Trans-Adriatic Pipeline, etc.), development of natural gas system (including construction of regional gas pipelines and natural gas utilization plants);
- Increasing the efficiency of energy companies' business by reducing operational costs, technical and commercial losses of energy, with a justified return on investment;
 - continuation of restructuring of energy entities and timely adoption of plans for further development;
 - sustainable energy sector development in relation to environmental protection, and international cooperation in this area, especially regarding the reduction of greenhouse gas emissions in accordance with the Paris Accord;
- stimulating research, development, transfer and implementation of environmentally sustainable new technologies in the energy sector;
 - harmonization of the legislative and regulatory framework according to EU requirements;
- the creation of an appropriate legislative-regulatory and institutional and financial framework for stimulating private sector participation and energy investment;
 - providing social protection to endangered (vulnerable) electricity customers;
 - reaching agreement with neighboring countries on the optimal exploitation of common hydropower and water management as well as the planning and construction of new power interconnection lines for connection with these countries; and
 - active international cooperation in the field of energy.

Proposed measures

In the forthcoming period, activities will continue to create conditions for reducing dependence on imports, namely for ensuring a safe and high quality power supply to all consumers. In the focus of the energy policy, there is the promotion of energy efficiency throughout the energy supply and use chain.

The main measures include the following:

- **building additional renewable energy production capacities**, thereby utilizing domestic renewable sources, opening up new jobs for local industry, reducing dependence on imported electricity and improving energy security for the Montenegrin economy;
- **modernization and rehabilitation of the distribution system**, thereby reducing the costs of electricity distribution, together with measures to reduce non-technical losses;
- **complete the reconstruction and revitalization of existing power plants** with the aim of ecological stabilization and increase of production capacities;
- **Improvement of the transmission network**, with priority being the construction of infrastructure facilities that are an integral part of the Montenegro - Italy underwater cable construction project;
- **Improving the regulatory and institutional framework in the field of energy efficiency**, including improvement of construction regulations, introduction of energy efficiency labels, introduction of ecological design principles for electrical appliances in households and

- introduction of energy efficiency components in spatial planning documentation;
- **continued implementation of energy efficiency projects in public facilities**, primarily education and healthcare ones, which ensures the reduction of energy consumption whose costs are paid out of the budget;
 - **continued implementation of projects to support citizens to use efficient technologies and renewable energy sources on the consumption side** (continuation of existing projects and launch of new ones);
 - **establishment of a public sector energy management system**; and
 - raising awareness of the public and application of good practice in the field of energy efficiency, particularly in the public sector institutions, local self-government, large consumers, professional organizations and other stakeholders.

Structural reforms

Energy policy must enable the energy sector to continue to develop as an open system for private, domestic and foreign investment, in line with the EU energy system and the Energy Community of South East Europe.

4.2.4. Environment

Environmental protection policy faces growing obligations, not only in the context of EU integration, but also in the context of meeting national policy goals and priorities. Complete and efficient application of environmental policy brings with it significant challenges that are set before the society as a whole. Particularly significant is financial challenge in relation to the construction of new/maintenance of existing ecological infrastructure, rehabilitation of the consequences of pollution and degradation of natural resources.

From the EU accession process perspective, the field of the environment and climate change is one of the most complex and demanding negotiating fields. The process of EU accession in the environment field implies the state's intensive legislative activity, alignment with EU standards and requirements and ensuring a sustainable framework for the implementation of regulations in this field. The process of European integration in this field imposes the need for long-term planning at the national level, which implies the strategic linking of different institutions in order to define clear policy in the field of environment.

The National Strategy for Transposition, Implementation and Application of the EU legislation in the Field of Environment and Climate Change with the Action Plan for the period 2016-2020 was adopted, thus fulfilling the initial benchmark for opening negotiations for Chapter 27 - Environmental Protection and Climate Change.

The strategy provides a clear list of priorities for the period 2016-2020 with a goal to achieve full alignment with the EU legal framework in the field of environment and climate change.

From Montenegro's point of view, the progress of the environment and climate change alignment process within the framework established by the Strategy creates opportunities for adequate development and the necessary adaptation of Montenegro's administrative and technical capacity to manage the environment in accordance with EU standards.

Proposed measures

In order to achieve the objectives set, the following measures will be implemented in the forthcoming period, relating to:

- in order to meet EU requirements and preserve priority habitat types and species, it is necessary to continue collecting field and scientific data on **the establishment of land and marine NATURA 2000**. In order to preserve biodiversity values, it is necessary to improve biodiversity monitoring and management of protected natural resources;
- **further activities on the designation of protected areas at national level** in order to meet the goals set out in the National Strategy for Biodiversity 2016-2020. In order to improve the efficiency of the management of protected areas, it is necessary to find a mechanism for their sustainable financing;
- **the adoption of a new National Biodiversity Strategy for the period 2021-2025;**
- **finding a solution for the establishment of the Center for the Treatment of Seized Animals** that were the subject of being held under inadequate conditions or the subject of illegal trade in species.
- **creating strategic noise maps** for the main roads (3 main roads) and for the Capital of Podgorica, as agglomeration with more than 200,000 inhabitants. The funds for the sub-field noise, including strategic noise mapping, are planned in the amount of EUR 352.000 through IPA II - 2016 Action Document is adopted, while funds will be available after the signing of the financial agreement during 2018.
- **implementation of the remaining measures from the Chemicals Management Strategy** with the Action Plan for the period 2015-2018, namely: establishment of the National Help Desk, establishment of the Chemicals Register and establishment of the Poison Control Center, or the body responsible for receiving information on emergency medical interventions, and additional training of cadres. For 2019, it is planned to establish a Register of Chemicals and Biocide Products, while the Helpdesk will be established in 2018;
- **Establishment of a Environmental Pollution Cadastre;**
- **Expansion and improvement of the national air quality monitoring network and air quality testing laboratories (SHMZ)** in accordance with EU standards;
- **Subsidized procurement of more environmentally friendly fuels/heating appliances in Pljevlja municipality** during the period until the construction of the city heating system and provision of financial support to natural persons for investments in energy efficiency field and construction of cycling infrastructure in the Capital;
- **further realization of the activities on the construction of the secondary network for Pljevlja heating system;**
- **Implementation of integrated pollution control**, in accordance with the requirements of the IPPC Directive (Integrated Pollution Prevention and Control). It is necessary to continue with the process of issuing IPPC permits for plants that are required to possess it. Additionally, new

facilities that are required to possess IPPC¹¹ licenses should receive it during commissioning;

- **rehabilitation and recultivation of sites contaminated with hazardous industrial waste**, through the realization of the project with the World Bank Industrial Waste Management and Cleaning. The result of this process will be the disposal of hazardous waste in an environmentally safe manner, which will create conditions for improving the quality of life of citizens living near industrial sites as well as preconditions for their valorization;
- **creating a strategic climate change framework**, which implies the adoption of the Climate Protection Law. It will be drafted in 2018, in accordance with the adopted National Strategy for Transposition, Implementation and Application of the EU legislation in the Environment and Climate Change Field, with the Action Plan for the period 2016-2020;
- **preparation of the National Climate Change Adaptation Plan (NAP)**. In order to recognize the medium and long term needs for adaptation to climate change and the establishment of a system for coordinating the implementation of climate change adaptation measures, it is necessary to draw up a Climate Change Adaptation Plan, as envisaged by the Environment Law and the National Climate Change Strategy until 2030. In this respect, a project proposal for the Green Climate Fund (GCF) has been prepared in cooperation with the UN Development Program (UNDP and UNEP) and it is expected that funds amounting to €3.0m will be available by the end of the year;
- **preparation of the Low Carbon Development Strategy**. In accordance with the National Strategy for Climate Change until 2030 and the Environment Law, the drafting of the Low Carbon Development Strategy has been envisaged. The project proposal of activities under the IPA II project (2016-2020) was submitted, whereby the strategy was delegated as a priority activity in the field of the climate change. The start of the project implementation is planned for 2018, as well as the receipt of funds in the amount of €1.0m;
- **realization of the Waste Management Strategy of Montenegro until 2030 and the State Plan for Waste Management in Montenegro for the period 2015-2020; and**
- **realization of projects in the field of water supply and wastewater management.**

Structural reforms

There is a continuous effort to strengthen the institutional framework and improve administrative capacity in the environment related institutions. Also, in line with the requirements of the accession process of Montenegro to the European Union, the strengthening of the legal framework is being conducted, through the modification and harmonization of the existing laws and secondary legislation with the *acquis communautaire*.

¹¹ With IPPC permits the environmental protection is prescribed to a facility in terms of prescribing limit values for emission of pollutants into air and water, measures that the operator must undertake to ensure nature and soil protection, sustainable waste management and noise protection, as well as mandatory monitoring of the effects of performing its activities on the environment.

4.2.5. Transport

Transport policy represents one of the basic components of the overall economic policy of the country that contributes to social, territorial and economic cohesion and seeks to ensure the efficient transport system that is appropriate to the needs of both citizens and the economy, with the protection of the environment, natural and cultural heritage and the reduction of harmful gas emissions.

The development of an efficient transport system should enable better exploitation of development potentials, particularly in the fields of agriculture, tourism, forestry and other related sectors affecting GDP growth, but also to increase the degree of integration both within the country and in the regional and wider international surroundings, and to stimulate the attraction of transport flows in the region. The development of an efficient transport system also results in the shorter travel times, changing market conditions of business and increasing company competitiveness due to easier access to the (regional) market and lowering the dependable procurement costs, direct engagement of domestic construction operatives, equipment, materials and workforce at the construction stage, which has its own multiplying effects on overall economic growth. Construction, reconstruction and maintenance of transport infrastructure in all aspects of transport represent a significant potential for foreign investors that would "bring" not only capital, but also new knowledge and technology.

The modern infrastructure in Montenegro is still not developed enough, but there is insufficient market analysis, including benchmarking analysis, to enable timely adoption of the best experiences of others. Practice has shown some shortcomings related to strategic planning and management, and in order to eliminate it in the forthcoming period, special attention should be paid to:

- Improving spatial planning with maximum respect for the requirements for the protection of the environment, natural and cultural heritage;
- achieving greater coordination when planning and selecting investment for realization in order to reach a compact transport system that is appropriate to the requirements of modern users, with the elimination of bottlenecks, reduced fuel consumption and the price of transport services, and with increasing respect for the "just in time" principle, which will contribute to raising level of competitiveness;
- continuous implementation of activities aimed at strengthening and upgrading institutions and administrative capacities, overseeing the implementation of regulations and conducting assessments of the impact of regulations within the process of accession to the European Union;
- continuous market analysis and activities to exploit the potential of the geostrategic position of Montenegro to attract transit transport flows;
- attracting and harmonizing foreign direct investment with public interest, assessing economic justification of investments, efficient transfer of knowledge and technology, environmental impact, preserving fiscal stability and avoiding financing of investments through new credit lines; and
- introduction of a unique database, information system management and strategic management procedures.

The basic goals of strategic development of the transport system of Montenegro, as defined in the current Traffic Development Strategy of Montenegro are:

1. improving safety and security, in order to preserve human lives, material values and preserving state funds;
2. integration into the European Union by linking to TEN-T¹² and improving the competitiveness

¹² Trans-European Transport Networks

- of the domestic transport economy;
- 3. increasing the quality of transport services;
- 4. stimulation of economic growth through more efficient and cheaper transport; and
- 5. minimizing the adverse impact of transport development and transport infrastructure on the environment and society in general.

In support of the European perspective of the Western Balkans countries, which have shown significant progress on the path of stability, good neighborly relations and the modernization of society and economies, cooperation with the European Union has intensified in efforts to create certain preconditions for improving the mutual interconnection of the countries of the region, as well as with the European Union. Montenegro actively participates in the work of the Steering Committee of the South East Europe Transport Observatory (SEETO) for the implementation of the Memorandum of Understanding for the Development of a Regional Comprehensive Transport Network. It is intensively cooperating with the European Commission within the framework of the Berlin Process and on the so called Connectivity Agenda with the Western Balkans 6, resulting in the indicative extension of the TEN-T regional core network to the area of Western Balkans.

Montenegro has put forward the following proposals, which will be the backbone for project prioritization in the future, with the planned time horizon until 2030, and which specific support through EU instruments is expected for, such as the Western Balkans Investment Framework Investment Framework - WBIF), IPA¹³ and others:

1. SEETO Route 4: Bar-Boljare Motorway;
2. SEETO route 1: coastal version of the Adriatic-Ionian Motorway – Express road along the Montenegrin coast;
3. SEETO railway direction 4: Bar-Vrbnica railway;
4. SEETO railway direction 2: Podgorica-Tirana railway;
5. Port of Bar;
6. Podgorica Airport.

Significant attention will continue to be paid to the use of available European financial aid instruments. Conditions were created for initiating the implementation of projects defined through three priority axes of the Regional Development Operational Programs (RDOP) 2012-2013: environment, transport and technical support. The **priority axes II** goal is the improvement of the transport system, with the promotion of an environmentally friendly type of transport. Special emphasis is placed on improving the railway infrastructure, in order to provide better quality services. Projects from the RDOP Transport Sector for which contracts have been concluded:

- Dismantling of the existing Trebešica electrical substation and procurement, installation and installation of the new one;
- Rehabilitation of the railway line at the Virpazar-Sutomore section; and
- Drafting of the Transport Development Strategy 2017-2035.

With the IPA 2014 funds, the following projects will be implemented:

- Database development for road network and safety assessment programs; and
- Rehabilitation of the Kos-Trebešica railway section.

¹³ Instrument for Pre-Accession Assistance

Proposed measures

Starting from the defined strategic goals, in order to raise the level of quality of services and the level of security and interoperability, the following measures will be implemented in the period 2018-2021:

- **construction of highways.** The Spatial Plan of Montenegro until 2020 envisaged the construction of the Bar-Boljare motorway, totaling about 170 km, as part of the Belgrade-South Adriatic highway, on the Đurmani - Sozina - Virpazar - Tanki Rt - Pharmacy (Podgorica) - Smokovac (Podgorica) - Uvač - Mateševo - Andrijevica - Berane - Boljare stretch and construction of the highway along the Montenegrin coast (coastal variant of the Adriatic-Ionian highway) passing through its hinterland on the Herceg Novi - crossing the Boka Kotorska Bay - Tivat – Budva - Bar - Ulcinj - Sukobin (border with the Republic of Albania) stretch, total length about 110 km. Both corridors are divided into sections, and for each of them the documentation is at a different level of maturity.

After the realization of the priority section of Smokovac-Uvač-Mateševo of the Bar-Boljare motorway, which is underway, the Detailed Spatial Plan of the Bar-Boljare Highway envisaged Mateševo- Andrijevica section as the next to be realized.

The key facility on the planned route of the Express Road (the coastal variant of the Adriatic-Ionian highway), which permanently and functionally solves the problem of the crossing of the Boka Kotorska Bay, which is why it has a priority in realization, is the Verige bridge at the location Rt Opatovo - Rt Sv. Neđelja. The project of the Tivat ring road completes the construction project of the Verige bridge, and in this regard the project of building the Verige bridge and the ring road around Tivat should be treated as a unique project, namely to offer to potential investors the construction of a bridge and a ring road. In addition to this, consideration should be given to the recommendation from the of the Justification for Priority Study between the Herceg Novi, Budva or Bar ring roads, which gives the priority to the realization of the Budva ring road, which is a part of the mentioned highway, as well as the Verige bridge and the Tivat ring road.

- **construction, reconstruction and maintenance of main and regional roads.** The road network in Montenegro consists of state roads (main and regional) and municipal roads (local roads and streets in settlements). The length of the main and regional roads in Montenegro is about 1,900 km, and in relation to their management, development, construction, reconstruction, maintenance and protection, an annual budget of about €30.0 million is realized through various programs.

There is an intensive work on the construction, reconstruction and modernization of a number of roads, creating the conditions for a faster, safer and unhindered flow of people and goods. In the period from 2015 to 2017, 219.6 km of main and regional roads have been reconstructed and rehabilitated, and the confirmation of increase in traffic safety is reduced number of traffic accidents, especially traffic accidents with a fatalities caused by the inadequate road conditions.

- **improvement of the railway infrastructure.** For the realization of projects under this measure, in the framework of the Western Balkans Investment Framework (WBIF), Montenegro was

approved a grant in the amount of €20.0 million in 2015, with a co-financing of another €20.0 million through a credit arrangement with the European Investment Bank. These funds and previously approved loans from international financial institutions, the European Bank for Reconstruction and Development and European Investment Bank, as well as IPA and WBIF funds are intended for the reconstruction and modernization of the railway infrastructure in order to increase the level of safety and security of the railway transport as well as to completely fulfill the interoperability requirements on overhauled sections, increase in trains speed, and at the same time reduce the time of passenger and cargo transport, increasing the competitiveness of the railway itself compared to other competitive railways and other forms of transport, as well as the capacity utilization of Port of Bar, which would lead to increase of freight transport by rail.

Rehabilitation and electrification of the railway line from Podgorica to the state border with Albania (SEETO railway direction 2) will significantly contribute to the conditions for environment preservation and to the possibility of developing passenger traffic on the Podgorica - Skadar route. The initial phase of the realization of this project would include the preparation of technical documentation, which is planned for the next period, especially considering the intention of the Albanian side to improve and electrify this railroad in its territory.

In order to improve the overall situation in the railway system, meaning the creation of conditions for the full opening of the railway market, with the establishment of efficient and independent regulatory and safety authorities, in accordance with Directive 2012/34 which determines the conditions for the operation of the Single European Rail Market, the Railway Law and the Law on Security and Interoperability will be amended in 2018. Measures will be realized relating to: Designing the project documentation for repair of concrete bridges; Designing the project documentation for tunnels rehabilitation; Overhaul of the superstructure at the Kos - Trebešica section; Designing of project documentation for replacement of signal/safety devices in stations from Podgorica to Bar; Designing project documentation for replacement of signal/safety devices in stations from Podgorica to Bijelo Polje; Main projects for rehabilitation of Ratac landslide and rehabilitation and electrification of the railway line Podgorica-the state border with Albania.

- **expansion of the airport.** The activities are conducted to structure the model of the Tivat, Podgorica and Berane airports development by the International Finance Corporation (IFC), a part of the World Bank Group with specific experience in finding private financing.

It is expected that in 2019, tendering documentation will be prepared for realization of investments at the Tivat airport. It is planned that this project will be implemented on the basis of a PPP model, with the obligation of the state to cover expropriation costs.

- **port capacities expansion.** The modernization and expansion of port facilities, through appropriate modalities of public-private partnerships, with the construction of the Bar-Boljare motorway, the reconstruction and modernization of the railway are imposed as key factors for attracting transit flows through this Port, and consequently for the development of cargo shipment and manipulation technologies and further development of combined transport.

The port territory covers an area of about 200 hectares, of which about 90 hectares are harbor waters, and the Detailed Urbanization Plan for the Port of Bar area envisaged the construction of new operational shores. Port of Bar's transshipment capacity is now around 2.7 million tons a year (without the Port of Adria capacities) and they have been partially exploited. The state owns 54.05% of the equity.

In the TEN-T network, Port of Bar is included on the list of ports of regional significance, which should be further developed through the Adriatic Corridor of so called "motorways of the sea", which should increase the competitive advantage of the Port in its gravity zone. The Port can become the main hub for transport flows to and from the Black Sea area.

The Port of Bar free zone includes the entire port area, namely it includes all terminals in the port area where cargo transshipment and storage is carried out, excluding Gat V (passenger terminal), and the Port of Bara has the authorities of the Free Zone Operator also for the Port of Adria areas. The total area of the territory of both companies, where it is possible to conduct business in the free zone regime, amounts to over 130 ha.

With the completion of the privatization process of AD "Container Terminal and General Cargo" Bar, the conditions have been created for its modernization.

Structural reforms

The development of the transport sector should be seen in the context of general economic growth and development and, in this respect, in the following period it is necessary to:

- adopt a new Transport Development Strategy;
- conduct activities of the implementation of the Treaty on Establishing the Transport Community of South East Europe;
- use the benefits of the Berlin Process with dedication;
- conduct activities, as part of the regional initiative, on the implementation of soft measures (2016-2020) for the main transport network in the Western Balkans as defined in the Vienna Summit in 2015;
 - conduct activities on harmonization with the regulatory framework of the European Union for the transport field;
- create an efficient and independent railway transport regulatory body and a safety body;
- conduct appropriate and timely activities to monitor the sustainable development indicators defined by the National Strategy for Sustainable Development until 2030.

4.2.6 Construction and Housing

Construction

Construction covers a whole range of economic activities that are integrated and finally manifested through construction of facilities. An important feature of construction is that it binds to itself a large part of other sectors of the economy, as besides building it also implies the production of construction materials and equipment. The multiplying effect of the construction sector in the economy is reflected also through the impact on the financial sector. Mortgages and mortgage markets, as a capital market segment where all placements are secured by mortgages, are in direct connection with the real estate market dominated by facilities as a result of construction activities. Increased competitiveness of construction will positively influence other industrial sectors, as well as employment and economic growth as a whole.

The construction sector needs to be dynamic, productive, creative and to have space for the flexibility and the creation of a cohesive construction community, which will be the basis for ensuring prosperity and benefits in society, on whose foundations will mutually build their growth, together with other parts of the society.

Although the indicators in the previous period point to a significant growth in construction, it can be said that domestic construction industry did not adequately use the opportunities, because a large part of the work was done by the constructors from the surrounding countries and using the construction material produced largely in the neighboring countries.

The large growth of foreign direct investment has also affected the growth rate in the field of construction, and in order to better realize the investment projects in the previous period, significant law reforms have been implemented which regulate the way of facilities building, especially in the area of issuing building permits. However, there is still room for improving the process of facilities building and creating a better business environment.

Standardization in the field of construction has become a precondition for successful business operations, ensuring quality of facilities and enabling the free flow of goods and services. That's why the process of the adoption of Eurocodes, the design standards for buildings and engineering facilities has started, representing unified design rules that provide the highest technical quality and safety in design, as well as the improving of obsolete technical legislation in the field of construction, taken over from the former joint states.

The goals in the field of construction relate to:

- Improvement of the process of building objects;
- a higher level of quality of construction works and construction products, based on the principle of sustainability;
- creating more numerous and professional staff (in order to form an adequate structure of the workforce in construction, it is necessary to follow the principles of sustainable development in the direction of defined recommendations in the field of education system);
- strengthening the competitiveness of construction companies and encouraging entrepreneurship (Montenegrin construction industry should become a carrier or partner in the realization of complex projects and original solutions for all types of structures and facilities, from planning to execution with a high professional team, using advanced technology and practical experience, respecting the principle of environment protection);

– further improvement of the business environment for attracting foreign investment (as the state budget cannot finance the full spectrum of planned investments, it is necessary to create better investment conditions through legislation and regulate ownership of strategically important infrastructure facilities);

Proposed measures

To achieve these goals in the forthcoming period the work will be done on:

- **Improving the process of building the facility through the upgrading of existing information solutions.** Improving the process of planning and building the facility through the upgrading of existing information systems that will integrate all space information (the information system will link all bodies, both at the state and at the local level, and institutions participating in the planning and construction process of the facility) and by establishing documentation base, it will facilitate easier realization of investment in space, as well as construction of utility, energy, transport and other infrastructure. By introducing electronic business, the paper form of planning documents and the production of highly technical documentation are eliminated, which means that electronic business contributes to cost reduction, improvement of efficiency in the work and simplification of the procedure;
- **continuation of activities on the adoption of Eurocodes, as national standards for**
- **constructions calculation and innovation of technical legislation.** Adopting Eurocodes as national standards for constructions calculation will contribute to achieving a higher level of quality and safety of facilities and the inclusion of Montenegro in the process of free trade in products and services in the field of construction industry; and
- **continuation of activities on the adopting of national rules for construction products, in line with EU legislation.** The process of regulations harmonization in the field of construction continues through the full alignment of national legislation with EU legislation on construction products and the innovation of technical legislation.

Structural reforms

Respecting all the divergence and the number of sectors impacting the development of the construction, it is inevitable to emphasize that if investments represent a skeleton of the development of construction, then it is certain that the fundamentals are the laws and regulations.

By introducing an information system and increasing the efficiency of institutions, the preconditions for the inflow of new investments and the efficiency of the business are created. A faster investment realization contributes to lower costs for the economy and citizens. The notification of building in the online system contributes the most to the small investors - citizens and small and medium enterprises.

Reform of administration by introducing electronic business should enable the monitoring of all business processes and their detailed analysis, the efficiency of information and the up to date information. The full implementation of the information system, i.e. e-business, enables the creation

of a better business environment and enhances the interaction between the three main parties in the society - authorities (state and local), natural persons and legal entities, in order to stimulate the political, social and economic development of the state. This primarily concerns the strengthening of good governance and the increase of citizens' participation in it, the growth of productivity and efficiency of national and local authorities, institutions, agencies, administrations, thus achieving full accessibility of public service to citizens.

The development of building materials industry based on the principles of sustainable development is an extremely important segment in the field of construction, bearing in mind the fact that Montenegro has a large number of mineral raw materials, which are also basic raw materials for the production of building materials (marl, architectural-building stone, clay and technical building stone, as well as wood, aluminum and iron for the production of certain products and elements used in construction), that they are the impressive quantities of their reserves and that the quality is satisfactory. Encouraging the production of building materials based on natural resources, which is now fully imported, is justified in every respect. When it comes to technical mineral raw materials (red sludge, flotation heaps of lead-zinc ore, slag and ash dumpsites, etc.), they deserve attention, especially from the point of view of removing this waste, but it is necessary first to determine their exploitation usability by detailed research.

Housing

One of the key goals of urban development is to preserve space as a national treasure and, in that regard, to stop the illegal construction and legalize the facilities, while respecting international principles and goals, which is an important segment of sustainable development policy of each country. Space and environment, with all the resources and elements that appear in them, are limited and very often non-renewable and represent the natural foundation of life and development.

A sustainable housing sector plays a significant role in improving the environment protection, solving climate change issues and accelerating economic growth. Its social component is significant in terms of combating poverty and achieving social cohesion.

Priority goals in the housing field are:

- regularization (legalization) and the improvement of illegally built settlements in a sustainable way and preventing the creation of informal settlements; and
- better housing availability and providing a quality housing fund for the needs of citizens through the establishment of housing market and the definition and implementation of procedures for citizens who are from socially vulnerable groups.

Proposed measures

In order to achieve the goals in the housing field, in the forthcoming period the activities will focus on:

- **Integration of illegally built facilities into the formal housing sector.** Much of the sector of residential and non-residential facilities is currently performing through informal structures. This contributes to reduced quality and safety of housing due to insufficient work skills, unlicensed construction materials and uncontrolled construction. A significant part of public revenue is not realized. In order to regularize and valorize space as the most important

resource of the State, the Law on Spatial Planning and Construction of the Facilities was adopted. According to the Law, only illegal objects envisaged by the valid planning document or by the general regulation plan of Montenegro, which is a national plan document, can be legalized. The deadline for applying for legalization is nine months from the date of its entry into force. Continuous communication with the units of local self-government is conducted with the aim of enforcing the law in an efficient manner. The process will result in an increase in municipalities' budget revenues through the collection of building land utilities provision fee, as well as through the collection of property tax revenues, as well as the fees for the use of space, the introduction of which is also within the competence of the local self-governments and it will represent their income. These funds will be used to build the missing infrastructure in these fields and result in an increase in the quality of life in these and other areas;

- **Ensuring non-discriminatory access to affordable and safe housing.** Households with no income or very low income and households from marginalized communities face the problem of access to affordable, safe and healthy housing. The existing housing supply (around 2,000 units) intended for categories of population in need of social care, cannot cover the demand. Lack of financial resources is one of the major challenges for establishing a sustainable social housing system. The concept, policies and criteria for social housing are defined at the State level through the Social Housing Program, which is implemented for three years. The development and implementation of these policies is regulated at the local level and is made specific through the adoption of local social housing programs by local self-governments. Recommendation from the Social Housing Program for the period 2017-2020 is to determine the exact number of social housing units, which will assist in more efficient planning, with the analysis of needs in this area, According to available data, local self-governments have somewhat less than 2,000 dwellings available for social housing. It is necessary to introduce the principle of the sustainability of the housing fund in this field, which implies the introduction of a cost approach in determining the amount of rent, in order to provide the material basis for solving housing issues of the next generations. The recommendation of the state social housing program is particularly focused on the development of projects in the north of Montenegro in order to reduce migration from northern municipalities to the southern and central Montenegro.

Achieving social cohesion and social solidarity, assistance of the state and local self-governments in providing housing for persons who do not have home and who cannot provide dwellings, improving the quality of life of citizens, especially members of vulnerable social groups that cannot fill the housing need on the market, reduction of poverty and exclusion, represent the basic goals of housing policy. Planned measures are implemented on a continuous basis through the implementation of project plans for addressing the housing needs of target groups defined by the Social Housing Act and the Social Housing Program;

- **improving the management and quality of facilities for collective housing.** Facilities inhabited by multiple families often do not have management bodies, which affects the behavior of the apartment owners with their goal to avoid the necessary investments, which leads to deteriorating quality of the facilities for collective housing. In order to realize this measure, it is necessary to develop mechanisms that will stimulate entrepreneurial activities and ensure competition in the field of maintenance of residential buildings and lead to the professionalization of this kind of activity, which will result in lower prices and better quality of maintenance management for collective housing; and
- **higher standards in terms of energy efficiency and greater use of energy from renewable sources in residential buildings.** Existing residential facilities achieve low standards of energy

efficiency. The use of renewable energy sources in housing is seldom, which means that EU standards are not respected.

Structural reforms

The problem of solving informal settlements requires an integral, strategic comprehensive approach and making community as a whole active, which will be ensured through the adoption of the General Regulation Plan of Montenegro. Legalization of illegal facilities will make their users the equal rights individuals. As such, residents of a city should enjoy the same opportunities in exercising their right to an adequate standard of living and access to services, as well as meeting the same obligations of respecting the law, paying taxes and user fees. Sustainable urban management requires informal settlements to be integrated into the social, economic, spatial and legal framework, especially at the local level. Efforts aimed towards successful integration contribute to long-term economic growth as well as social equality, cohesion and stability.

The state needs to actively engage in realization of housing policy. The lending policy of the state should stimulate the construction and purchasing of apartments, in order to reduce the share of housing costs in household incomes. In housing policy, the financial system has two key elements - sources of funds and institutions. These two elements make the whole, because without the appropriate sources there is no formation of different financial institutions. In addition, the financing system of housing is part of the overall financial system and cannot be viewed independently. The precondition for the market housing system is an adequate financing system, meaning the existence of various banking and non-banking institutions, sources and ways of fundraising. However, due to the discontinuity created in this area, by abolishing the compulsory allocation of funds for housing construction at the end of 1991, as well as due to the poverty of the economy and a part of the population, which represent potentially basic sources of savings, the direction of further activities should be aimed towards:

- development of financial mechanisms (dedicated savings, mortgage lending, securities and stockholding);
- development of financial institutions, savings banks etc; and
- development of state incentive mechanisms.

In addition, it is also necessary to work on:

- establishing the legal and institutional framework towards the harmonization with EU regulations; and
- developing the modalities of the private-public partnership in the housing sector.

4.3. INCLUSIVE GROWTH

Inclusive growth implies increasing employment, involving people of all ages in managing the changes, through investing in skills and training, modernizing labor market and social welfare system, while respecting EU standards

Table 9 Main goals related to inclusive growth

Labor market	<ul style="list-style-type: none"> • increased employment and decreased unemployment
Education	<ul style="list-style-type: none"> • Increased number of children in preschool education • the better results achieved in PISA testing • the better access of children with special educational needs to the educational institutions
Sport	<ul style="list-style-type: none"> • the Law on Sports adopted • sports infrastructure improved
Social protection	<ul style="list-style-type: none"> • citizens social status improved
Healthcare	<ul style="list-style-type: none"> • prolonging life span, improving the quality of life related to health, preventive programs strengthening, introduction of new screenings • education, development and strengthening of cadres in healthcare through KME, • financing sustainability
Funds needed for financing “inclusive” projects/development measures in the DDs	<ul style="list-style-type: none"> • Total: €123.317.721,97 • Domestic budget: €101.221.988,72 • Loans: €9.000.000,00 • EU: €947.000,00 • Private funds: €0,00

4.3.1 Labor market policy

The main goal of reforms in the field of labor market policy is to create optimal conditions for efficient functioning of the labor market, increase of workforce activity and overall employment, especially in the private sector, with the reduction of unemployment, above all, among youth and women. This creates the preconditions for a more dynamic economic growth and strengthening the domestic economy competitiveness. Considering the current challenges in the labor market (high unemployment rates, especially among young people, insufficient flexibility, informal employment, long-term unemployment, disparity of supply and demand, insufficient mobility, early labor market abandonment causing low activity rate and pronounced use of social benefits), it is necessary to create the conditions for greater flexibility in the market with the emphasis on implementing active employment policy measures, to create new educational programs for obtaining professional qualifications and key skills, ensure greater involvement of persons with disabilities in the labor market, to increase awareness of the importance of health and safety at work, and intensify activities to combat informal work. The higher level of social inclusion and reduction of poverty will also be achieved with this.

Employment implementation framework is defined by the National Employment and Human Resources Development Strategy 2016-2020, which is in line with the obligations of the EU accession process, or the Europe 2020 Strategy.

Proposed measures¹⁴

Bearing this in mind, in order to improve the functioning of the labor market, improve the business environment and create conditions for increasing the activity of the workforce and employment, meaning the reduction of unemployment and undeclared work while strengthening of social dialogue,

¹⁴ Guidelines for Employment Policies of Member States PART II. Integrated Guidelines for Europe 2020

in the forthcoming period the measures will be realized relating to:

- **strengthening active labor market policies** in order to increase their effectiveness, focus, scope, fields they cover and individual access, resulting in employment, especially for young people and vulnerable categories of society; and
- **carrying out activities in the direction of greater involvement of persons with disabilities on the labor market.**

Structural reforms

In order to create legal preconditions for full implementation of reform measures, further improvement of the labor legislation is necessary. In this regard, new laws will be adopted (Labor Law, Social Council Law, Union Trade Representation Law, Labor Fund Law, Amicable Disputes Resolution Law, Employment Mediation and Unemployment Rights Law, Law on Welfare of Citizens of Montenegro Employed Abroad, Law on Professional Rehabilitation and Employment of Persons with Disabilities. Also, the Law on Safety and Health at Work Place will be revised and the secondary legislation for the implementation of the mentioned regulations will be adopted.

4.3.2 Education

The basic goal of education is to create human capital with the knowledge and skills needed on the modern labor market. In the context of inclusive growth, the education system comprises of preschool and primary education. Identified challenges in the pre-school education system relate to insufficient infrastructure capacity to involve more children in preschool institutions. When it comes to primary education, the key challenge is to improve the quality of education that will directly impact students' achievements on international PISA testing. A special segment is inclusive education where attention in the forthcoming period should focus on improving the conditions and quality of work with children with special educational needs. Overcoming the existing challenges will enable greater coverage of children by pre-school education and the acquisition of applicable knowledge through primary education.

Strategic documents in the area of preschool and primary education, which define priorities, measures and appropriate activities are: Early and Pre-school Education Strategy (2016-2020), Inclusive Education Strategy in Montenegro (2014-2018) and the Talented Students Development and Support Strategy (2015-2019).

Proposed measures

In order to achieve the goals set, in the forthcoming period the measures will be realized relating to:

- **Increasing the coverage of children from the age of three until entering school with pre-school education;**
- **infrastructure for primary education needs; and**
- **Providing better access to education facilities for children with special educational needs as well as the quality of the teaching process.**

Activities on the implementation of measures relate to:

- building new, expanding and adapting existing pre-school institutions;
- further expansion of the interactive services network for remote, rural areas;
- implementation of new subject programs;
- promotion of PISA testing in order to raise awareness of the significance of the results achieved;
- inclusion of Montenegro in TIMSS testing;
- construction of five primary schools;
- improving the architectural accessibility of institutions;
- strengthening of staff responsibilities and competences for working with children with special educational needs.

4.3.4 Sport

Sport is a field of public interest and represents an important factor in social development. Through sport, significant social and economic dimensions are achieved both by the individual and society as a whole. Sport, among other things, contributes to health and good living habits, mental well-being, good social relationships creation, promotes fair play, national spirit and other positive social values, and therefore we can say that sport represents the tool of education, care, health, culture and recreation.

Sport includes the following activities: taking instructions for engagement in sports activities, organization and conducting of sports preparation, namely training, participation in sports competitions, organization of sports events, organization and implementation of sports recreation. Sports infrastructure is one of the most important segments in creating conditions for development, both recreational and professional sport.

Considering the fact that the existence of adequate sports infrastructure or sports facilities is a precondition for engaging in sport, an analysis of the state of the sport infrastructure is ongoing. Based on this analysis, it will be invested in improvement of the sport infrastructure through rehabilitation, adaptation or reconstruction of existing and construction of the new ones, in accordance with the objective possibilities.

In this regard, the data on the state of sports facilities in Montenegro, obtained from 17 local governments, have clearly shown that it is urgently needed to invest in this field, through works such as: rehabilitation and adaptation of sports grounds, installation or replacement of lighting, construction of auxiliary rooms and dressing rooms, the purchase of sports requisites and equipment, reconstruction and expansion of stands, and the like.

Based on the above mentioned data, a list of projects in the field of sports infrastructure was created based on the following criteria:

- the value of the project in the context of the objective ability to be financially supported within the available budget;
- the importance of the project for sports associations and the local population;
- well-balanced regional development;
- the possibility of linking the project with other areas (tourism, health, environmental protection, energy efficiency).

Special attention was given to local self-governments who do not have sports facilities, or they are in very poor condition. Also, when considering support for projects in the field of sports infrastructure, the need to create conditions for a better valorization of potentials in the north of Montenegro has been taken into account, through the development of sports and recreational tourism. Considering that, and on the basis of submitted projects by the local self-governments, the realization of 9 projects in total amount of €343.418,85 was supported.

Based on the Competition for Co-financing of Sports Entities Programs, funds amounted to €3,912,500.00 were appropriated. Fees for top athletes and disability benefits are paid out regularly, and on a monthly basis they amount to €54,141.50.

Proposed measures

- **Improvement of the sports infrastructure.** In the context of overall improvement of the sport field, and considering the sport infrastructure is an area of public interest in sports as well as a condition for quality engagement in sports and physical activity, and that it is one of the conditions for quality work of sports organizations, the development of recreational sports and sports for children and young people, the work will continuously be done on the improvement of this important field in the forthcoming period in order to create the best conditions for sports.

Structural reforms

Proper normative regulation of a field is the starting point for its further development and improvement. By analyzing normative acts in the field of sport and their application, because of the many shortcomings noted, it has been established that the system of sports requires primarily the adoption of a new Law on Sports which will remove the numerous irregularities and vagueness of the current one. In this connection, activities are underway in the preparation of the new Law on Sports.

Given that a strategic document in the field of sport has not been adopted, a very important measure is certainly the adoption of the National Program for the Sports Development in Montenegro 2018-2021, and the adoption of the Sports Development Strategy for the period 2018-2021. This program will define the sport development policy in Montenegro in the next four-year period. The program will be founded on the principles of sports promotion and development, with a special focus on children, young people and people with disabilities, strengthening of sports infrastructure, further enhancement of the environment for sports entities work, promotion of research and development, care and education and professional work in sport as and other organized and professionally managed activities aimed at improving the field of sport.

4.3.4. Social welfare

The reform of social and child protection is aimed at improving the quality of life of an individual and a family and at creating the conditions for their independent and productive life.

Proposed measures

The social and child protection policy is directed to further development and improvement of services; reduction of the number of users of the accommodation services in social and child institutions, with special emphasis on children; development of family accommodation - foster care, with emphasis on non-relative foster care; working activation of users of material security benefit; greater participation of local self-governments in improving the quality of social and child protection in local communities and increasing involvement of civil society organizations, non-governmental organizations, business associations, entrepreneurs and natural persons in providing social and child protection services in a sustainable way. The realization of the project Continuation of the Reform of the Social Welfare System will continue. Towards the greater social inclusion of persons with disabilities, the activities to improve the conditions for professional rehabilitation and training of persons with disabilities will continue. Also, activities will continue relating to:

- **The project Integrated Information System of Social Welfare (IISSS)**", which provides support to employees in reviewing, upgrading and developing new information system functionalities.
- **Support services:** Helping in the Home for the Elderly; "National SOS Telephone Line for Victims of Domestic Violence"; Family Associate; support for the work of existing day care centers and establishment of day care centers for the elderly (Plav, Žabljak, Pljevlja, Berane and Bijelo Polje) and Day Centers for Children with Developmental Disabilities (Budva, Bar and Golubovci);
- Support in the establishment and operation of the shelter for homeless people, shelters for the elderly, shelters for victims of violence, transitional housing units for preparing children out of the children's home; National Children's Phone Lines;
- **Construction and equipping of multifunctional facilities** in the municipalities of Petnjica and Gusinje; adaptation and opening of department for dementia users within the Home for

Elderly in Bijelo Polje; as well as construction, reconstruction, adaptation and equipping of day-care facilities, shelters, centers for social work, and so on;

- **Establishing the Center for Professional Rehabilitation;** and
- **Resolving housing issues of displaced and internally displaced persons** through the implementation of the Regional Housing Program.

Structural reforms

In order to create the preconditions for further improvement of the social protection system, it is necessary to further improve the normative framework and the quality system. In this regard, an analysis of the need to amend the Social and Child Welfare Law, an analysis of minimum standards for providing life-in-the-community support services, accommodation services, counseling and therapy, and social and educational services, as well as analysis of local government participation in financing of social and child protection services. Also, individual activation plans will be set up with a view to social inclusion of users of material security who are able to work.

Pension system

The pension system reform was implemented in 2011 and implies a gradual equalization of women and men in terms of the conditions for obtaining the right to retirement as well as the gradual lifting of the old age limit for gaining the retirement age to 67 years (by 2025 for men and by 2041 for women). The results of the reform will be visible in the coming years, and full effects will be achieved after the transition period has expired.

The inadequate proportion between the number of employees and the number of pensioners led to pension expenditures being higher than income realized on the basis of contributions, namely to the pension system deficit, which results in its financing from the revenues of the Budget of Montenegro. In that regard, participation of general budget revenues in financing pension system was reduced from 32% of total expenditures of the PIO Fund in 2015 to 30.82% in 2016.

Proposed measures

The key objective of the pension system reform is to reduce the pressure that pension payments represent for the state budget. In this regard, and also for the sake of ensuring greater fairness, legal conditions which allow for early retirement will be re-examined and, thus, impact the prevention of early exit from the labor market. It is certain that this will reduce the incomes of new retirees and increase revenues from contributions, but in the years to come after new legal solutions have begun to apply. Legal adjustment of pensions will continue, as well as realization of measures to improve the pensioners' financial position and, within that framework, with the co-financing of construction of housing for the needs of pensioners.

4.3.5. Healthcare

A healthy population is the society's most important development resource, which contributes to overall social and economic progress. Therefore, special attention should be paid to the health and conditions for the preservation and improvement of health, which are realized not only by the healthcare system activity, but also by the engagement of all social factors. Investment in the healthcare sector should not be seen as a cost but as an investment in health, and therefore in the overall sustainable development of society. The principles of solidarity, universality, equality, accessibility and quality, which are the foundation for building a sustainable and integrated healthcare

system, with the citizen in the center of the system, are the bearers of a socially oriented European healthcare system to which Montenegro is striving for in the EU integration process.

In order to meet the conditions for achieving the highest possible level of health, the state directs healthcare policy and plans the development of a healthcare system in the context of the overall development of society and in order to achieve the concept of sustainable economic development it promotes: health, education, healthy environment and sustainability of natural resources, socially responsible activity, social inclusion and good governance, which are preconditions for affirming the competitiveness of the economic environment and economic growth.

Healthcare costs grow faster than the economic base of society, and accordingly adequate funding systems are introduced that will provide access to the necessary healthcare. The function of healthcare development planning is the coordination of activities in society, in order to contribute most to improving the health of the population. Health as such depends on social determinants of health and a number of factors from the human environment to which an individual has no influence. Factors that contribute to disease burden today are extremely complex and interrelated. Among these factors is the aging population, migration, the dominant presence of non-communicable diseases, including mental health problems; the remaining challenges related to infectious diseases; performance and financial challenges affecting health systems; insufficient development of public health in many areas.

Based on the analysis of the healthcare system, the condition of the population's health, the analysis of the financing of the existing healthcare system, planning and strategic documents and the recognized "weaknesses" in the system, it is necessary to continue reforms in the direction of improving the efficiency and quality of the healthcare system. In this regard, activities on rationalizing resources in healthcare have been initiated with an integrated and continuous approach to healthcare; as well as activities on defining the packages of medical services.

Proposed measures

Bearing in mind that, in accordance with the Health Development Master Plan of Montenegro, the focus will be in the forthcoming period on preserving and improving health and improving the organization and functioning of the healthcare system through:

- **prevention and control of chronic non-communicable diseases** - introduction of preventive programs at the primary level of healthcare (screening programs), as well as continuing implementation of already introduced ones; realization of the existing and introduction of new preventive programs at the level of primary healthcare in prevention units of Health Centers, relating to the reduction of exposure to risk factors for heart and vascular diseases; increased availability and quality of treatment of heart and vascular diseases and rehabilitation at the secondary and tertiary level of healthcare; improving the realization of screening programs for early detection of colon, breast and cervical cancer and the introduction of new screening programs for malignant skin cancer (melanoma); increased availability and quality of treatment, by higher professional qualifications of healthcare workers and cancer treatment contributors; improvement of availability of diagnostic procedures (mammography, colposcopy, colonoscopy), therapeutic procedures (surgery, radio and chemotherapy), medications, as well as adequate palliative care for all citizens; promotion of a preventive program for diabetes; developing programs to help young people with mental health problems, helping depressed people, at risk of suicide and programs for mental disorders in the elderly; strengthening the capacity of general hospitals for the treatment of persons with acute mental disorders; increased availability and quality of treatment with greater professional skills of health workers and associates for the treatment

of patients with mental disorders, using medication and various forms of psychotherapy;

- **Prevention and control of infectious diseases** - Strengthening capacities for prevention of existing and new health threats through the strengthening of public health activities, continuous monitoring and strengthening of mechanisms for controlling the application of the normative framework for the protection of the population against infectious diseases; improvement of the national antimicrobial resistance monitoring system (AMR); improving HIV prevention programs among people at increased risk, institutions and the general population and providing affordable and equal treatment, care and assistance for all people living with HIV, including support services for HIV/AIDS sufferers, for mental health and addiction disorders field;
- **Implementation of the Continuing Medical Education Program in Montenegro (CME)** - improvement of knowledge and skills of human resources through the education process. Clinical Center of Montenegro Science Center is successfully implementing the Continuing Medical Education Plan. The continuation of activities on the implementation of the program is planned for the forthcoming period, in accordance to the foreseen dynamic. Education in the field of healthcare management is necessary for all decision-makers at national level (for those who manage health institutions at all levels of healthcare and those involved in healthcare planning in the field of policy planning and development policy); planned approval of specializations in accordance with the human resources plan in order to avoid excessive concentration of specialists in a particular region, and the lack in others, with the promotion of deficient specialist branches (e.g. children and adolescent psychiatry);
- **healthcare information system and e-health** - planned definition of integrated healthcare information system management, with clearly defined responsibilities at all stages of its development and implementation - development of the Integrated Health Information System and e-Health Development Strategy; functional improvement, modernization and maintenance of existing and development of new IT solutions within the integral healthcare information system, while respecting established standards for system functionality, security and interoperability; establishment of an automated advanced healthcare statistical system; establish IT support to track cost based on work outcomes/results in the process of providing healthcare, in accordance with adopted primary and secondary healthcare payment models; functional linking of healthcare segments to reduce the cost of procedures and processes in the healthcare system (lab, radiology). Introducing an electronic health card and using the electronic booklets system will contribute to reducing the potential for misuse and ensure better payments of contributions. Also, it will make it much easier for the insured to avoid waiting in the cues to certify the booklet, as it has been the case so far; and
- **Construction and improvement of healthcare infrastructure.**

V PUBLIC SECTOR REFORM

The public administration reform is aimed at creating an efficient, effective and service-oriented public administration, which will increase citizens' trust in its work. Such public administration will have an impact on the improvement of business conditions and, in this connection, strengthening the competitiveness of the economy and the Montenegrin citizens' quality of life. The public administration reform is, in addition to the rule of law and economic governance, recognized as one of the pillars of the enlargement process in the Enlargement Strategy for 2015, so implementation of reform activities in this area is crucial for meeting the conditions for Montenegro's EU membership. By establishing the Ministry of Public Administration, conditions have been created to successfully implement the planned reform measures, from the perspective of the public administration organization in Montenegro.

The strategic framework for improving the state in the field of public administration was established by the Public Administration Reform Strategy 2016-2020, with the Action Plan for its Implementation for 2016 and 2017. In order to ensure continuity of the implementation of the reforms, the starting point for the preparation of the Strategy was the assessment of the situation in this field, as outlined in the Analysis of the Impact of Implementation of the Public Administration Reform Strategy 2011-2016.

By adopting the Public Administration Reform Strategy 2016-2020, the Reform of Public Finances Management Program, the new Public Sector Remunerations Law and the simplification of administrative procedures, Montenegro has made some progress in this area, according to the European Commission report for 2016. However, to achieve the set goals, it is necessary to continue reform activities.

In the previous period, significant activities were aimed at creating adequate legal solutions to meet the needs of modern public administration, to simplify and speed up administrative procedures, reduce the cost of proceedings for all participants, and create conditions for using modern information communication technologies to provide administrative services (so-called e-governance). This saves the time of citizens and the economy and eliminates unnecessary costs.

The new Law on Civil Servants and Employees improved a civil service system based on the principle of merit in the field of employment, appraisal and promotion. The human resources management process in public administration has also been improved. By adopting the new Local Self-Government Law, a normative framework for sustainable development, greater efficiency and reform of local self-governments was created. Also, the new Administrative Procedure Law significantly improved the process of the administrative procedure, primarily through the introduction of the "one stop shop", or the implementation of administrative activities in one place. Electronic communication between public administration bodies and citizens was facilitated, thus shortening the administrative procedure. At the same time, through the adoption of the new Electronic Identification Law and the Electronic Administration Law, conditions have been created for efficient communication with users of state administration services, at any time and from any place, through a single e-portal, which functions as a unique place for access to electronic services, while secure and reliable electronic transactions have been regulated.

By improving the organization, coordination and transparency of the competent authorities, the efficiency of public administration work will increase, leading to the elimination of business barriers, the creation of a favorable business environment and ultimately increase in foreign direct investment.

Activities derived from the Public Administration Reform Strategy have also been realized, which was

also recognized by the European Union, which for the first time provided the Sectoral Budget Support to Montenegro through the IPA II Pre-Accession Program. In this regard, conditions have been created for the first fixed tranche of €4m to be withdrawn by the beginning of 2018, out of a total of €15.0m. These funds will be used for further reform of the public administration.

In this respect, measures will be implemented in the forthcoming period relating to:

1) Improvement of organization of public administration system, civil service system and human resource management.

In order to develop and improve the overall public administration system, which will be in the full service of citizens and economy, it is necessary to: reorganize the public administration, so that the number and staffing structure of the employees corresponds to the tasks and objectives of the state; improve the capacity of administrative inspection; improve the state administration capacities and establish a system of monitoring and evaluation for the implementation of the APL; implement the framework of competencies when selecting the heads of state organs and senior management; to increase the degree of timeliness of data in the Central Personnel Registry and to link the CPR database to the Ministry of Finance's revenue calculation system; improve the mechanism of cooperation between local self-governments and sources of funding; improve the mechanism of cooperation between state administration bodies and non-governmental organizations. Also, the eDMS system will be implemented in all ministries, the General Secretariat and the administration bodies (Phase I and Phase II); strengthen municipal capacities for project preparation and use of money from EU funds and, through the work of municipal project manager networks, to foster inter-municipality co-operation in the preparation and implementation of EU projects. To realize these measures, it is necessary to improve the governance and coordination system through public administration reform, through continuous education of employees at all levels of government.

2) Improving the quality of services.

The portal of e-Government represents a unique point of access to electronic services offered by the administrations bodies with a high level of user experience and satisfaction, so it is necessary to facilitate the upgrading of the e-government portal system and the including local self-governments there, to establish a unique information system for electronic data exchange between state bodies and state administration bodies (JISERP), and increase the number of electronic services and involve as many institutions as possible.

VI SWOT Analysis of Montenegrin Economy

The SWOT analysis for the three strategic growth directions (smart, sustainable and inclusive), according to the identified policy fields, was conducted on the bases of the assessment of the policy fields, namely achieved results of the Montenegro Development Directions 2015-2018. The results of the SWOT analysis, namely the conclusions that have been made, enable the creation of more efficient policies for these growth directions.

Smart growth

Smart growth for Montenegro, primarily, implies a reduction in import dependency and the deficit of the balance of payments, as well as the increase in foreign direct investment (FDI) and productivity. Improving research, technological development and innovation, improving access to information and communication technologies and raising their quality, as well as increasing the competitiveness of small and medium enterprises, are smart growth basic features.

Table 10 SWOT analysis for smart growth

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> - institutional regulation in the protection of natural areas - the availability of high quality spaces and conditions for the construction of new high-class tourism capacities - availability and diversity of natural resources for all forms of tourism linked to nature (adventure, sports and recreation, educational tourism etc.) - a developed image of the northern and southern regions, with respect for the local heritage and culture - a growing number of events and organizing big events in tourism centers - good relations with neighboring countries and proximity to the most important European capitals - opportunities for the development of cultural, rural, health and other forms of tourism - the wealth of cultural heritage and the ability to build recognizability - a network of educational institutions - competitive tax policy - a favorable investment climate - a good maritime transport connections (the importance of Port of Bar) - proven regional stability factor (NATO membership and EU integration process) - enabled access to leading international I&I funds - the presence of excellent individuals/teams of researchers, well-integrated internationally - Improved work and learning infrastructure - existence of strategic development plans - established legal framework - intensive cooperation with the international academic community - a number of prominent scientists and researchers - a good information system with a centralized database - the University of Montenegro is located in the region that has great development potential - improved implementation of dual education 	<ul style="list-style-type: none"> - Insufficient number of high category catering facilities - a pronounced seasonal character of operating - inadequate valorization of natural resources and cultural and historical heritage - insufficient investments in existing inefficient catering facilities - lack of additional content in existing hotel and tourism facilities - insufficient involvement of local self-governments in activities to improve tourism offer - uneven regional tourism offer with non-standardized services - a high degree of dependence of the tourism industry's operations in the northern region on climatic conditions - distance from key outbound markets (Montenegro is predominantly an air transport destination) - insufficient valorization of cultural heritage in the function of development of cultural tourism - poor diversification of production base in the industry - limited access to finance for SMEs - high participation of primary and low-tech products in export - fragmented production in certain sectors - low intensity of research and innovation, business management deficits - there is no market-oriented culture of innovation - there is no long term planning of I&I activities (opportunistic approach) - access to international funds and infrastructure is not sufficiently exploited - lack of information on labor market needs - insufficient involvement of employers and their associations in the implementation of vocational education - insufficient interest of students to enroll in production profiles - insufficient participation of schools in international projects - raising awareness of employers and their associations to participate in the realization of practical education is not at the required level - uneven quality of realization of practical education by schools and educational programs - unsatisfactory cooperation with the economy - insufficient inclusion of students into scientific and research work - predominant orientation in teaching to transfer

	<p>information</p> <ul style="list-style-type: none">- joint programs with other universities are not implemented in higher education institutions- weak internationalization of scientific research and study- "brain drain"
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OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> - rising international demand for Montenegrin tourist offer - development of sustainable tourism - diversification and improvement of the tourism products quality - new incentives for investment projects, with private - public partnerships - improvement of promotion in the markets of Western and Northern Europe, as well as in remote markets - enhancement of accessibility by air transport - use of EU funds to improve the tourism offer - expansion of tourism offer - integration into the European Union - import substitution - Diversification of financial instruments for beginners and SMEs - introduction of new technologies in the industry sector - development of small and medium enterprises and internationalization - development of regional economic relations - attractiveness for production (low labor costs) - large investments in other economic sectors (energy, tourism, transport and agriculture) - evident need for increasing quality in the SME sector - integration into major international funds (H2020 program etc.) - realization of the project Large Research Infrastructure for Sustainable Technologies in South East Europe - use of human resources potentials in Diaspora - the Council for Qualifications, the National Council for Education, the commissions and the committees established - procedures for the development of standards of occupation, qualification standards and educational programs developed and tested - good cooperation between the schools and the Center for Professional Education was established - a positive trend for students enrolling in level III programs in school 2017/2018 - the Agency for Control and Ensuring the Quality of Higher Education established - public awareness of the necessity of inclusion in the European educational space - the possibility of active participation in various European projects - continued increase in the needs of the economy for lifelong learning - opportunities to increase the mobility of teachers and students through established international networks and projects - offer of study programs in English - organization of a high quality school for doctoral studies 	<ul style="list-style-type: none"> - the impact of climate change - high dependence on a relatively small number of outbound tourism markets - high dependency on the labor force from abroad - "sending" negative messages to potential foreign investors - "sending" negative messages to students who enroll in individual programs - dynamics of implementation of reforms - great competition for attracting foreign direct investment in the international market - slow recovery of the world economy and decline of the aluminum prices - lack of capital for the development of the industrial sector, strong foreign competition present in the local market - commitment to existing technologies - drain of the highest quality human resources - opportunity participation in international I&I projects (lack of initiative) - insufficient motivation of employers to engage in dual education - traditional approach to teaching - lack of textbooks for new educational programs - insufficient interest of schools and teachers to prepare projects for obtaining funds from EU funds - the danger of the best academic staff leaving - problem of the diploma of suspicious quality - expansion of new study programs - the lack of a lifelong learning culture

Sustainable growth

Sustainable growth for Montenegro primarily means the further development and efficient use/valorization of significant and insufficiently exploited natural resources. Space, as the most important resource of the State, will be valued in a way that will not cause its devastation. The quality and safety of buildings will be increased. As one of the preconditions for economic growth, transport and the environment protection infrastructure should be developed.

Table 11 SWOT analysis for sustainable growth

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> - landscape (coast, mountains) - high quality, conservation and fertility of land - a favorable climate for many types of production - availability of forest resources - availability of natural energy sources, particularly renewable ones - tourist centers (for example Boka bay, Ulcinj) - revitalization of the naval fleet - increase of the maturity of infrastructure projects for realization - capacity planning - preventive and improved environmental protection - recycling - strengthening the environmental protection awareness 	<ul style="list-style-type: none"> - unfavorable age and social structure in rural areas - a large part of the production is priced uncompetitive - dependence on energy imports - lack of financial means to improve the state of environment - technological slowdown (production, consumption, waste, wastewater) - low energy efficiency (housing, transport, etc.) - unfavorable social status of the population in terms of legalization of illegal facilities - payment of fees - insufficient development of energy and transport infrastructure - dominant participation of road transport - undeveloped ITS and database for quality monitoring and support for strategic management - administrative capacity - High investment values, long implementation terms and large fixed costs of maintaining the transport infrastructure - lack of adequate planning and linking of rail, maritime, road transport in a single system that will enable integrated service by the "just in time" principle - traffic infrastructure is still a bottle-neck - lack of risk management system - poor participation of final products
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> - Expanding the capacity for processing agricultural and fishery products with the use of EU funds - processing of primary agricultural products, fish farming (aquaculture) - organic agriculture - development of agriculture through tourism, additional food demand - a new forest management model - increased utilization of renewable energy sources - increasing energy efficiency - membership in international organizations (ITF, SEETO) - the strategic position of Montenegro in Southeastern Europe - active participation within the framework of the Berlin Process 	<ul style="list-style-type: none"> - ownership and right of disposal (all levels of administration) - migration from rural areas - low productivity of agricultural production, lack of modern technology and knowledge - lack of planning of land use and regulation - the limited resources available and the scope of funding available - lack of appropriate institutional framework for the development of private-public partnerships - insufficient linkage with international transport networks - transport infrastructure, still a bottle-neck - limitations in the construction sector capacity - long public procurement procedures - the balance between environmental protection and economic development can often be difficult to sustain - the opening of the market will have the effect of

<ul style="list-style-type: none"> - the development of multimodal transport - support of available EU funds (WBIF, IPA) - modernization of the Port of Bar - implementation of measures with support from EU funds and international organizations 	<p>intensifying competition, which can jeopardize a large part of commercial production</p>
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Inclusive growth

Inclusive growth aims to increase employment of all social categories through the strengthening of active and passive measures at the labor market, lifelong learning and civic culture, thus supporting social cohesion, preventing social marginalization and reducing poverty. Given that this is a wide field of action, at this point, the emphasis is on increasing employment through education and professional training.

Table 12 SWOT analysis for inclusive growth

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> - legal preconditions for a more flexible labor market created - a high share of working-age population in the total population - high level/rates of employment, especially young people - full availability of educational and care institutions - quality of educational and care work - a small percentage of early school leaving - developed awareness of inclusive education - promotion of sports infrastructure - the increased interest of children in schools for programs in the field of sports programs - motivation for positive changes in the field of sport - the results of the social and child protection reform - good cooperation with local self-governments on the improvement and development of the social and child protection system - results of health system reform achieved 	<ul style="list-style-type: none"> - insufficiently flexible labor market - low labor force activity rate - high unemployment rate of particularly vulnerable categories (young people, persons with disabilities, women members of the RE population) - a high rate of long-term unemployed persons - insufficient capacities of education and care institutions - inadequate adaptability of facilities to the needs of inclusive education - lack of functional knowledge - small use of tests based on the PISA task principle - lack of sports equipment and requisites - neglected school sports - lack of basic infrastructure for the construction of sports facilities - insufficient development of social and child protection services - insufficiently flexible labor market that would have an impact on the working engagement of beneficiaries of social rights able to work - inadequate cooperation with local self-governments in the improvement and development of the social and child protection system - lack of relevant information in the area of social and child protection on long-term needs in this area - lack of equipment and personnel - a low level of interoperability in the information system on the secondary and tertiary level of health care

OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> - preconditions for greater involvement of unemployed persons in active employment policy measures created - inclusion of persons with disabilities in the labor market - opening up new jobs with special emphasis on prospective branches (renewable energy, "green" tourism) - a large coverage of children with pre-school education and care - expertise of educators in education and care work and teachers in the context of PISA testing - improved textbooks and teaching towards the establishment of functional knowledge - new legislation in the field of sport passed - existence of legally established clubs and alliances - opening up new jobs in the field of sport - strategy for the development of social and child protection defined - an integrated information system of social welfare established, providing support in the social protection system - improved social and child protection services - strategic framework for healthcare development (Health Care Development Master Plan) established 	<ul style="list-style-type: none"> - lack of resources to implement the planned activities, in terms of greater inclusion of unemployed persons into active employment policy measures - Insufficient number of newly created jobs - lack of resources to expand spa capacities (kindergartens, schools) - students' disinterested for quality PISA testing - lack of resources for adapting the facilities to the needs of inclusive education - a very low level of private initiatives to support the further development of sport - neglected work with children in the field of sport - lack of resources to develop social and child protection services - insufficient number of licensed providers of social and child protection services - uncontrolled growth of chronic non-communicable diseases and potential burdens for the financial aspect of the health system - demographic aging of the population

Conclusions:

- ✓ Economic growth and development of Montenegro are based on four pillars: tourism, energy, agriculture and rural development and manufacturing;
- ✓ Tourism is an economic base, but it is necessary to diversify and improve the quality of tourism products through the development of sustainable tourism forms, better promotion and accessibility;
- ✓ It has great potential to produce energy from renewable sources (water, sun, wind, biomass), which can be one of the central investment areas;
- ✓ It is necessary to valorize the potential for the development of primary agricultural production and, in this regard, to expand the range of processing production and to establish an appropriate link to the development of rural areas;
- ✓ It is necessary to create the preconditions for launching production with higher stages of processing and joint market entry, in order to create greater value through the production and export of market competitive and innovative products of high degree of finalization;
- ✓ It is necessary to improve the management of resources (natural and public) as important factors of the economy;
- ✓ foreign Direct Investment is a necessary development component, but they are needed "smart" orientation, for example in the information and communication technology sector;
- ✓ Transport, housing and construction, infrastructure and environment are in focus as a precondition for economic growth;

- ✓ The level and structure of the labor force qualification needs to be improved and adapted to the needs of the labor market, meaning economic development;
- ✓ A dual education system needs to be strengthened and, therefore, to "produce" a more qualified workforce;
- ✓ It is necessary to lead a just social protection policy and strengthen the healthcare system;
- ✓ Public administration should be in the function of creating a favorable business environment by using information and communication technologies, enhancing competitiveness and attracting foreign direct investments.

VII INVESTMENTS - SCOPE, STRUCTURE AND FINANCING SOURCES

The Montenegro Development Directions 2018-2021 identified investments/development measures, by the directions of development (smart growth, sustainable growth and inclusive growth) and related policy fields, whose realization will, inter alia, increase the competitiveness of the economy (smart growth), contribute to balanced and sustainable economic growth (sustainable growth), and reduce unemployment and increase employment opportunities (inclusive growth).

The estimated value of investments/development measures identified in the Development Directions is €4,004,153,986.50, and the funds needed for their realization in the period 2018-2021 amounted to €3.458.313.833,16. The difference relates to the amount of funds spent for the investments whose realization began in the previous period, mainly in transport, environment and energy sectors. The previous chapters gave detailed insight into investment and other development measures, and this chapter outlines the scope and structure of the required investments/development measures and proposed sources of funding.^[1]

Quantification of required investment/development measures

The total value of identified investments/development measures, namely necessary funds for their realization in the period 2018-2021 was estimated at €3.458.313.833,16. The following table presents the basic structure of the required funds for the observed period. The resources needed for realization of investment/development measures on the directions of development, or their participation in the total necessary funds, are determined by the characteristics of individual policy fields, i.e. the value of the projects.

Table 13 The funds needed for realization of investments/development measures

Development directions/policy fields	Funds needed	
	-in €	%
Total	3.458.313.833	100,00
Smart growth	1.759.270.935	50,77
Business Environment ¹⁵		
SME	561.029.649	16,32
Manufacturing	46.305.000	1,34
Competitiveness/FDI	6.420.000	0,18
Science	16.366.262	0,47
Higher education	28.609.024	0,83
ICT	3.415.000	0,10
Tourism	1.063.440.000	30,75
Cultural tourism	33.686.000	0,97
Sustainable growth	1.575.725.175	45,56
Agriculture and rural development	192.018.370	5,55
Forestry	17.345.000	0,50
Energy	205.788.733	5,95
Environment	226.695.042	6,55
Transport	931.535.493	26,93
Construction and housing	2.342.536	0,07

^[1] The necessary investments/development measures, with funds/sources of funding for their realization were identified by the relevant ministries.

¹⁵For realization of measures and projects in the policy field "business environment" dedicated funds are not needed

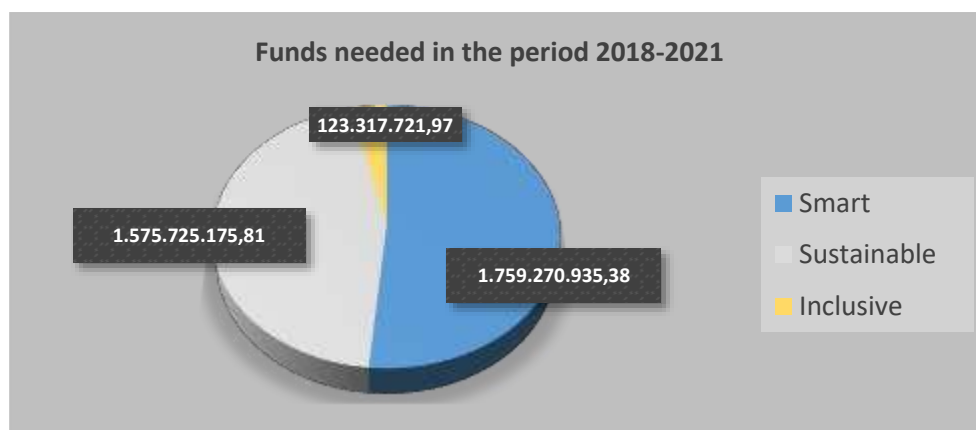
Inclusive growth	123.317.721	3,56
Labor market policy	42.400.000	1,22
Education	25.239.049	0,72
Sport	2.107.305	0,06
Social welfare	22.886.367	0,66
Healthcare	30.685.000	0,89

As seen in the previous table, €1,759,270,935.38 (50.77% of total funds needed) is needed for policy fields within "smart growth". Most of this is related to the realization of identified investments/development measures within the tourism policies area (€1,063,440,000.00, 30.75% of the funds needed) and "small and medium enterprises" (€561,029,649.00, 16.32% of the funds needed).

For the realization of identified investments/development measures for policy fields within the "sustainable growth", €1,575,725,175.81 is needed, or 45.56% of the total funds needed. Most of the funds are required for realization of investments in "transport" (€931.535.493,42 or 26.93% of the funds needed), "environment" (€226,695,042.69 or 6.55% of the funds needed) and "energy" (€205,788,733.70 or 5.95% of the funds needed).

For the policy fields within "inclusive growth", €123.317.721,97 (3.56% of total funds needed) is needed, while the highest value of identified investments/development measures is within the "labor market" policy field (€42.400.000,00).

Graph 8 Funds needed by directions



Sources of financing of the required investment / development measures

According to the projections, the available and secured funds from public and other sources amount to €3,187,424,957.27, which makes 92.17% of the total funds needed. The remaining €270,888,877.00 or 7.83% are the **missing funds**, which is necessary to be provided in the next four years period. These funds are primarily needed for the realization of projects in the field of "transport" (€171.0 million), "environment" (€70.16 million), "cultural tourism" (€28.53 million) and "healthcare" (€1.18m).

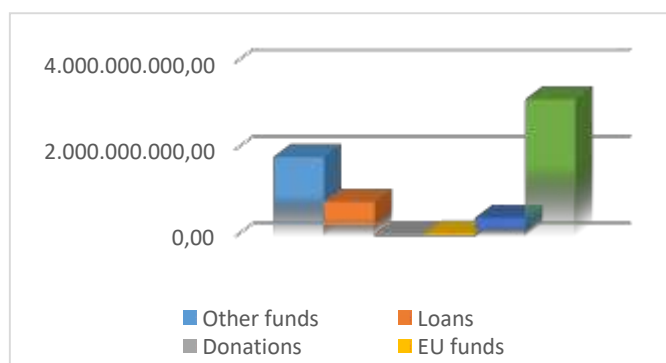
The table below shows the sources of funding for the needed investment/development measures in the period 2018-2021.

Table 14 Financing sources by the development directions/policy fields (in €)

Development directions and policy fields	Funds needed	Available funds by sources						Missing funds
		Total	State budget	EU funds	Loans	Donations	Other funds	
Smart growth	1.759.270.935	1.730.734.935	122.679.417	1.740.041	578.477	0	1.605.737.000	28.536.000
Business environment	0	0	0	0	0	0	0	0
SME	561.029.649	561.029.649	889.608	140.041	0,00	0	560.000.000	0
Manufacturing	46.305.000	46.305.000	805.000	0,00	0,00	0	45.500.000	0
Competitiveness / FDI	6.420.000	6.420.000	6.420.000	0,00	0,00	0	0	0
Science	16.366.262	16.366.262	15.286.262	950.000	130.000	0	0	0
Higher education	28.609.024	28.609.024	27.510.547	650.000	448.477	0	0	0
ICT	3.415.000,00	3.415.000	3.178.000	0	0	0	237.000	0
Tourism	1.063.440.000	1.063.440.000	63.440.000	0	0	0	1.000.000.000	0,00
Cultural tourism	33.686.000	5.150.000	5.150.000	0	0	0	0	28.536.000
Sustainable growth	1.575.725.175	1.334.557.361	196.426.753	58.478.133	791.445.399	42.061.224	246.145.850	241.167.815
Agriculture and rural development	192.018.370	192.018.370	84.668.370	36.800.000	17.800.000	1.950.000	50.800.000	0,00
Forestry	17.345.000	17.345.000	2.275.000	20.000	10.000.000	50.000	5.000.000	0,00
Energy	205.788.733	205.788.733	150.000	0,00	35.036.749	8.873.338	161.728.645	0,00
Environment	226.695.042	156.527.228	745.000	3.035.000	119.606.557	8.523.466	24.617.205	70.167.815
Transport	931.535.493	760.535.493	106.255.847	18.623.133	608.992.092	22.664.420	4.000.000	171.000.000
Construction and housing	2.342.536	2.342.536	2.342.536	2.342.536	0	0	0	0
Inclusive growth	123.317.722	122.835.354	101.924.683	947.000,00	9.000.000,00	10.963.671	0,00	1.185.062
Labor market policy	42.400.000	42.400.000,00	42.400.000	0	0	0	0	0,00
Education	25.239.049	25.239.049	15.739.049	500.000	9.000.000	0	0	0,00
Sport	2.107.306	2.107.306	2.107.306	0	0	0	0	0,00
Social welfare	22.886.367	22.886.367	12.679.634	0	0	10.206.733	0	0,00
Healthcare	30.685.000	29.499.938	28.296.000	447.000	0,00	756.938	0	1.185.062
Total	3.458.313.833	3.187.424.957	420.328.159	61.165.174	801.023.877	53.024.895	1.851.882.851	270.888.877

For the realization of the identified investments/development measures, according to the projections, 38.62% of funds will be provided from public sources, and 53.54% from other sources, mostly private.

Graph 9 Development directions financing structure



Structure of funding sources of investment /development measures needed

From the sources of funding aspect, according to projections, most of the funds are provided from other, or private sources, amounting to €1.851.882.851,79 and make 58.1% of available or 53.5% of total funds needed for the observed period. Most of these funds are related to the realization of projects in the field of "tourism" and "energy". These are covered by the funds that will be invested by the Investment Development Fund to support the development of micro, small and medium enterprises.

The structure/purpose of "available funds" is given in the following table.

Table 15 Financing sources by the development directions/policy fields in %)

Development directions and policy fields	Necessary funds	State budget	EU funds	Loans	Donations	Other funds
Total	100,00	100,00	100,00	100,00	100,00	100,00
Smart growth	54,30	29.14	2.84	0.07	-	88.14
Business environment	-	-	-	-	-	-
SME	17,60	0.21	0.23	-	-	30.74
Manufacturing	1,45	0.19	-	-	-	2.50
Competitiveness / FDI	0,20	1.52	-	-	-	-
Science	0,51	3.63	1.55	0.02	-	-
Higher education	0,90	6.53	1.06	0.06	-	-
ICT	0,10	0.75	-	-	-	0.01
Tourism	33,36	15.07	-	-	-	54.89
Cultural tourism	0,16	1.22	-	-	-	-
Sustainable growth	41,87	46.65	95.61	98.78	79.32	11.86
Agriculture and rural development	6,02	20.11	60.16	0.61	3.68	1.14
Forestry	0,54	0.54	0.03	1.27	0.09	0.27
Energy	6,45	0.04	-	4.45	16.73	8.88
Environment	4,91	0.18	4.96	15.18	16.07	1.35

Transport	23,86	25.24	30.45	77.28	42.74	0.22
Construction and housing	0,07	0.56	3.83	-	-	-
Inclusive growth	3,83	24.21	1.55	1.14	20.68	-
Labor market policy	1,33	10.07	-	-	-	-
Education	0,79	3.74	0.82	1.14	-	-
Sport	0,06	0.67	-	-	-	-
Social welfare	0,71	3.01	-	-	19.25	-
Healthcare	0,92	6.72	0.73	-	1.43	-

For the realization of identified investments/development measures from public sources (state budget, EU funds, loans and donations), €1.335.542.106,48 was provided, which makes 41.90% of available funds and 38.62% of total funds needed for the observed period.

According to the projections, **funds from the state budget** amount to €420.328.159,29 and make up 13.19% of the total available funds. Out of this amount, €122.679.417,00 (29.18%) will be committed for the realization of investments/development measures within the "smart growth" development direction, €196.426.753,57 (46.73%) for "sustainable growth", and €101,221,988.72 (24.09%) for "inclusive growth".

For the realization of investments/development measures within the "smart growth", the state budget funds share is 6.97% of the total needed funds (€1,759,270,935.38). In addition, for the realization of projects in the field of "competitiveness", "higher education" and "science", the share is high and is 100%, 96.16% and 93.40% respectively.

For projects within the "sustainable growth", the state budget participates with 12.47% in the total amount needed (**€1.575.725.175,81**) and in the realization of projects in the field of "agriculture and rural development", with 44.1%. Within the development direction of "inclusive growth", most of the investments/development measures will be realized with funds from the state budget (82.40%), considering the nature of the policy fields.

The projects in the field of "transport" (65.37%), "energy" (17.02%) and "environment" (52.76%) will be mainly realized with funds from **loans** that make 25.13% of the available funds, according to projections.

The EU funds (IPA funds)¹⁶ and the donations amount to €61,165,174, or €53,024,895 and make up 1.77% and 1.66% of the total available funds. 60.14% of funds from IPA funds relate to projects in the field of "agriculture and rural development" and 30.44% to "transport" projects. Largest part of the donations (42.74%) relate to the "transport" field. Funds from the Western Balkans Investment Fund (WBIF) make for 32.39% of donations (€17,174,420).

An overview of sources of funding by the development directions/ policy fields is given in the following table.

¹⁶ The funds available from the Instrument for Pre-Accession Assistance for the period 2014-2020 (IPA II), whose purpose is planned under the 2014, 2015, 2016 and 2017 programs.

Table 16 Available funds by the development directions/policy fields (in %)

Development directions and policy fields	Necessary funds	State budget	EU funds	Loans	Donations	Other funds
Total	100,00	13.19	1.92	24.72	1.66	57.16
Smart growth	100,00	7.09	0.10	0.03		92.78
Business environment	100,00					
SME	100,00	0.16	0.02			99.82
Manufacturing	100,00	1.74				98.26
Competitiveness / FDI	100,00	100.00				
Science	100,00	93.40	5.80	0.79		
Higher education	100,00	96.16	2.27	1.57		
ICT	100,00	93.06				6.94
Tourism	100,00	5.97				94.03
Cultural tourism	100,00	100.00				
Sustainable growth	100,00	14.72	4.38	58.33	3.15	16.20
Agriculture and rural development	100,00	44.09	19.16	9.27	1.02	26.46
Forestry	100,00	13.12	0.12	57.65	0.29	28.83
Energy	100,00	0.07		17.03	4.31	78.59
Environment	100,00	0.48	1.94	76.41	5.45	15.73
Transport	100,00	13.97	2.45	80.07	2.98	0.53
Construction and housing	100,00	100.00				
Inclusive growth	100,00	82.88	0.78	7.37	8.98	
Labor market policy	100,00	100.00				
Education	100,00	62.36	1.98	35.66		
Sport	100,00	100.00				
Social welfare	100,00	55.40			44.60	
Healthcare	100,00	95.92	1.52		2.57	

The structure of sources of funds by the development directions or policy fields is practically the same as in the previous period. According to the projections, 92.78% will be provided from other sources (private funds and IRF funds) for the realization of investments/development measures within the development direction of "smart growth", within the development direction of "sustainable growth" 60.27% will be provided from the loan, and within the development direction "inclusive growth" 82.40% of the funds relate to funds from the state budget.

➤ VIII THE DD IMPLEMENTATION FRAMEWORK

The Ministry of Finance coordinated the process of preparation of the Development Directions, and the drafting of the document itself was realized in cooperation with the institutions responsible for the design and implementation of the relevant policy fields, which are included in the DD. In order for this process to be successful, a Coordination Team for the Preparation and Monitoring of Realization of the Montenegro Development Directions 2018-2021 and the Working Group for the Preparation of the Montenegro Development Directions 2018-2021 were formed. Institutional way of managing the process is very important for effective cooperation and implementation of the DD goals, as well as the measures to achieve these goals. Different goals and measures have been identified by the Development Directions 2013-2016, and by the Development Directions 2015-2018, while being confirmed by this document, they have points of contact with the competences of various ministries and other institutions. For example, tourism does not have only an economic dimension but has an impact on the sectors of construction, environment, labor market, etc. For these reasons, the process of coordination is crucial for the successful implementation of the DD. Coordination is an indispensable and necessary precondition for coordinated and consistent action of individual segments of economic policy.

The purpose of the implementation strategy is to improve the DD operationalisation. In this regard, successful implementation of the DD requires:

- ownership of the DD by everyone;
- political will at the national level;
- sustainable annual planning and dedication of resources;
- efficient monitoring and evaluation, in order to support the implementation, and
- standardization of crucial points in the implementation process.

The implementation of the DD is a common responsibility of the public sector and partly of other society factors. The implementation, management and control of the DD will be lead by the Minister of Finance and the Coordination Team for the Preparation and Monitoring of the Realization of the Montenegro Development Directions 2018-2021.

The Coordination Team supervises the implementation of the DD. The presiding over the Coordination Team is within the remit of the Cabinet of the Minister of Finance of the Government of Montenegro. In addition to the Cabinet representative, members of the Coordination Team are representatives of ministries that have priorities in DD. The Coordination Team has adopted internal rules, defining the fields of work, the dynamics of meetings as well as the decision-making and reporting process.

Monitoring and Evaluation

The monitoring and evaluation strategy consists of data gathering, analysis and storage of data, flows and formats of reporting, review and communication of the DD results.

The monitoring and evaluation strategy gives indicators at the macroeconomic and sectoral levels, which will be applied when measuring implementation effects and results achieved during the planned period. The strategy will be the basis for gathering information on key Development Directions points, policy and initiatives progress, implementation, immediate results and long-term effects assessment. All this will make important elements for the DD initiatives, while facilitating a decision-making process based on results at the same time.

The goal of the monitoring and evaluation strategy is to establish a strong, comprehensive, integrated and coordinated system, in order to monitor the DD implementation as well as evaluate their impact. Accordingly, the strategy is based on principles aimed at institutionalizing of monitoring and evaluation as a tool for better public sector governance, transparency and accountability as well as to support the DD's general strategic orientation and achievement of results.

At the operational level, the scope of the monitoring and evaluation strategy will cover all aspects of the DD, including implementation (inputs, activities, and outputs), results, relevance of measurements and activities, efficiency (optimum resource utilization), effectiveness and impact assessment of the DD results and their sustainability.

Establishing a well-coordinated and comprehensive monitoring and evaluation system with the aim of effectively monitoring, evaluating and feedback on implementation and the DD results implies direct or indirect involvement of all administrative authorities (ministries) and other stakeholders in monitoring and evaluation activities. Therefore, a participatory approach will be applied, which requires the participation of all key factors, enabling them to have ownership of the system and use results for future activities.

Monitoring system implies monitoring the quality of implementation of measures, which will be monitored through input indicators and results indicators. In this regard, an annual progress report on the DD implementation will be prepared.

Monitoring data will be collected by relevant bodies in the respective ministries. This data will be included in the database that needs to be established. The process will be coordinate by the established Coordination Team, which will collect monitoring data from various responsible authorities and compile an annual DD results monitoring report, with addition of analysis and further recommendations.

National DD monitoring report will be presented to the Government of Montenegro.

The DD evaluation will be continuously conducted by experts, in order to improve the quality, efficiency and effectiveness of its implementation. The Coordinating Team will establish the DD evaluation system in cooperation with relevant ministries, which includes:

- installing and implementing a system of indicators at the level of measures,
- collecting and analyzing financing data,
- updating of the indicator base,
- annual report on activities related to the evaluation, submitted to the Coordination Team
- the DD mid-term review, and
- the DD final evaluation.

The DD medium term and final evaluations will be managed by the Coordination Team, in cooperation with the Cabinet of the Minister of Finance. The basic principle of the evaluation process will be objectivity. The evaluation process will also show general DD effectiveness in relation to its goals and its effects will be monitored to the extent possible. The purpose of the evaluation before the end of the DD is to get recommendations for the next development document.

Table 17 Monitoring and Evaluation of the Montenegro Development Directions 2018-2021

No.	Development Direction /Policy Field	Main Goals and Indicators
SMART GROWTH		
Business Environment		
1.	Review of the procedures for amending relevant regulation and reducing administrative barriers	<ul style="list-style-type: none"> improved position in the World Bank Doing Business Report
2.	Elimination of business barriers at the municipality level	
3.	Implementation of regulatory reforms: "Guillotine of Regulations" and conducting of regulatory impact assessment (RIA)	
SME		
1.	Strengthening the financial support for the SME sector	<ul style="list-style-type: none"> increasing the number of SMEs an increased number of employees in SMEs increased participation of SMEs in exports, gross value added, total investments, turnover
2.	Strengthening the non-financial support for the SMEs	
3.	Improving the SMEs competitiveness	
Manufacturing		
1.	Manufacturing Modernization Support Program 2018-2020	<ul style="list-style-type: none"> increased share of manufacturing in GDP and GVA increased number of employees in manufacturing increased share of manufacturing in total exports
2.	SMEs Innovation Improvement Program 2018-2020	
3.	Crafts Development Support Program	
Competitiveness		
1.	The Cluster Development Stimulating Program	<ul style="list-style-type: none"> the number of new clusters the number of cluster members the number of clusters that are the Program beneficiaries greater inflow of foreign direct investment number of operational business zones increased and the functionality of the existing ones increased the number of employees Increased
2.	Business Zones Development Program	
3.	Increasing Competitiveness and Employment Level (Decree on Stimulating Direct Investments)	
4.	The Program of Increasing Regional and Local Competitiveness through the Alignment with the International Business Standards Requirements	
Science		
1.	Strengthening of human resources and research capacities <ul style="list-style-type: none"> The PhDs Graduates and PhD Candidates Employment Support Program Science and Research Projects Financing Program 	<ul style="list-style-type: none"> PhDs Graduates and PhD Candidates employed S&R Projects Financing Program realized;

2.	<ul style="list-style-type: none"> Improvement of international cooperation and networking Improvement of participation in the EU programs and collaborations within the renowned S&R institutions Support for establishing the International Institute for Sustainable Technologies in South East Europe Area 	<ul style="list-style-type: none"> number of projects applications in the EU and international programs number of realized activities on establishing International Institute for Sustainable Technologies in SEE Area The Science and Technology Park established Number of research and innovation support programs realized
3.	<p>Strengthening the synergy between the science and the economy</p> <ul style="list-style-type: none"> Establishing the Science and Technology Park Financial support for research and innovation 	
Higher education		
1.	Further improvement of mechanisms for ensuring quality and alignment of enrollment policy with the labor market needs	<ul style="list-style-type: none"> harmonized enrolment policy with the needs of the labor market all higher education institutions have at least 25% of practical teaching of the total student's workload career centers established in all higher education institutions increased employability of young people with higher education external evaluation by the EUAIEP and re-accreditation of all higher education institutions conducted contractual financing model introduced new educational programs designed teachers trained for the realization of the learning outcomes based programs
2.	Qualifications development in accordance with the labor market needs	
3.	Realization of the practical education with the employers	
ICT		
1.	Drawing up a protocol IPv6 migration plan	<ul style="list-style-type: none"> better availability of broadband access number of electronic services increased
2.	Establishing of the National Internet Traffic Exchange point (IXP)	
3.	Stimulating of broadband access networks creation in rural areas	
4.	Improving environment for using information and communication technology services in everyday life and business	
5.	Improvement of electronic identification and increasing of trust in electronic transactions	
Tourism		
1.	Diversification and improvement of tourism product	<ul style="list-style-type: none"> number and structure of new hotels number of new jobs
2.	The tourism product promotion	

3.	Building of tourism infrastructure	<ul style="list-style-type: none"> • number and structure of tourists • number and structure of overnight stays • revenue from tourism • promotional activities
4.	Welfare and rehabilitation of the cultural goods	
SUSTAINABLE GROWTH		
Agriculture and rural development		<ul style="list-style-type: none"> • gradual adapting of the Montenegrin farmers to the European support model • improved competitiveness of farms and increased agricultural products value added by increasing processing efficiency • improvement of life conditions and quality of life in rural areas • halting depopulation • preservation and rational use of the natural resources • preservation of biodiversity; • sustainable management of agricultural land • knowledge based development of agriculture • strengthening of institutional support for sustainable agriculture development
1.	Strengthening of competitiveness sustainability of the agricultural sector through the investments in primary agricultural production, processing and marketing of agricultural products	
2.	Sustainable developments of rural areas through improvement and development of rural infrastructure, as well as diversification of economic activities in rural areas	
3.	Rehabilitation, preservation and strengthening of the ecosystem through the implementation of agricultural and ecological measures	
4.	Transfer of knowledge and innovations into agriculture through investments in education, research and analytical work	
Forestry		<ul style="list-style-type: none"> • realization of the Forestry and Wood Industry development Strategy • certified forested land – certifications received • share of wood industry in GDP increased
1.	Forestry sector reform	
2.	Ensuring and improving long term resistivity and productivity of forests	
3.	Sustainable management of the forests resources	
4.	Wood industry development based on the natural potentials of Montenegro	
5.	Application of EUTR regulations	
Energy		<ul style="list-style-type: none"> • reduction of commercial electricity losses in the system from currently around 15% to less than
1.	Investing in measurement infrastructure within the project of the establishing advanced electricity measuring system by applying so called smart meters	

2.	Modernization and rehabilitation of the distribution and transmission system	a 10%
3.	Construction of the additional production capacities based on renewable energy sources like hydro energy, wind, solar and waste wood	<ul style="list-style-type: none"> meeting energy needs through the minimal economic costs in the production and supply systems and minimal environmental impact increased use of renewable energy sources through construction of additional capacities decreasing final energy consumption through the energy efficiency measures implementation and consuming rationalization
4.	Improving the legal and regulatory energy efficiency framework in line with the EU legal framework	
5.	Establishing and implementation of energy efficiency projects in all energy consuming sectors	
6.	Education of different target groups and raising public awareness on importance and benefits of energy efficiency measures application	
Environment		<ul style="list-style-type: none"> Natura 2000 network established Strategic noise maps prepared measures from the Chemicals Management Strategy and obligations under the Stockholm Convention implemented Law on Climate Welfare adopted, the National Climate Change Adaptation Plan prepared, Low-Carbon Development Strategy adopted enhanced state network for air quality monitoring sewage network built/reconstructed, wastewater treatment built plants built
1.	Preserving biodiversity and efficient management of the protected areas	
2.	Reducing the noise exposure in the environment	
3.	Safe chemicals management	
4.	Legal and strategic climate change framework development and improvement	
5.	Reducing air pollutant emission	
6.	Waste water purifying plants construction	
Transport		<ul style="list-style-type: none"> increased share of transport in GDP transport safety enhanced
1.	Activities on realization of the two highways construction project - Bar-Boljare and Adriatic-Ionian motorways	
2.	Expressway along the Montenegrin seaside - Seaside version of the Adriatic Ionian Corridor	
3.	State roads rehabilitation	
4.	Continuation of the Bar-Vrbnica railway reconstruction and modernization works	
5.	Port of Bar modernization and merchant fleet revitalization/expansion	
6.	Podgorica and Tivat airports modernization	
Construction and Housing		

1.	The existing information systems, integrating all information on space, updated	<ul style="list-style-type: none"> all information on space integrated, documentation base on space established
2.	Eurocodes adopted, as national standards for constructions calculation	
3.	National rules for construction products, in line with EU legislation	<ul style="list-style-type: none"> the paper form of planning documents and technical documentation abolished business costs decreased, efficiency and productivity of the state and local authorities improved, higher degree of quality and safety of facilities achieved technical legislation innovated integration of the illegally built facilities into the formal housing sector completed organized and efficient sector of management. allocation and maintenance of the existing housing fund improved Social housing program realization, development of private-public in the housing sector higher standards in terms of energy efficiency and greater use of energy from renewable sources in residential buildings
4.	Integration of illegally built facilities into the formal housing sector	
	Defining human housing standards and Ensuring non-discriminatory access to affordable and safe housing	
5.	Improvement of the existing housing fund management, allocation and maintenance	
6.	Social housing program realization	
INCLUSIVE GROWTH		
Labor market		
1.	Strengthening the measures of active employment policy	<ul style="list-style-type: none"> employment increased unemployment decreased
2.	Activities on increased inclusion of persons with disabilities in the labor market and professional rehabilitation	
Education and sports		
1.	Increased coverage of the three year olds in the pre-schooling care and education until starting school	<ul style="list-style-type: none"> increased number of children with pre-school care and education better PISA tests results achieved better access of
2.	Improvement of the quality of care and education work in order to achieve better students' results in international PISA testing	
3.	Providing better access of children with special educational needs to the care and education institutions, as well as better teaching process	

4.	Improvement and development of sports, with the special focus on children, young people and persons with the disabilities Strengthening sports infrastructure	<p>children with special educational needs to the care and education institutions provided</p> <ul style="list-style-type: none"> engagement of children, young people and persons with the disabilities in sports activities increased
		<ul style="list-style-type: none"> sports infrastructure improved
Social welfare		
1.	Continuation of the Social Care Integrated Information System (SCIIS) Project	<ul style="list-style-type: none"> social status of citizens improved
2.	Further development of services and quality system, with development of administrative capacities in the social and child protection field	
3.	Continuation of the Regional Housing program – construction of housing units	
Healthcare		
1.	Health preservation and improvement	<ul style="list-style-type: none"> life term prolonged, improvement of quality of life related to health, strengthening of prevention programs, introducing new screenings (melanoma), NCDs and contagious diseases control, AMR control Education, development and strengthening of healthcare cadres through KME, financing sustainability, IT, e-healthcare, electronic card which would contribute to providing available, affordable, integrated and quality healthcare
2.	Healthcare system organization and functioning	

ANNEX

Realization of the Montenegro Development Directions 2015-2018

Smart growth

Business environment. Reform activities aimed at improving the business environment have resulted in Montenegro's progress in the latest Doing Business Report 2018, where Montenegro was ranked 42nd in the list of 190 ranked countries, and thus made progress of 9 places in comparison to last year's revised report. Progress has been achieved within the following indicators:

- "Electricity Acquisition" - 127th place on a global scale, with progress of 40 places;
- "issuing building permits" - 78th place on a global scale, with progress of 15 places;
- "immovable property registration" - 76th place on a global scale, with progress of 2 places;
- "solving the problem of insolvency" - 37th place on a global scale, with progress of 3 places.

In order to create favorable business climate or raise attractiveness for investments in the international market, special attention is devoted to improving the efficiency of the state administration, reducing the costs of administrative procedures and shortening the length of their duration. In this regard, in order to overcome the key obstacles for greater competitiveness and faster economic growth, a Competitiveness Council is established, which will coordinate activities on the implementation of priority reform measures defined by strategic development documents.

Over the past period, the quality of the Montenegrin administrative apparatus has been significantly improved. Primarily, stable normative preconditions have been created, with the adoption of numerous systemic laws and accompanying secondary legislation of a reform character. In order to create an efficient and service-driven public administration, characterized by increasing citizens' confidence in its work, the Montenegro Public Administration Reform Strategy 2016-2020 was adopted.

The work is being done continuously to increase the number of services available to citizens and businesses on the e-Government portal, where a total of 241 e-services were provided by 30 institutions on October 31, 2017, 106 being e-services of the information type and 135 e-services of the electronic type. In this regard, 130 services are for natural persons, 89 services are for legal entities, and 22 services for administration. The efforts are made to create conditions for involving the local self-governments' services on the e-Government portal.

In order to solve the problem of non-liquidity, the Law on Financial Restructuring of Debt towards the Financial Institutions by Agreement came into effect in April 2015, aiming at encouraging the recovery of debtors or beneficiaries of mortgages in financial difficulties by debt restructuring, at preservation of financial system stability and enabling access to new means of financing to stimulate economic recovery and growth. This implies solving the problems of economic entities whose economic activity is economically viable and which are late in loan repayment, due to lack of liquid funds. Therefore, it was considered necessary to find an adequate solution for the restructuring of the debts of economic entities, whose loans were classified as "B" and "C". The application of this law is based on a voluntary basis of participants in restructuring. For the purpose of further simplification of administrative procedures, proceedings of voluntary financial restructuring, this Law was amended in 2017.

By adopting the Law on Spatial Planning and Construction of Facilities, which abolished the construction and use permits, the barrier to administrative procedures and deadlines for obtaining them was removed and thus a stable and safe system of construction and use of facilities was created

as necessary preconditions for attracting investments. In accordance with this Law, an object may be constructed on the basis of a construction application that is submitted to the competent inspection body, with prescribed documentation. Use of a facility is not possible before the investor submits the request with the required documentation to the Land Register. The complex engineering facilities are exempted, and construction and usage permits are still issued for them, and there are different conditions for expert supervision for them. In that sense, a technical review and expert supervision have been integrated, creating conditions for the relief of double and ineffective controls during construction and also for raising the quality of the control itself.

The work is being done on simplifying business licensing. A list of all licenses was made and an e-Licence system was created for the e-Government portal, where 28 licenses are currently available. The concept of the previous portal has been retained, with all license information, with the possibility that, in addition to basic detailed information, the applicant downloads the request form and/or electronically submits the request through the e-Government portal. There is also the possibility of obtaining the required document, etc. The legal obligation of the authority is to regularly update electronic services, namely the data and information on licenses and licensing procedures themselves. No additional funding is needed to realize this obligation.

The Ministry of Finance, in co-operation with the United Nations Development Program (UNDP), and with the financial support of the United Kingdom Embassy implemented the project Custom-Made Administration for Citizens and Business within the activities to further improve the business environment at the state and local level. The aim of the project was to help the state and local administration, through open dialogue with citizens, business and academia, non-governmental organizations and the general public concerned, to eliminate the observed shortcomings in regulations and administrative procedures, to the extent possible. Within the second phase of the Project, realized through the portal www.bezbarijera.me, through the campaign "No barriers. Don't let the business stand still!" from November 2015 to March 2016, 124 barriers have been reported, which can be grouped into eight categories (Financial Limitations in Starting and Running a Business; Complicated and Unclear Procedures; Inadequate Inspection Control, Inadequate Legislation, Ineffective Administration, Business Limitations, Gray Economics and High Taxes).

The Regulation Impact Assessment Analysis (RIA) is constantly applied, preventing the creation of new barriers in regulations. In this regard, since the formal introduction of RIA to the Montenegrin regulatory system (January 1, 2012) until June 31, 2017, the Ministry of Finance provided over 1,930 opinions on the acts proposals and the accompanying forms of the Report on Regulation Impact Assessment Analysis conducted, from the aspect of implications to the business environment and the impact on the state budget.

The implementation of the Guillotine of Regulations continued, where the level of implementation of the recommendation was 83.4% from the first adopted Action Plan until June 31, 2017, or 1,206 recommendations were implemented out of 1,466 accepted recommendations.

Small and medium enterprises. The SME sector support measures were implemented in accordance with the SME Development Strategy 2011-2015, and recommendations of the EU Small Business Act - SBA.

As for **improving access to finance**, the Investment Development Fund (IRF) has placed €373.5 million in total for the realization of 1,031 projects in 2015-2017 in short term and long term loans and factoring, in order to establish new companies and to improve the business of existing ones. Credit support was provided for 918 projects in the amount of €218.6 million, and for the purchase of receivables within the 113 factoring arrangement €154.9 million was committed, thus impacting the maintenance of the enterprises' liquidity. This financial support provided for the

creation/maintenance of 18,298 jobs. In this respect, within the 33 credit lines that were innovated and promoted in the observed period, financial support was directed at specific target groups (the people with higher education, young people, women in business, farmers, business beginners, etc.), support for entering foreign markets, Greenfield investments for the companies of the priority sectors of activity (tourism and catering, agriculture and food production, wood processing, manufacturing and services). The interest rate on loans has been steadily declining and now ranges from 2.5% to 4.5%, and certain target groups were given interest-free loans. At the same time, the interest rates within the factoring have had a downward trend and ranged from 3.5% to 4.25%. Also, additional incentives were provided for companies operating in the north or in less developed municipalities, as well as for employing more than 5 people. In order to facilitate access to finance, especially for those who plan to start the business, training cycles are continuously organized. By signing an agreement to join the ENIF Fund for Innovative Enterprises, within the WB EDIF program, conditions have been created for the use of an instrument of investment in equity capital. In addition, within the COSME program, 610 SMEs have been supported by OTP CKB Bank with €11.6m in the form of loans without collateral security.

Within the framework of measures related to **strengthening the competitiveness and promotion of SMEs**, activities have been realized in the direction of providing business information service, internationalization of SME and innovation, lifelong learning model implementation, as well as start-up and women in business support. In the domain of providing advisory services, the model was promoted by the establishment of the Regional Business Center and incubators for business start-ups and SMEs for municipalities in northern Montenegro (Berane, Rožaje, Plav, Andrijevica and Bijelo Polje). In addition, on-line information for SMEs was provided on relevant municipal data, business registration procedures, licensing through the portal for the Bijelo Polje municipality, and activities were also started on the creation of an electronic database for providers of consultancy services for SMEs. Support for the promotion of internationalization of the enterprise is provided by the European Entrepreneurship Network - EEN (COSME program) with the advisory services on international markets, promotion at international events and fairs, information and practices on the use of available EU funds, organization of business meetings to find business partners, seminars and conferences, information on support programs, technology and knowledge transfer and innovations. The EEN also provides support to innovative companies for the promotion and better use of the Horizon 2020 program within the SME instrument. In order to further advance lifelong entrepreneurial learning and create skills that will help individuals to get better jobs or to set up businesses, activities are conducted at all levels of education. Particularly intensified efforts are being made to strengthen the National Partnership for Entrepreneurial Learning so that Partnership becomes the key promoter of entrepreneurial learning in Montenegro. Through the Services Provision Model for SME, which implies mentoring or direct work in solving problems and planning future business operations, 28 companies are supported. A Cooperation Agreement on the Project for the Establishment and Promotion of a Mentoring System for Small and Medium Enterprises in the Western Balkans (Phase II) was signed. Within the women support initiative program for start-ups, IRF and the Employment Agency approved 102 credits in the amount of €2.82m and through the interest-free credit line the IRF approved 2 loans worth €0.055 million.

Within the **business beginners support**, the business incubator Business Start-up Center Bar and business incubator in Berane provide information and advisory services, organize trainings, fairs, business meetings, etc. Credit lines under favorable conditions which supported 52 projects with €2.8 million, were provided for business beginners and young people. In addition, since 2016 the interest-free loans have been available for those with the higher education. On this basis, in 2016, 13 loans worth €0.298m were approved. Since this year, an interest-free credit line has been introduced to support those made redundant to start business. In cooperation of IRF, the SMEs Development Directorate and the Employment Agency, the Entrepreneurship Development Support Program has been implemented, with 26 loans in the amount of €0.642 million approved and training cycles for 80

participants organized by combination of financial and non-financial support.

Manufacturing. In order to strengthen the manufacturing, a number of measures and activities were realized, aimed at providing more favorable credit lines to stimulate the development of the manufacturing, fostering cluster development, aligning with international standards, improving innovation in small and medium enterprises, boosting investment and competitiveness of the industry in order to increase the number of employees. In this respect, the Investments and Development Fund in 2015 directed twice as much of the planned funds for the manufacturing incentives. Twelve business entities were supported with €4.41m. The entire technical support for the development of clusters in the field of manufacturing in the amount of €194.340 was used. Through the Stimulating Competitiveness Development Program of Entrepreneurs, Micro, Small and Medium Enterprises in the Northern Region and Less Developed Municipalities 2012-2016, €10.000 was allocated. The application of the Decree on Direct Investments Promotion began, with 3 companies beginning to realize their investment projects after the first public announcement, out of which 2 are from the manufacturing field. Funds that are planned for the Vouchers Scheme for Innovative Small and Medium Enterprises in the Manufacturing - A Pilot Project in the amount of €30.000 were not spent because of lack of interest. Due to certain analyzes, conducted during 2015, the program of increasing the degree of finalization of the companies' production in manufacturing was not applied.

The activities in the development direction of manufacturing continued in 2016 and 2017 through the realization of the Annual Industrial Policy Action Plans. Through the Manufacturing Modernization Support Program in 2016, funds were allocated in the amount of € 59.050 (€9.050 of subsidies, €50.000 of IRF loans). Planned funds for these purposes for the year 2017 amount to €596.510, out of which subsidies amount to €81.570, while the IRF loan amounts to €514.940. Consideration of applications filed (5 applications) is pending. Through the SMEs Innovation Improvement Program, one company was supported in 2016 with €2.450. In 2017, the value of contracted funds amounts to €10.420. During 2016, two studies were conducted within the UNIDO support to improve the link between the scientific and research sector and the industry in the field of improving innovation and modernization of production, as well as the improvement of the metal industry on the basis of energy efficiency and increased performance in environmental protection.

In the food industry field, through the IPARD/IPARD-like project 33 grants were approved for food production/processing in 2016, or for harmonization with EU standards and the possibility of a placement on the EU market. In 2017, these activities are conducted under the IPARD/like program. As part of the stimulating industrial development in rural areas, seven projects to start agricultural production are supported from the Agro budget and IPARD Program 2014-2020. As part of the wood industry, due to the reduction in the volume of wood raw materials by about 24% of the projected volume, the concessionaires' production has been reduced in 2016.

Within the framework of business infrastructure development as a precondition for the development of the manufacturing during 2016 and 2017, the work was done on the Business Zones Decree implementation, by establishing business zones at the local level and business zones of strategic importance. Also, within the application of the Decree on Stimulating Direct Investments and the Promotion of Attracting investments in Targeted Sectors, 6 of the projects started, 4 are from the manufacturing field (consideration of the applications from the 2017 call is pending). As part of the realizations of standards-based implementation and certification programs, during 2016, one producers' association registered a quality scheme, the geographical indication - Njeguški pršut. Also, 72 certified organic producers were supported, while the HACCP production safety system was introduced in 8 companies in 2016. Through the Business Entities Competitiveness Support Program

by Aligning with the Requirements of International Business Standards, most of the 30 supported companies in 2016 and 42 ones in 2017, are from the manufacturing field.

Support for the manufacturing development is also reflected in support for organizing companies in clusters. Through the Cluster Development Stimulation Program in Montenegro, 6 clusters were supported in 2016 and 7 in 2017, with the largest number being in the manufacturing. In 2016 and 2017, the IRF credit support for existing and newly established companies as well as for the provision of liquidity of the companies, was granted to companies in the manufacturing. Certain activities contributing to the development of the manufacturing have also been conducted in the field of education which needs to be matched to the needs of the labor market in the forthcoming period at all levels, in relation to secondary vocational education and higher education.

Competitiveness/Direct Foreign Investments. In Montenegro, seven business zones have been designated: in Kolašin, Berane, Bijelo Polje, Podgorica, Cetinje, Mojkovac and Ulcinj. Local self-governments are responsible for their further development, training and promotion, in accordance with the Business Zones Decree and project tasks for business zones infrastructure facilitating, which will be the subject of the Joint Financing Agreement Project of the Ministry of Economy and UNDP

Under the Local Self-Governments Capacity Building Program, realized in cooperation with UNDP in the period 2014-2016, the local self-governments of Niksic, Berane, Bijelo Polje, Mojkovac and Kolasin were supported, with the aim of: strengthening the capacity of management personnel responsible for managing the business zones; establishment of standardized business zone management; promotion of the approved business zones offer. Also, through the signing of the new joint financing agreement 2016-2017 between the Ministry of Economy and UNDP, the program Improving the Competitiveness of the Economy has been created with the aim of strengthening the business zones and the development of clusters in order to stimulate economic prosperity and improve business environment. As part of the project, which is being implemented for the third consecutive year, the legal framework of the business zones development project has been presented, through the adoption of the Business Zones Decree. The Models of Establishing and Managing the Business Zones of the Strategic Importance, Pre-investment Studies for the Business Zones of Local Significance, Identification of the Business Zones of Strategic Importance Study were prepared, and designing project tasks for the business zones' infrastructural provision is planned for the period 2018-2019.

The Direct Investment Incentive Decree, regulating the conditions and the way of stimulating development through attracting direct investments in the production or service sector, is realized in continuity. The financial investment incentives are granted on the basis of published public calls for investment projects with a minimum investment value of €500,000, with the ensuring of creating at least 20 new jobs within three years from the date of conclusion of the use of funds contract. Taking into account the status of less developed municipalities in Montenegro, amendments to the Decree have been made, relating to the amount of investment required and the number of newly employed persons for projects implemented in the area of local self-government in the northern and central regions, except the Capital of Podgorica (the minimum investment value €250.000, which ensures employment of at least 10 persons). According to the Decree, investment incentives are awarded according to predefined criteria in the amount of 3.000-10.000€ per new person employed. The Decree also introduced the possibility of reimbursing the costs of constructing infrastructure necessary for the realization of the investment project.

The Cluster Development Stimulating Program has been implemented in continuity since 2012, with some modifications in accordance with the needs of the clusters. The objective of the Program is to provide financial support for more efficient functioning of innovative clusters and their better promotion in the direction of achieving a better competitive position of small and medium enterprises in the national and international markets. Approved aid is up to 50%, or up to 65% of the total justified

costs for clusters located in the territory of less developed local self-government, up to €10,000 in 2016 and €15,000 in 2017. During 2016, support was provided for 29 enterprises in the amount of €82,900, and in 2017 support totaling €70,000 was contracted with 42 business entities.

Program for Increasing Regional and Local Competitiveness by Aligning with the Requirements of International Business Standards 2014-2016, is being implemented since 2014. The aim of the Program is to provide support to entrepreneurs, small and medium enterprises and clusters of small and medium enterprises, especially from less developed municipalities and the northern region, to maximize their competitiveness, primarily by aligning with the requirements of international standards for products and support for obtaining accreditation for compliance assessment. The program consists of two components of support: 1) SME support in terms of reimbursement of the accreditation costs of the conformity assessment body; and 2) Support for SMEs in the sense of reimbursement of standard/certification/recertification implementation costs. Intensity of support is up to 70% of eligible costs for small businesses, or up to 60% for medium enterprises, maximum of €5,000.

Amendments to the Foreign Investment Law have been made. The Law further clarified the term of a foreign investor, the investment environment was promoted by the abolition of restrictions on investment in a company engaged in the production and trade of arms and military equipment, alignment with the Companies Law in the part of keeping records of foreign investors and giving priority to resolving disputes by a court in Montenegro, unless otherwise stipulated in the investment contract.

Due to the responsible policy and the many years of economic reforms implementation, Montenegro is known today for its stimulating business environment, political and macroeconomic stability and steady progress in improving the business environment.

Investments in Montenegro in the past 10 years come from more than 100 countries from different regions of the world. Net FDI inflow, in the period January-August 2017, amounted to €368.2m. The largest investments come from the UAE, Russia, Germany, Switzerland, Italy, Azerbaijan, Serbia, Turkey, Spain and Austria. In 2016 the inflow amounted to €371.6m. The increase in net inflows is the result of a significant increase in inflows from investment in domestic companies and banks and lower foreign investment outflows, compared to the previous year.

Science. Measures related to the field of science in the period 2015-2017 were implemented through various instruments of support to the scientific research community and the linking of science to the sector of the economy through:

1. National programs

According to the SRD 2012-2015 call, the third research year (2015) was realized through the realization of 87 national science and research (S&R) projects. Based on annual calls for co-financing S&R activities in 2015, 2016 and 2017, funds have been approved to stimulate research teams and researchers based on participation in the EU Framework Program Horizon 2020, participation in EUREKA program projects, completion of doctoral studies/scholarships at the first year of doctoral studies, participation in scientific congresses/co-financing of the organization of scientific conferences in Montenegro, registration of patents and innovative solutions, realization of the program of promotion of science and research in the society of Montenegro.

2. Project Higher Education and Innovation and Competitiveness Research (INVO) - Establishment of the first Center for Excellence in Montenegro and big grants allocation for research and development sub-projects (2012-2017)

The Center for Excellence "BIO-ICT" began work on June 1, 2014 and it is a consortium of 8 partners. The researches in the Center are of an interdisciplinary nature and are carried out in the following fields of research: ICT, Agriculture and Food, Medicine and Human Health and Sustainable Development and Tourism. There are 86 researchers engaged in the Center from a number of scientific fields, out of whom 15 young researchers – PhD students and 5 postdoctoral fellows. The main goal of the "BIO-ICT" project is to apply and use the state of the art ICT technologies in the fields of sustainable agriculture, crop monitoring, ecosystem water/sea and forests, development of control and air pollution reduction techniques, food products analysis and standardization, soil quality control and the public healthcare system improvement. In addition, the contract term for project research was prolonged for one year, meaning by May 31, 2018, when the legal status of the Center of Excellence and its further sustainability should be regulated, besides the research activities.

Within the INVO project, financed by the World Bank loan, big research grants are supported, aimed at strengthening the excellent research teams, internationalization and the linking of research and economy. So far, eight grants have been approved and contracted, and funds appropriated for all research grants in the period 2014-2017 amounted to €2,540,000.

3. Increasing the number of researchers and the quality of scientific and research work through appropriate programs of stimulation and promotion of science in society and support to young researchers through the National Scholarship for Excellence Program

The National Scholarship for Excellence Program is realized through the INVO project. The realization of this program represents an exceptional opportunity for young, talented researchers to continue their academic and research development. The two calls for doctoral and postdoctoral studies have been realized so far. In 2015, 25 scholarships for doctoral and 4 scholarships for postdoctoral studies were awarded, and in 2016, 7 doctoral scholarships were awarded at universities in Montenegro and 10 postdoctoral scholarships abroad.

4. Establishment of the Science and Technology Park and innovation and entrepreneurship centers

After the realization of the Tehnopolis establishment project the first science and innovation facility in Montenegro was built and put into operation, after almost 30 years, enabling cooperation between research and economy in one place. There are currently 14 companies at the Tehnopolis.

The STP in Podgorica should combine entrepreneurial, innovative, scientific and economic capacities; realize a strong link with local and regional business centers, incubators, clusters and voucher schemes; improve the internationalization and commercialization of research and increase demand for consulting services, product and service innovations, business procedures, organization and marketing. Activities related to the finding/equipping of the facility for its accommodation are being conducted.

5. Participation in market-oriented EUREKA projects

Montenegro is a full member of the EUREKA program. The Ministry of Science allocates funds for contributing to participation in this program, as well as funds for projects of the Montenegro institutions that have partnership participation in EUREKA projects.

6. Introducing new instruments to stimulate innovation

In line with the thematic priorities of innovative activities, as set out in the Innovative Business Strategy 2016-2020, with the Action Plan (Energy; Agriculture and Food; Sustainable Development and Tourism: Information and Communication Technology, Medicine and Human Health and New Materials, Products and Services) after the completion of the call for proposals procedure, innovative projects will be co-financed in the total amount of €200,000 (the procedure of the call is pending)

Higher Education. Significant reform activities have been implemented in the previous period, which should contribute to the improvement of the quality of higher education, a better linkage between vocational and higher education, and ultimately the creation of cadre who will respond to the needs of society.

The Law on Amendments of the Higher Education Law was adopted, with the aim to address the problems of non-compliance of education with labor market needs, meaning unemployment problems. By monitoring of labor market movements, along with employers' cooperation and regular analysis of the relationship between supply and demand as well as the rationalization of the enrollment policy, which will be further aligned with the needs of the labor market, the creating of surplus qualifications will be avoided. This Law provides for free studies in public institutions for undergraduate students who are enrolled in 2017/2018, (over 3,500 students enrolled in the first year of basic studies at the University of Montenegro), while the master's studies according to the reformed study model will be free of charge from the 2020/2021 academic year. The novelty is that from this academic year, studies at the University of Montenegro are realized by a new model, 3 + 2 + 3 - basic, master and doctoral studies. Other higher education institutions, in accordance with the Law, are obliged to apply this model of studies no later than the academic year 2020/2021. The extremely important novelty is the 25% participation of practical teaching in the mandatory part of the study program, which will enable students to acquire the necessary practical knowledge and skills during their studies.

In order to improve the quality of higher education and ensure the independence and transparency of the work of the bodies tasked with quality, the Decision on the Establishment of the Agency for the Control and Ensuring Quality of Higher Education was adopted. In the forthcoming period, the Council for Higher Education will be appointed by the Parliament of Montenegro. Preparations are ongoing for the follow-up evaluation of the higher education institutions, which will be conducted during 2017/2018 by the EUA-IEP.

The vocational training program for persons with acquired higher education is realized for six consecutive years, in accordance with the Law on Professional Training of Persons with Higher Education Acquired. A public call for the 2017/2018 Program has just ended. The program has made good results, considering that out of the 14,252 beneficiaries that were part of the Program in the previous four years, 6,856, or about 48%, continued their work engagement, out of which 2,447 (35.64%) are in the public sector, and 4,418 (64.35%) in the private sector.

Within the Project "Higher Education and Research for Innovation and Competitiveness", funded by the World Bank loan, a number of activities are implemented.

Based on the Feasibility Study for the Establishment of the Persons with Higher Education Career Tracer System (Tracer Study) a survey was conducted of graduates who completed a graduate degree in 2009 and 2013, based on which a detailed analytical report was prepared. The conducted survey indicates the majority are students enrolling in a university have previously completed a grammar school and students whose parents have a higher level of education are more likely to continue their

education after secondary school. Research has shown that 3 out of 4 students complete studies within the term envisaged by study rules, while over 85% are satisfied with the studies. When it comes to the second cycle of studies, two thirds of students enroll in specialist, masters or doctoral studies. The students are moderately satisfied with the organization of teaching within the completed study program (average grades from 2.9 to 3.9, on a scale from 1 to 5), while the satisfaction rating of the study program on a scale from 1 to 10 was at 6.8 (2009) and 6.6 (2013). The results of the research have shown that out of the total number of surveyed students who graduated in 2009, 82% is currently employed, and 66% of those who graduated in 2013.

In accordance with the Higher Education Development Strategy 2016-2020, the Feasibility Study for the Introduction of an Adequate System for the Plagiarism Prevention in Montenegro has been prepared, with defined activities for the implementation of the proposed model. Also, in June 2017, iThenticate software purchase agreement has been signed with the company "Turnitin LLC" from the United States, which will enable access to the most of the world's open and closed databases for the purpose of comprehensive testing of academic papers. According to the stated individual needs of all higher education institutions, or signed contracts, it is possible to review up to 5,600 academic papers for a two-year period.

In accordance with the criteria for awarding of national scholarships for excellence to students of master studies studying at renowned institutions abroad for the years 2015 and 2016, 86 national scholarships were approved in the total amount of €645,000.00. Also within this Project, according to the Call for Proposals for Grant Allocation for Institutional Promotion of Higher Education Institutions in Montenegro, €695,000.00 was appropriated. With these funds, 16 higher education institutions' projects have been supported.

Vocational education. In order to enable young people educated in vocational schools to get employment and reduce the risk of unemployment, special attention is focused on improving the quality of vocational education. In the previous period, the modernization of educational programs, the improvement of the quality of education and care, and the popularization of vocational education was worked on in order for it to become the first choice for elementary school pupils. In cooperation with employers, the work was done to increase the scope of practical training, as well as on training of teachers.

The amendments to the Vocational Education Law have improved the provisions relating to the pupils enrollment in vocational schools. In that sense, the criteria for enrollment of students into four-year programs were appended. The minimum number of points is determined that a pupil has to make on the basis of the result on the external exam at the end of primary education, on the basis of the last three grades of elementary school achievement and the achievements in subjects of relevance for enrollment in the given programs. The provisions related to the vocational exam have also been improved, in terms of equalizing its requirements with the grammar school final exam.

Given the importance of cooperation with employers in the realization of practical education, as well as the importance of ensuring quality in its realization, the Vocational Education Center sets out the material and technical and personnel conditions to be met by the employer involved in this process. Thereby, a student in dual education does not acquire the rights from employment, which is a good incentive for the employer to participate in the dual form of students' education. Compensation for first and second grade students in dual education is provided by the State Budget, while remuneration in the third grade is the employer's obligation. The amount of remuneration for a pupil in dual education for the first grade is at least 10% of the average net salary, for the second grade at least 15% and in the third grade at least 20%. 264 students were covered with the dual form of education, which started in 2017/2018 academic year. Individual contracts with students were signed by 97

employers from twelve municipalities and seventeen schools. Educational programs that educate students include: Chef, Waiter, Car Mechanic, Hairdresser, Welder, Sanitary, Heating and Air Conditioning Installer, Electrician, Baker, Salesman, Telecommunication System Assembler, Pastry Chef, Locksmith, Car Electrician and Precious Metal Processor - a total of 14 educational programs.

In order to encourage students to enroll in the third level education programs that are identified as deficient in the labor market, 119 scholarships were awarded for first-grade students who are educated for deficient qualifications. Scholarships for deficient qualifications are awarded to students from twelve vocational and mixed schools, from eight cities, for six educational programs. The amount of the scholarship is €70.0. €186,200 was provided for the scholarships.

In order to ensure the continuous monitoring of the practical education quality, a new application was made on the MEIS portal. Namely, in the academic 2017/2018, records of employers and students who are with the employers can be followed through the Practical Lessons application at the MEIS portal www.meisportal.edu.me. This application serves to keep records of practical education of students in vocational schools. The data is entered by the organizer of practical education in cooperation with the teacher of practical courses. The data provided by this application is used for various analyses: the scope of practical lessons with the employer in individual schools, specific programs, student attendance, student achievements, instructors' education, the size of enterprises interested in cooperation with schools, etc.

In the academic 2017/2018, within the IPA Project Educational Programs and Teachers' Training Modernization ", 10 educational programs, containing modules and based on learning outcomes, were prepared: from the field of Energy - two programs; Mechatronics - one program; Economy and Law - two programs; Construction and Landscape Design - two programs; Catering - two programs and Services - one program. The making of the programs was preceded by the preparation and adoption of methodological documents for the development of standards of occupation, qualification standards, examination catalogs and educational programs. 29 professional standards, 26 vocational qualification standards and 10 qualification standards of education levels. At the same time, 150 teachers from 23 vocational schools and mixed schools have been trained to apply new educational programs, and 12 exam catalogs for the recognition of informal learning have been developed according to the standards of vocational qualifications.

Within the same project, two trainings were organized for teachers to conduct career orientation in vocational schools, attended by 69 teachers from 18 vocational and mixed schools in the first cycle, and 21 schools in the second cycle.

A teachers' training program Career Management Skills in Vocational Schools was accredited, which can be found in the Directory of Continuing Professional Training of Teachers.

Information and Communication Technology. According to the MONSTAT data for 2017, the Internet access is realized through personal computers (56.4%) and portable computers (laptops, net books, tablets) (64.0%). Most households, or 73.2%, use a fixed broadband connection (DSL, ADSL, VDSL, cable, optical cable, satellite, Wi-Fi). Mobile broadband (over the mobile phone network, minimum 3G network) is used by 46.1% of households, and 8.9% uses a low bandwidth connection (dial-up, modem or ISDN, less than 3G). Mobile devices, as platforms accessing the Internet, recorded a constant and significant growth, so that the increase was 13.7% , compared to 2016. At the same time, 5.6% growth was recorded in the use of laptops and tablets, and the number of households using the mobile broadband connection increased by 6.4%.

Significant progress has been made in e-government. The number of registered users since the end of 2015, when it was 24,338, increased by 10,526 or 43%. The number of e-services has also increased, at the end of 2016 there were 192, and currently there are 240. Visitors from 50 countries were recorded. These data confirm the correctness of the decision to form one place for the provision of public administration services.

In the international context, Montenegrin e-government is ranked 47th according to the eGovernment Development Index, and 17th according to the eParticipation Index.

The Agreement on Lowering the Price of Roaming Services in Public Mobile Communications Networks between the countries of the region (Republic of Macedonia, Republic of Serbia, Bosnia and Herzegovina and Montenegro), which was signed in 2014 and relates to the phased reduction in the price of roaming in 2015, 2016 and 2017, is successfully applied. Pursuant to the Agreement, the Agency for Electronic Communications and Postal Services has determined the manner and dynamics of the price reduction for the operators of public mobile communications networks providing public mobile communication services in the territory of Montenegro (Montenegro Telekom AD Podgorica, Telenor d.o.o Podgorica and M:tel d.o.o. Podgorica). In this respect, the implementation of the phase III of price reductions is underway. In July 2017, a letter was sent to the European Commission that the Regulation on the abolition of roaming in the countries of the European Union should be extended to the signatories of this Agreement.

The National Internet Exchange Point (Montenegro Internet Exchange Point - MIXP) was established, commenced work on July 22, 2015 and thus became functional and operational. The National Exchange Point is a tool for enhancing Internet service development, lowering Internet service prices, unburdening of links for global Internet access, improving the quality of Internet access service and communication security in terms of personal data protection and network security. Until now, the University of Montenegro, doMEn, Montenegrin Telecom, Telenor, Mtel and MNNews were connected to MIXP. Since April 1, 2016, MIXP has started providing commercial telecommunication services, for which an official price list has been harmonized and made, and contracts have already been signed with Montenegro Telecom, Telenor, Mtel, MNNews, doMEn and the University of Montenegro.

The Electronic Government Law has regulated the manner of conduct of state authorities, state administration bodies, local self-government bodies, local government bodies, public services and legal persons performing public powers when communicating with citizens, business associations, other legal entities and entrepreneurs via electronic means within their remit and when processing, exchanging and publishing data and information in electronic form. It also stipulates there is one place where the services of authorities are centralized and one place for users' authentication and authorization. The laws governing electronic administration, electronic identification and electronic signature, electronic document, electronic commerce and information security prescribe the norms relevant to this area. The Electronic Identification and Electronic Signature Law has been adopted, which has been harmonized with the EIDAS Regulation, stipulating clear provisions to increase confidence in electronic transactions through the legal framework governing secure and reliable electronic transactions. Building trust in electronic business is crucial, both for the development of information society and for economic and social development accompanied by modern technologies. By adopting a new law on electronic identification and electronic signature, the legal basis for the further development of electronic business in Montenegro is created. There is also a complete harmonization of the normative framework for this area with European regulations.

The Cyber Security Strategy 2013 - 2017, which was developed in line with the 2016/1148 Directive on Network and Information Systems Security, identified the key goals that were achieved through

the Action Plan. The cyber security authority is the Ministry of Public Administration within which the National CIRT team functions, which has the task of coordinating and responding to the threats, attacks and challenges in the cyber space. Planned activities were carried out within the organization of local CIRT teams in Montenegro. The 31 local government teams and six local private sector teams were created, that cooperate with members of the national CIRT on issues of protection against computer security incidents on the Internet. In accordance with the amendments to the Information Security Law, a critical IT infrastructure is defined, while the drafting of regulations for the protection of critical IT infrastructure is underway. In accordance with the Information Security Measures Decree and the Rulebook on the Use of Computer and Communication Resources on the State Authorities Network, data security procedures have been defined.

In accordance with the Electronic Administration Law and the Free Access to Information Law, the continuity of the work is on the improvement of a single place in a virtual space where citizens and business can receive information on the work of the Government of Montenegro and the state administration bodies. In this regard, Montenegro's Government web portal, as one of the most important communication channels, provides visual recognizability aimed at greater information accessibility and transparency of the Government and ministries work.

Tourism. In order to make better use of the significant potential for tourism development, a number of activities were implemented in the previous period, relating to:

- **improvement of legislation** - several legislative and secondary legislation acts were passed. The drafting of the new Tourism and Catering Law is ongoing, and its solutions will enable a more intensive development of underdeveloped areas with an emphasis on the northern part of Montenegro, wider incentive policy for the development of hotel business, new business models, and more effective combating of business in the "gray zone";
- **improvement of tourism infrastructure** - in 2015 and 2016, 43 new hotel and similar facilities were opened, and during 2017, 33 new facilities were opened;
- **better connectivity and accessibility of the destination** – primarily through the improvement of Montenegro's aviation accessibility, meaning the realization of a cooperation contracts with low-cost airline companies. In this connection, direct connections have been established with Brussels, London, Berlin, Manchester, Munich, Milan, Stockholm, and Budapest. The procedure for the arrival of tourists from PR China has been simplified. So far, two domestic agencies have signed contracts with Chinese partners. Cooperation with renowned tour operator "TUI" has been intensified. Cooperation between TUI-Russia with the HG Budva Riviera, which started in 2013, has resulted in the arrival of more and more tourists in the Montenegrin tourism capital, as well as through the opening of "club hotel" in this company's facilities. Since 2016, this tour operator has also cooperated with the HTP Ucinj Riviera;
- **the overcoming of the seasonality problem** and the reduction of regional imbalances, activities in the diversification of tourist offer, a program of incentive measures in the field of tourism has been realized during the last few years, with the aim of enriching and improving the tourist offer, supporting marketing activities for opening new outbound markets, events organization and tourism valorization and affirmation of cultural heritage;
- **improvement of marketing activity** - promotional activities on remote markets were intensified, with the promotion of regional tourism products. In this regard, the Montenegrin Tourism Strategic Marketing Plan will be adopted for the period 2018-2022, which will define

the goals, principles and mechanisms of the continual marketing activity of Montenegrin tourism, with proposals for the reorganization of the tourism organizations system. An integral part of the plan is a comprehensive analysis of the existing product structure and guests;

- **improving the business environment** through tax and other reliefs and incentives to investors, which resulted in a high level of investment in the tourism sector, together with the shortening of the term of return on investment;

Cultural tourism. In line with the possibilities, a series of activities are conducted in continuity, creating conditions for adequate definition and better valorization of Montenegrin cultural and tourist potential. In this respect, the following activities have been realized:

- education of cadres in the field of cultural heritage;
- presentation and popularization of cultural heritage;
- protection and preservation of cultural goods, through the Cultural Goods Welfare and Conservation Program, Support Program for Culture Development in Niksic and Cetinje – City of Culture Program;
- implementation of management plans: the Natural and Cultural and Historical Area of Kotor and the Cetinje Historical Center;
- entry into the UNESCO World Heritage List of the stećak necropolis Grcko groblje, Bare Žugića and Novakovići, Žabljak municipality and Grcko groblje, Šćepan Polje, Plužine municipality and Kotorska tvrđava within the transnational serial nominations of the Venetian fortifications from the XVI to the XVII century, nominated for entry by three countries: Italy, Croatia and Montenegro;
- activities related to entry to the UNESCO World Heritage List of the Cetinje Historical Center.

Sustainable growth

Agriculture and rural development. During the reference period (2015-2018), the Agriculture and Rural Areas Development Program was adopted under IPARD II 2014-2020 (IPARD Program) and the capacities of the Directorate for IPARD payments were strengthened. Also, the operational structure for IPARD program implementation was accredited.

In order to achieve the development goals defined in the Montenegro Development Directions 2015-2018 (sustainable resources management, stable and acceptable supply of safe food, provision of adequate living standards for the rural population and raising the competitiveness of food producers), measures were realized including:

1. Investments in primary agricultural production, processing and marketing of agricultural products

Within the measures aimed at investments in primary agricultural production, processing and marketing of agricultural products, support was paid out in the total amount of €25.480.068,43 in the period 2013-2017.

Out of this amount, a total of 12,718,465.85 € (49.91%) was paid for the average 8,031 users per year through direct payments.

Within the rural development measures, grants totaling €11,838,921.00 (46.46%) for a total of 3,672 beneficiaries (averaging 1,224 per year) were paid through measures to strengthen competitiveness of food producers. Considering the amount of support paid is 50%, it can be concluded that around €23.7m was directly invested in the primary agricultural production, processing and marketing of agricultural products in this period.

The biggest part of grants support funds, in order to raise competitiveness of agricultural production, was realized through the so-called IPARD like project, in the total amount of €3.657.708,33 (30.89%), for 235 beneficiaries.

Through the support of investments in family farm processing measure, grants totaling €631.406,44 (5.33%) were paid for 185 beneficiaries in this period, creating the conditions for raising both the quality and level of processing of agricultural products, and its value added. Considering the amount of support paid is 50%, around €1.26m was invested in the processing sector.

As part of the program for the improvement of apiculture and market stabilization measures, €922,681.50 (3,62%) was allocated in this period.

2. Investments for the implementation of agricultural land policy (development, use and improvement of agricultural land quality, increase in the size of family agricultural farms and the prevention of land fragmentation)

One of the problems faced by farmers is the fragmentation of the plots, which prevents more efficient use of mechanization, so it has an impact on the increase of agricultural land farming costs. In order to animate farmers to work together, the models of their organization are defined through the Cooperatives Law.

In June 2017, the Commission for the Valorization of Agricultural Land Owned by the State was established, with the aim of enabling better valorization of unused agricultural land owned by the state, which is a subject of increasing interest of domestic and foreign investors. Creating the conditions to make land potentials in state ownership available for entrepreneurial initiatives in the field of agriculture and agro-industry will enable production growth, competitiveness of Montenegrin agriculture and a new space for employment growth.

In 2017, 45 hectares of land were rented at Grahovo, and negotiation for lease of another 60 hectares at Šas locality in Ulcinj Municipality is ongoing.

3. Improvement and development of rural infrastructure, and diversification of economic activities in rural areas

The development of infrastructure in rural areas significantly prevents migration processes, creating conditions for the preservation of villages, and thus creates more favorable conditions for living and working in them. Bearing this in mind, a total of €3,037,715.17 was appropriated during this period. from the Agro budget funds, through the measure of reconstruction and development of the villages and rural infrastructure and measures for diversification of economic activities in rural areas.

Through the measure of reconstruction and development of the villages and rural infrastructure, €2.833.000,00 (93.26%) was realized, supporting over 200 projects related to the roads construction and filling, electrification of villages, the construction of watering places, etc.

Within the diversification of economic activities in rural environments measure, 104 beneficiaries were supported with the total amount of €204,715.17 (6.74 %), through the realization of projects

for adaptation and equipping of facilities, as well as procurement of necessary equipment for providing tourism/catering services in rural areas. By implementing this measure, farms that are engaged in agriculture and having the possibility to provide tourist and hospitality services within their farms, were enabled to diversify their activities by providing additional income, depreciating the risks associated with agricultural production.

4. Implementation of agricultural-environmental measures

Respecting the fact Montenegro is an ecological state, considering favorable natural and climate conditions, a significant focus has been placed on measures for sustainable management of natural resources.

Considering also the results of the activities in the previous period, primarily the publication of the Good Agricultural Practice Code, this group of measures has been expanded with the livestock manure management measure, very important one from the environmental protection aspect.

In this period a total of €1,440,212.75 was realized, out of which €57,448.00 for the conservation of genetic resources in agriculture, for sustainable use of mountain pastures €614,675.50, for organic agriculture €459,929.60 and for support to the livestock manure management €308,159,65.

Despite the good results achieved in the observed period, there are still challenges that need to be overcome in the forthcoming period:

- unfavorable structure of agricultural production;
- inadequate technical equipment of farmers;
- better application of all food safety standards at all stages of production;
- focus on high quality products (organic, PDO/PGI) and their standardization
- underdeveloped physical and social rural infrastructure
- depopulation present in rural areas.

Forestry. According to the results of the National Forest Inventory in 2011, forests occupy 60% of Montenegro's territory, and unstocked forest land by an additional 9.7%. The increase in forest areas has recently been caused by the abandonment of traditional agriculture in the villages in the north and the forests growing on the agricultural land.

With regard to so much distribution of forests, targets for increasing the area under the forests have been achieved, although there have been negative trends of deforestation and forests devastation. In Montenegro, 51% of forest and forest land is state owned, and 49% is in private ownership. The share of private ownership has been increasing over the last ten years, due to the restitution process.

Based on statistical indicators, 48.847¹⁷ households in Montenegro is linked to the countryside and the areas covered by forests. This means that about 30% of the population depends on the products and services provided by the forests, or directly earning income through the use of forest resources or the employment in the forestry and wood industry sectors. Population in rural areas is among the poorest in Montenegro and is directly dependent on income earned from farming and forest resources use. Around 150 companies have been active in the wood industry in the last few years (including companies and entrepreneurs engaged in carpentry and furniture production). The most represented activity of companies, viewed by their number, is sawmill wood processing, and only a small number of companies are engaged in semi-final or final production of wood products.

¹⁷ Agriculture List 2010

The Forests of Montenegro offer a whole range of ecosystem services both locally and regionally as well as globally. About 5.8% of the forest area is already included in the national parks, and established as well as the planned regional parks will include a large part of the forest areas. In all forests, about 12% of the forests and 8% of forest land is inaccessible due to natural barriers, which means that these areas of about 110,000 hectares are de facto left to the natural processes.

The climate change with increased risks of drought, fire and biotic pests endanger the forests currently the most, and this will continue in the future. In the period 2005-2010, the fires affected approximately 1% of the forest area per year on average, and in 2012 it was a record 7% of the forest area affected. In the case of the expected even more extreme droughts, the threat of fire may even increase to a level that can cause serious damage to the population, natural ecosystems and the overall economy.

Activities have been conducted to stop the negative trends in forestry and further growth of production in the wood industry. In this regard, the Decision on the Temporary Restriction on the Export of Certain Wood Assortments was adopted, which completely stopped the outflow of wood raw material out of Montenegro.

Also, an analysis of the results of the application of the concession system for forest use so far has been conducted and the reorganization of the concept has been proposed according to the observed negative trends.

The realization is ongoing of a pilot project, which will indicate the possibilities for introducing the private sector into the forestry system of services (cutting trees, pulling wood assortments from the forest and transporting wood assortments), and based on these results defining the services market in forestry.

In order to achieve the development goals defined by the Montenegrin Development Directions 2015-2018, measures have been implemented, including:

1. Realization of the strategy with the forest and forestry development plan

Measurability of achieving strategic goals will be possible through the implementation of the next national forest inventory, which is planned for 2021, considering that the reference data in the strategy is given based on the results of the first national forest inventory, carried out during 2010 and 2011. Progress is visible in the part related to the development of the wood industry. Namely, in recent years there has been a growth in production in the wood industry (in 2014 it is very significant - about 70% higher than in 2013, in 2015 - about 21% higher than in 2014, in 2016 higher for 17% than in 2015).

Realization of measures related to forest cultivation works, construction and maintenance of forest roads as well as in the segment of forest protection from fires is not in line with the planned dynamics. The key reason for delay in realization is the lack of financial resources. Measures for the construction and maintenance of forest roads are not realized partly due to the lack of interest of concessionaires for the use of forests in the areas where construction work on forest roads is needed.

Through the reorganization of the concession system, higher revenues are expected from forest utilization and the creation of a sustainable forest management model, providing the required investments level in forests. The production growth is expected in forestry, continued growth in wood processing production, as well as increased demand for wood pellets.

2. Realization of the rehabilitation plan of forests degraded by forest fires

The realization of the program for rehabilitation of forests degraded by forest fires was first implemented in response to the great forest fires of 2012. Also, the forestation of fire affected areas was organized during 2017.

However, a complete system of rehabilitation measures is considered ineffective because it requires the provision of budget funds for the realization of the measures. Rehabilitation measures must be urgent because of the rapid destruction of wood due to fire damage.

The rehabilitation measures must be urgent, due to the fast degradation of wood after being damaged by fire. For that purpose, one should use every opportunity to sell the fire-affected wood that have market value.

3. Forest certification

Action plan for implementation of forest certification was prepared and communication with interested parties in the forest certification process was made.

The process of obtaining the certificate is delayed because of the lack of financial resources in the previous period. In this regard, we now have a finalized financial framework for hiring the certification body, the implementation of the certification process and obtaining a certificate of sustainable forest management, and the selection process for the accreditation body implementing certification is underway.

Energy. In order to meet the goals of the Energy Policy and the main recommendations of the Energy Development Strategy, the activities on creating of conditions for the construction of new infrastructure facilities are conducted, inter alia, and the implementation of the projects started in the previous period has continued.

The project of connecting the power systems of Montenegro and Italy by the submarine cable of one-way current is realized with the planned dynamics. This project is significant from the aspect of infrastructure linking the Western Balkans with the European Union and creating conditions for faster development of the region as a whole. The Italian company Terna, a partner on this project, has completed submarine cable laying. Within the part of the project that CGES is in charge of, a project for the construction of 400/110/35 kV Lastva substation and 400 kV transmission line Lastva-Čevo-Pljevlja-Serbia border is being realized. These projects are expected to be completed in 2019.

Projects for the construction of facilities for the production of electricity from renewable energy sources are in different stages of realization.

The construction of a hydro power plant on Morača and Komarnica is foreseen as a construction of conventional energy sources on completely commercial bases without the use of incentive measures such as guaranteed purchase and price. A great number of companies showed interest in these projects.

In the previous period, 34 concession contracts were concluded for the construction of small hydropower plants, out of which 18 contracts were concluded on the basis of six tender procedures conducted, and 16 contracts for the construction of the SHPs with installed capacity of up to 1 MW were concluded based on the energy permits issued by the Ministry economy, in accordance with the Energy Law. The contracts envisage the construction of 53 SHPs, with total installed power of about 94 MW and planned annual production of about 310 GWh. The projected value of the investment for

all planned SHPs is €138m. Up to now, the construction of 12 SHPs has been completed, out of which 11 perform their concession activities and produce electricity, while one SHP is in trial mode.

In accordance with signed contracts, construction of wind power plant Krnovo was completed, with planned annual production of 210 GWh. The use permit for this power plant has been issued. Activities are also being conducted on the construction of the Možura wind farm in Ulcinj.

During the realization of projects for the construction of new facilities for electricity production, the most pronounced difficulties are related to connecting these facilities to the electric power system. In addition, the realization of these projects is often slowed down by the necessity of conducting the expropriation process and making detailed planning documents.

In order to create the conditions for efficient functioning of the transparent short term electricity market at the national and regional level, the Stock Exchange of Electricity DOO was established. It is necessary to strengthen the competitiveness of the electricity market in Montenegro, with the increase of the business efficiency of power companies and the creation of conditions for the participation of new suppliers in this market.

Significant potential related for energy use from renewable sources and strengthening of energy efficiency is valorized, with support for the implementation of relevant energy efficiency projects in public facilities as well as projects intended for citizens or households.

Montenegro Energy Efficiency Project - Additional Financing (MEEP AF) aims to improve energy performance in health facilities. MEEP AF is a continuation of the implementation of the Montenegro Energy Efficiency Project (MEEP), through which energy use was improved in 15 public facilities (9 educational and 6 healthcares) . The project started in March 2014 and the finishing deadline is on March 30, 2018.

Within the first phase of the Energy Efficiency Program in Public Buildings - EEPB, which lasted from January 2012 to December 2015, energy efficiency measures were applied in 20 primary and secondary schools and one students' dormitory. Implementation of the second phase of the program began in January 2015, and the completion is planned in 2020. So far, energy efficiency measures have been implemented in 7 educational institutions.

The goal of the SOLAR SUMMER PASTURES project - installation of photovoltaic solar systems is to set up solar systems for the production of electricity on the facilities in summer pastures that are not connected to the electricity grid. In the previous period (2012 and 2013), 189 photovoltaic systems were installed. The project has been continued, and in the same framework, in 2017, 54 photovoltaic systems will be installed in summer pastures.

Two phases of the ENERGY WOOD project were realized – interest-free loans for installation of heating systems that use modern biomass forms, meaning 775 heating systems was installed in Montenegrin households.

Although the energy certification procedure of buildings is legally regulated, the conditions for building certification do not exist yet, because there is still no national software for calculating and determining the energy class of the building.

Environment. In the **nature protection** field, the goals set in the previous period by strategic documents have been achieved – with the designation of the Regional Park Piva in 2015 and the Regional Park Komovi for the territories of the Capital Podgorica and Andrijevica municipality, the

percentage of Montenegrin territory under national protection increased to 12,8%. The designation procedures for the Regional Park Dragišnica and Komarnica and the nature monument the Cijevna River Canyon are underway (protection studies finalized, public hearings, obtaining the necessary opinions, etc.). Through the projects that will be conducted to explore marine areas, the scientific data needed to establish protected marine areas at the national level will be collected.

One of the conditions for Montenegro's entry into the EU is the establishment of NATURA 2000 network. The project Establishment of NATURA 2000 Network is funded from IPA 2012 and 2016, and its implementation lasting 3 years has started. The project encompasses nine key areas for biodiversity in the central and northern region of Montenegro, while the continuation of the research is planned through the project Improving the Capacity for Implementation and Monitoring in the Environment, funded by IPA 2016 Environmental Program, the beginning of which expected towards the end of 2018.

As for the coastal part of Montenegro and marine research, the database on marine habitats and species will be improved through the project financed by the GEF, Promoting the Protected Areas Management through the Integrated Coastal Zone Welfare of the Marine and Littoral Ecosystem at the Seaside of Montenegro, meaning it will contribute to the collection of additional data for the definition of the marine area proposal, which will form an integral part of Natura 2000 proposal. The project was approved on July 21, 2017. Additional data on marine habitats and species are also expected through the project Implementation of the Ecosystem Approach in the Adriatic Sea through Spatial Planning of the Sea" (important for the Marine Strategy Framework Directive (MSFD), as well as for the Habitat Directive) approved by GEF.

In the **noise protection** field, funds for drawing strategic noise maps are planned through the IPA II - Action Document for 2016, while funds will be available after the signing of the financial agreement during 2018. Apart from the newly established municipalities of Petnjica and Gusinje, all local self-governments have performed acoustic zoning of its territory.

In order to ensure **safe chemicals management**, the following projects have been started and are currently being realized:

- Comprehensive, environmentally acceptable management of waste containing PCBs;
- Preparations for the ratification and implementation of the Minamata Convention on Mercury - Initial Assessment for Montenegro;
- Updating the National Implementation Plan for the Stockholm Convention.

In the **industrial pollution** field, activities continued on the realization of the Industrial Waste Management and Cleaning - IWMCP Project, realized by the Government of Montenegro in cooperation with the World Bank. The project's goal is the final rehabilitation and remediation of 4 identified so-called "black ecological points", namely Podgorica Aluminum Kombinat (two red sludge pools and solid waste dump), Adriatic Shipyard Bijela (grit dump site and contaminated land), Pljevlja Thermal Power Plant (the Maljevac ash and slag dumpsite) and the Šuplja Stijena Mine Pljevlja (flotation heap Gradac), as well as solving the issue of hazardous waste treatment.

Public discussion on ESIA (Environmental and Society Impact Assessment) was held at the Bijela Shipyard. The tender for the selection of contractors for the land remediation of the Bijela Shipyard site was opened. The evaluation of the received offers is pending.

As another priority, the rehabilitation of the pollution of the Gradac flotation heap in Pljevlja was set for the implementation unit. In this regard, the Government agreed to use funds from the Industrial

Waste Management and Cleaning project for remediation of this site. Related to this, a work on terms of reference (ToR) and request for expressions of interest (REoI) have been initiated for the selection of a consultancy firm for the design of the Main Remediation Project and conducting the supervision of the works. The Request for Expression of Interest (REoI) was published, with the prior approval of the World Bank. The companies/consortiums/joint ventures of companies submitted their expressions of interest, whose opening and evaluation began on August 23, 2017 at 9.00 a.m. A shortlist of 6 most qualified bidders was prepared on September 26, 2017. Following the World Bank's approval of Request for Proposals (RFP) for the technical/financial bid, it was delivered to the companies shortlisted. The deadline for submitting bids is December 20, 2017.

A separate Agreement on the utilization of funds from the budget of the Industrial Waste Management and Cleaning project for the remediation of the Maljevac ash and slag dumpsite, which is a precondition for starting preparatory activities for the remediation of this location. Also, it is envisaged to conclude the Agreement on the use of funds with end users/owners for the realization of a remediation project to determine who is liable for the repayment of the loan, the conditions of the use of the funds, the implementation of the project as well as the obligation to maintain the site as a prerequisite for the use of loan funds. The draft Agreement prepared by the Ministry of Finance, in consultation with the Ministry of Sustainable Development and Tourism, the IWMCP Project Implementation Unit and the World Bank, was submitted to the Elektroprivreda Crne Gore for insight and comments on November 6, 2017 so that negotiations are in progress about it.

In accordance with the Law on Environment, an operator of Seveso, namely a complex where activities are conducted in which one or more dangerous substances are present or may be present, is obliged to submit a notice and to make an Accident Prevention Plan, the Safety Report and the Accident Protection Plan, depending on the quantity of dangerous substances and the degree of accident risk. Considering this, the work is currently being done on identification of the Seveso plant in Montenegro.

As for the **air quality**, air quality zones have been established, a state network for air quality monitoring has been established and regular air quality reporting is provided to the European Environment Agency and the national public in accordance with EU standards. The Action Plan for Implementation of the National Air Quality Management Strategy 2017-2020 was adopted.

In December 2016, an automatic stationary station for air quality monitoring was moved to a representative location in accordance with the criteria of the Air Quality Framework Directive, from Skerlic's street location to Gagović Estate location.

In June 2016, NEPA produced a study the Impact of Meteorological Factors on Air Quality in Pljevlja during 2015, which showed that extreme meteorological situations, which are already characteristic of Pljevlja Valley, have significantly affected the deterioration of air quality. Although the hard work is being put into reduction of air pollution in the Pljevlja Valley, every winter, with adverse weather conditions (severe temperature inversion and formation of "cold air lakes" in the Pljevlja Valley with a limited atmospheric volume effect) and using solid fuel for heating, results in the increased concentrations of suspended particles.

In accordance with the recommended values of the so-called common air quality index (AIR QUALITY IN EUROPE - CAQI), from December 2016, it has been possible to calculate the measured values related to the impact of the pollutants present in the air on human health. This approach has made possible and easier for healthcare institutions to make recommendations in case of increased concentrations and possible harmful effects on the health of both, vulnerable groups and all citizens.

In the Pljevlja municipality the distribution of more environmentally friendly fuels (briquettes and pellets) at subsidized prices was realized. Based on a public call, 208 tons of briquettes and 240 tons of pellets were delivered in 2016, and 192 tons of briquettes and 760 tons of pellets in 2017.

The main project for the construction of the city heating plant in Pljevlja was drafted and revised and the public procurement procedure conducted for works on the construction of the city heating, procurement and installation of the machine equipment in the facility, the construction of the heat supply network and the central energy station with a capacity of 30 MW, which is the first phase of this multi-year project.

In the **climate change** field, the Second National Report on Climate Change pursuant to the UN Framework Convention on Climate Change (May 2015) was prepared.

The National Strategy for Climate Change until 2030 has been adopted and, as part of the Intentional Nationally Determined Contribution document (INDC) of Montenegro for the reduction of greenhouse gas emissions, in light of the adoption of the Paris Accord in December 2015. This document obliges Montenegro to 30% reduction of greenhouse gas emissions by 2030, compared to 1990 base year.

The First Biennial Report of Montenegro on climate change under the UN Framework Convention on Climate Change was prepared, which is the continuation of Montenegro's reporting under the UNFCCC and deals with the 1990-2013 period. The First Biennial Updated Report (FBUR) on climate change consolidates sectoral greenhouse gas emissions (GHG) analyses for this period and provides transparency for Montenegro's progress in mitigation climate change and its effects. The report addresses the mitigation of climate change and action plan, provides information on technological, financial and capacity building needs, as well as on technical support given.

The drawing up of the Second Biennial Report of Montenegro on climate change (SBUR) under the UN Framework Convention on Climate Change is underway. The Second Biennial Report of Montenegro on climate change (SBUR) aims to provide an update of greenhouse gas emissions inventories for the period until 2015, as well as information on climate change mitigation activities and their effects. The project will contribute to identifying limitations and shortcomings, assessing relevant financial, technological and institutional capacity building needs as well as elaborating the concept of the national monitoring, reporting and verification system (MRV). The project will last until the end of 2018.

The making of the Third National Communication on Climate Change (TNC) is under way, which will fulfill Montenegro's obligation to the United Nations Framework Convention on Climate Change (UNFCCC). The project will also support the strengthening of national capacity to meet international obligations. Raising the level of public awareness on climate change is one of the components of the project in order to have stronger integration of these issues into national and sectoral policies, strategies and programs. The project will last until the end of 2020.

The Parliament of Montenegro ratified the Paris Climate Change Accord on October 11, 2017.

As for the infrastructure for the waste management field, the following facilities were built: regional landfills of non-hazardous waste in Podgorica and Bar; recycling centers in Podgorica and Herceg Novi; vehicle waste treatment plant in Podgorica (2), Berane, Cetinje and Niksic (3); transfer station in Kotor and Herceg Novi; recycled yard in Podgorica (5), Herceg Novi (1) and Kotor (1). In Žabljak municipality, a waste sorting station (a recycling yard with a transfer station) and a rehabilitated unmanaged city dumpsite have opened. In Kotor municipality, the first composting station in Montenegro to solve green waste management issues in Kotor, Tivat, Budva and Herceg Novi municipalities was opened.

In the municipality of Berane, a facility for treatment of medical waste collected from the territory of the municipalities: Kolašin, Mojkovac, Bijelo Polje, Pljevlja, Berane, Rožaje, Andrijevica, Plav and Capital Podgorica were installed.

The Montenegro Waste Management Strategy until 2030 and the State Waste Management Plan for Montenegro for the period 2015-2020 was adopted, determining the waste management policy in the forthcoming period.

The average supply of water for population in Montenegro from public water supply systems is 62%. In urban areas this percentage is over 98%. In addition to the insufficient development of water supply systems, large water losses in systems that account for more than 60% on average over a longer period of time, create special difficulties.

The Projection of the Long-Term Water Supply to Montenegro until 2040 was adopted, which gives a development plan for water supply until 2040, apart from the analysis of the current situation.

The analysis contained in this document shows that the losses in water supply systems are inadmissibly high in all municipalities and amount to about 70%. Reduction of losses in water supply systems is a strategic goal that can lead to a level below 30% by the end of 2040 and below 40% by the end of 2025, through the realization of the proposed measures from this document.

In most municipalities, the projects for the improvement of the water supply system (extension and rehabilitation of the network, the construction of reservoirs and other facilities in water supply systems) are conducted simultaneously with wastewater management projects.

The concept of **wastewater** treatment development in Montenegro is based on two strategic documents:

- The Master Plan for the Disposal of Wastewater of the Montenegrin Coast and Cetinje Municipality, adopted in 2005, whose implementation is planned in phases and covers the period until 2029 and
- The Strategic Master Plan for Sewage and Wastewater in Central and Northern Montenegro, adopted in 2005, whose implementation is planned in phases and covers a period until 2029.

These documents set out investment plans for all municipalities in Montenegro, on the basis of which the sewage network, wastewater treatment plants and other sewage systems segments are being constructed, in order to ensure the full implementation of Directive 91/271/EEC on cleaning of communal wastewater by the end of 2029. In addition, out of nearly €560.0 million of planned wastewater field investments until 2029 on the territory of Montenegro, a large number of projects have been realized so far, so it can be concluded that the projects defined by the strategic documents in the wastewater sector are being realized in accordance with the predicted dynamics.

The Master Plan is under review. The new document, to be completed by the end of 2017, will cover the period from 2018 to 2035.

Transport. Significant activities have been conducted to create the preconditions and to begin realization of the capital infrastructure projects. The previous period was marked with the beginning of the construction of the first kilometers of the Bar-Boljare motorway in 2015, the activities were intensified to create the preconditions for the start of the construction of the coastal variant of the Adriatic-Ionian highway - the Express Road along the Montenegrin coast, while regular and investment maintenance, reconstruction and construction of other state (main and regional) roads are realized in accordance with the relevant annual plans, which results in a reduction in the number of road traffic accidents caused by inadequate infrastructure condition. At the same time, Bar-Vrbnica railway was repaired, the process of privatization of part of the Port of Bar was completed, which, after the

restructuring process in 2009, was separated as Container Terminal and General Cargo A.D. (current Port of Adria A.D.), activities on drafting the new Transport Development Strategy have begun. Montenegro has also played an active role in the realization of activities defined in the so-called Connectivity Agenda within the Berlin Process.

One of the limitations faced by Montenegro is still insufficiently developed and interconnected high-quality transport infrastructure (roads, railways, airports), leading to high transport costs, inadequate transport service quality, relatively high maintenance costs, inadequate safety level in transport, which all has a negative impact on economic growth and employment. In addition, inadequate transport infrastructure is one of the key factors of significant regional differences in Montenegro and limitations of exports to the region. One of the key challenges that must be faced is the provision of financial resources for the realization of infrastructure projects.

Construction. According to the MONSTAT, the participation of construction in the gross domestic product in 2016 was 5.6%. The total value of the performed construction works in 2016 was €453.7 million, which is 25.2% more than in 2015. Viewed by the facility type, 42.3% of the value of performed construction works was realized on buildings (residential and non-residential), and 57.7% on other facilities. In 2016, 3 658 apartments were completed with a useful area of 238 218 m².

Considering the importance of the construction sector, significant measures were realized in the previous period, contributing to the achievement of development goals.

As part of the Measure Information Systems Development Integrating All Information on Spatial Planning and Construction Structure, the Rulebook on the More Detailed Content and Manner of Maintaining the Central Registry of Planning Documents and the Rulebook on the More Detailed Content and Manner of Keeping the Registry of Technical Documentation and Audit Reports were adopted.

The planning and technical documentation records represent a unique database of the valid planning documentation in Montenegro and technical documentation on the basis of which a building permit is issued. This web solution, through free access to the Portal or through the assignment of certain user roles, enables the interested public to access the published documentation. The implementation of the solution enabled a simple search by any criterion (plan document/investor, cadastral plot, urban plot, etc.) and at the same time represents the "library" of plans and projects. The system supports various types of reporting used to prepare and maintain the documentation baseline of space, which is the basis for an overall view of the state of space and the starting point for all the other phases that implies monitoring.

Reforms in the field of construction, and in particular the reform of the process of issuing building permits, significantly contributed to the improvement of the business environment in Montenegro. The realization of the "**one stop shop**" system introduced in the process of issuing a building permit in 2011, namely the improvement of the process of issuing building permits (reduction of procedures, costs, deadlines and better control of facilities construction) was recognized by the World Bank in its latest Doing Business 2018 report, so Montenegro was at 78th place out of a total of 190 countries by the "issuing building permits" indicator, with an improvement of 15 places compared to the previous year's report.

Since the reforms abolished all the fees and levies paid at the level of issuing the building permit, the procedure "price of issuing the building permit" directly depends on the amount of compensation for the equipping the building land with communal utilities.

The amount of municipal public utilities compensation in Montenegro is extremely high in comparison with those in the region, but also with the economies that are among the first on the WB list for the above mentioned indicator, and this is the direction to continue with further reforms.

In order to improve the process of construction of facilities, the Law on Spatial Planning and Construction of Facilities was adopted.

An important novelty is the abolition of the construction and use permit, as administrative acts on the basis of which the construction and use of the building is carried out. The building can be built on the basis of a building application which is submitted to the competent inspection body with the prescribed documentation. For the use of the facility, the investor shall submit a request to the Cadastre with the prescribed documentation. This does not apply to complex engineering facilities for which there are still an obligation to obtain a building permit and a use permit.

A new system was established that will treat the payment of the communal services connections after the adoption of the General Regulation Plan. The law stipulates that a fee for improving the land is payable for unimproved land, which will be paid by all the owners of the unimproved construction land, and not as of now only the interested investors. This is a far more efficient and functional solution that increases the value of land, which has been given the status of construction by the planning document, and the burden for municipal utilities equipment financing is shared by all owners, not just those who intend to build.

In order to achieve a higher level of quality and safety of facilities, it is necessary to adopt Eurocodes. Eurocodes are European standards for the calculation of construction structures and represent unified design rules that differ only in the part of the national addendum, in which specific national parameters are given. An Action Plan for Adoption of Eurocodes was adopted. The implementation of this action plan (the development and adoption of Eurocodes in Montenegrin language and the drafting and adoption of National Annexes for certain parts of Eurocodes), which is planned by 2018, is delayed due to the complexity of the work and the limited number of experts. In this regard, out of a total of 58, 11 parts of Eurocodes in the Montenegrin language were adopted with national annexes for it, and four more were being prepared. However, it is still not possible to work on the calculation of construction structures based on Eurocodes as Montenegrin standards.

With the aim of **harmonizing national legislation with EU legislation** and defining the conditions for placing construction products in order to facilitate smooth flow of goods, the Law on Construction Products was passed, which partially transposed Regulation No. 305/2011 of the European Parliament and of the Council establishing harmonized conditions for the placement of construction products on the market. In accordance with this law, a number of supporting secondary legislation acts has been adopted. Technical regulations for different types of construction structures or construction products were passed in accordance with the Law on Spatial Planning and Construction of Facilities.

Housing. Housing is one of the basic existential needs of people and in different ways, it influences directly and indirectly all levels of existence, from individual levels to different fields at the state level. The dwellings also has a distinctive economic nature as immovably good of great value and durability, which in the construction phase encourages production and employment and in the exploitation phase contributes to the increase of labor productivity by creating better living conditions. Housing, by its very nature, is very complex and cannot be left solely to the free formation of prices, based on economic laws.

In the previous period of Montenegro's transition to a market-oriented society, new guidelines for housing and urban development have been defined, including measures and activities aimed at improving the lives and work of the population in human settlements, preserving property value and stimulating development in construction and other activities.

The lack of housing space, among other things, caused the phenomenon of informal construction. Such a situation is largely due to inadequate and inadequate planning documentation, demographic processes, economic status of the state and population, inadequate control (state and local), inadequate administrative capacity, lack of responsibility of illegal builders for the good of the state etc.

Informal construction in the long term is permanently changing and destroying space and decreasing directly, both current and future development opportunities. A significant problem in Montenegro is illegal construction in the most attractive areas along the seaside, in protected natural areas, where there are cases the goal of illegal construction is not solving the existential issues but gaining financial benefits, mainly at the expense of public interest and with endangering public goods.

Much of the residential and non-residential facilities sector is currently being conducted through informal structures. This contributes to reduced quality and safety of housing due to insufficient work skills, unlicensed construction materials and uncontrolled construction. A significant part of public revenue is not realized. In order to legalize and valorize the space of Montenegro as the most important State resource, a number of activities were conducted in the previous period to prevent its further devastation.

Social Housing Program for the period 2017-2020. was adopted in September 2017. Existing activities in this field, namely the implementation of the previous program document and programs of all municipalities indicated that a significant number of municipalities had started implementing the recommendations from the Social Housing Program for the period 2014-2016, and in the period prior to adoption of the Program for 2017-2020 a significant shift was noticeable, primarily when specifying the number of available dwellings for social housing.

The realization of the Social Housing Program for the period 2014-2016, namely the projects that were programmed thereby, provided a significant number of residential units of social housing.

Through the realization of the Project of Solving the Citizens Housing Issues under favorable Conditions - Project 1000+ (2015-2017), 376 contracts were signed for the purchase of apartments under favorable conditions, namely solving the housing problem for 111 single, 85 two-member, 99 three-member, 73 four-member and 8 five-member family households. Also, through the Project of Solving the Housing Issues of the Socially Endangered Categories of Citizens in Northern Montenegro, 23 residential units were provided in the first phase of the project from the state budget funds - in municipalities Mojkovac 3, in Plužine 11 and in Rožaje 9, and another 8 residential units in the second phase of the Project - in the Mojkovac municipality 3 and in the municipality of Plužine 5 residential units.

Through the activities of the Montenegrin Solidarity Housing Construction Fund doo Podgorica, in the period of implementation of the Social Housing Program 2014-2016, around 500 residential units were built. The housing cooperative of teachers "Solidarno" and the Montenegro Health Workers Housing Cooperative "Zdravstvo" also provided the significant number of housing units for the employees in these sectors, with the support of the Government of Montenegro.

Also, through the implementation of the Regional Housing Program for Displaced and Internally Displaced Persons in Montenegro, conducted by the Ministry of Labor and Social Welfare, more than 300 residential units were already constructed or the funds were provided for construction in the territory of 13 Montenegrin municipalities participating in the project, and the final works are ongoing on the construction of the Elderly Home in the Pljevlja municipality. Through this project, the building of 907 residential units is planned in order to house displaced and internally displaced persons in Montenegro.

Inclusive growth

Labor Market Policy. Measures and activities in the field of labor market policy are realized in accordance with the established strategic framework of employment policy. Put into the context of inclusive growth, measures were implemented related to: stimulating job creation and competitiveness by improving the business environment in order to increase the demand for labor force; increasing the effectiveness of active employment policy measures; further integration into the employment of persons with disabilities and other vulnerable categories of unemployed persons, and an increase in the formalization of informal employment.

In order to improve the business environment and increase **the flexibility of the labor market**, activities have started in 2017 on establishing a legal framework for adequate labor market regulation, better adaptation of active employment policy measures to labor market needs and realization of the rights during unemployment. In this regard, the new Labor Law and the Law on Employment Mediation and Unemployment Rights are being prepared. At the same time, in terms of aligning the legal regulations in this area with the Administrative Procedure Law, the Labor Fund Law, the Law on Peaceful Settlement of Labor Disputes, the Trade Unions Representation Law, the Law on the Prohibition of Abuse at Work Place and the Law on Employment and Exercising Rights from Unemployment Insurance.

Measures of active employment policies are being implemented in continuity, with special attention focused on the inclusion of young people, women and long-term unemployed on the labor market. In order to increase the effectiveness of active employment policy measures, 10 projects of the total amount of €2.269.057,00 have been realized within the Active Measures of Labor Market for Employability Project of the Operational Program for Human Resources Development 2012-2013. Out of the total funds, 15% or €340.358,55 was from the budget of Montenegro, and 85% or €1.928.698,45 from the IPA-EU funds.

Within the **active labor market policy**, the Employment Agency of Montenegro, considering the labor market needs and the inability of the unemployed to respond to them, has implemented programs intended for both, the unemployed, primarily those less employable, and the employers. The realization of these programs also raises the level of employability and employment of the unemployed and provides the lacking labor force in the labor market. The implementation of these programs is determined by the situation and trends in the labor market, the demands of jobseekers and employers and the resources available for these purposes. In accordance to this, 5,864 unemployed persons were included in these programs during 2015 and 2016. Also, as a wider measure of active employment policy, a Vocational Training Program for Persons with Higher Education was realized, involving three generations of those persons, or 10,051 unemployed persons with higher education in the period 2015-2016. Through the implementation of the Decree on Employment Subsidies for Certain Categories of Unemployed Persons, 502 employers employed 5,577 persons for a limited period during 2016.

In order to ensure professional rehabilitation and employment of persons with disabilities, the Employment Agency has allocated €7.5 million of grants, for the realization of 157 projects, through the grant scheme in the period 2015-2017. A total of 1,039 persons with disabilities have been included, out of whom 588 persons with disabilities are employed during the project term.

In the field of adult education and acquisition of professional qualifications and key competencies for the needs of the labor market, 53 standards of occupation and 22 training programs for certain professions were adopted. The majority of the standards of occupation concerned the standards of occupation in the tourism field.

According to the UN Human Development Report *Informal Work: From Challenges to Solutions*, the participation of informally employed in Montenegro, in 2014, was at about one third or 32.7% of the total number of employees, of which 22, 3% were informally employed, and 10.4% of formal employees paid only part of the respective taxes and contributions (part of the wage is paid "cash in hand"). This report also set out a number of adequate policies and ways to overcome formalization barriers while simultaneously taking into account the most common limitation in transition to formal economy.

In order to formalize the informal economy, the measures and activities set out in the annual action plans are continuously implemented. In this regard, inspections have been intensified, through regular controls and those upon citizens' initiatives, which have resulted in a significant improvement in the respect of the legal obligations of employers.

Measured by labor market indicators¹⁸, the population (15+) activity rate for the second quarter of 2017 was 54.8% and is higher by 0.9pp compared to the first quarter, and 0.4pp compared to the same quarter of the previous year. At the same time, there was an increase in employment, so the employment rate was 46.5% and was higher by 1.9pp compared to the first quarter, or 1.6 pp compared to the same quarter of the previous year. In the second quarter of 2015, it was 45.2%. Unemployment rate (15+) was 15.1% and was lower for 2.3 pp compared to the first quarter, or by 2.4 pp compared to the same quarter of the previous year, when it was 17.5%. In the second quarter of 2015, it was 17.7%.

The mild recovery trend was also observed in the population of 15 to 24 years, so that in the second quarter of 2017 the activity rate increased from 28.6% to 30.1% compared to the first quarter and the employment rate from 18.6 % to 21.4%, while the unemployment rate decreased from 35.0% to 28.9%. This trend is also present in the population age of 50-64.

According to administrative data for the nine months of 2017, the average number of the employed is 3.4% higher than in the same period of 2016 and 4.3% in comparison with the same period of 2015. At the end of September 2017, there were the 48,752 unemployed registered at the Employment Agency, 735 less than in the beginning of the year. The registered unemployment rate was 21.01%, while at the beginning of the year it was 21.33%. In the same period, the participation of women in registered unemployment increased by 5.23 pp, as well as among those over 50 years of age by 7.51 pp, while the participation of young people under 25 in the total registered unemployed decreased from 18.41% to 11,4%.

Thus, the labor market, with some improvements, continues to be characterized by low employment rates and high unemployment rates, particularly among young people, with high rates of inactive labor, long-term unemployment and structural mismatches of supply and demand.

Education. Public pre-school education is organized in all municipalities in Montenegro and is conducted in independent public institutions or within educational centers, namely in primary schools.

Pre-school education covers children up to six years of age, namely until beginning the elementary school attendance. The number of enrolled children in pre-school institutions in this school year was 20,028 and is higher compared to the previous one by 1,076, compared to the school year 2015/2016 by 3,056, and compared to the school year 2014/2015 for as many as 4,115 enrolled children.

¹⁸ Monstat Data - Workforce Survey for the Second Quarter of 2017

In addition, the coverage of children by preschool education varies from a rather high (90%) in some municipalities in the southern region to very low in the northern region (27%). One of the reasons for the small coverage in the northern region is the great dispersion of the population, that is, the large distance between the children of the educational units. In cooperation with UNICEF, in all municipalities in the north, a two-year Preschool for All campaign was conducted, which reflected in the increase of enrolled children in these municipalities by 22% in 2016. In order to enable children from remote areas to access preschool education, interactive services were established in Andrijevica, Beranama, Bijelo Polje, Danilovgrad, Plav, Rožaje, Savnik, Plužine, Kolašin, Mojkovac, Pljevlja and Žabljak during 2015.

In order to overcome the problem of overcrowding of children in educational groups in certain municipalities, the realization of the project for the construction of seven new educational facilities has started, one of which has been completed. Funds amounting to €10.0 million have been provided for the realization of this project by the Development Bank of the Council of Europe (CEB).

In addition, the intensive work has been done to find and put into operation state-owned alternative spaces, as well as to increase the number of floors level of the existing educational institutions with the aim to reduce the number of children in educational groups. During the reporting period, 19 new educational units were opened.

In accordance with the measures and activities envisaged, a three-hour pre-school education program was created. Attending this program is free of charge, and its goal is to integrate vulnerable groups that have not been included in the day-care program of pre-school institutions. The three-hour program is realized in municipalities Andrijevica, Bar, Danilovgrad, Niksic, Pljevlja, Plužine and Podgorica and 494 children were covered in the school year 2017/2018.. In order to ensure the continuity of education, the Program of Transition from Kindergarten to Elementary School was adopted.

In accordance with the law, English language has begun to be studied in pre-school institutions for the three year olds. Also, in elementary school, English has become a compulsory subject from the first grade, while the second obligatory foreign language is being studying from the sixth grade. The number of pupils in the classroom is reduced so that now the classrooms of the first grade of elementary school can have up to 28 pupils and with the consent of the minister up to 30 students. Also, in line with the new General Part of Educational Program for Primary Education and Upbringing, adopted in July 2017, the weekly reductions of the number of classes has been envisaged, thus reducing the number of classes compared to the previous period by 10%. At the same time, in order to improve the quality of teaching, the weekly teacher's quota was reduced to 18 classes of direct work with students.

In inclusive education, the basis for working with children with special educational needs is the Individual Developmental Educational Program (IROP), which is conceived for each child. An Individual Transition Plan ITP1 has been developed that links primary and secondary education and professional orientation for the purpose of education continuity as well as ITP-2, enabling easier transition to the labor market and whose ultimate goal is to increase employment rates.

Amendments to the Children with Special Educational Needs Education Law have given new solutions also with regard to the engagement of teaching assistants in teaching children with special educational needs. The teaching assistant is no longer hired by the Montenegro Employment Agency through the public work project, but in line with the needs schools hire them for the school year as a technical support to children with special educational needs.

The Gifted Students Development and Support Strategy (2015-2019) was adopted, which represents an important contribution to the further development of the value system of the society as a whole, in a manner to clearly indicate the importance of highly capable, gifted and talented students, the value of learning, dedication and work. The Action Plan was adopted for the period 2017-2018. and activities have started aimed at recognizing gifted pupils in schools.

Activities aiming to improve students' achievements in PISA testing (analysis of results, drawing up a plan to improve students' achievement) are conducted through the improvement of the education quality and the acquisition of functional knowledge. In this sense, a Coordination Team for the Education Quality Improvement was formed.

The children of the RE population at risk of abandoning education are regularly monitored, measures are proposed to overcome the problem, families are visited and immediate contact with them is made (teachers, professional associates of city schools). Free textbooks are provided for RE students.

Having in mind significant results have been achieved in the previous period, but there is still a problem of overcrowding in some educational groups, in the next period the construction of new capacities will continue, working actively to improve the quality of education, which will also have a positive impact on the results of PISA testing.

Social protection. The adoption of the Law on Social and Child Welfare in 2013 had a positive impact on the realization of measures and activities in the field of social and child protection. The Institute for Social and Child Welfare was established and a social inspection was organized. Phases I and II of the Social Card - Information System were successfully completed. Standards in the field of services have been introduced as well as the licensing and accreditation procedure of the training program. In order to ensure better access to social and child protection rights for citizens, new centers for social work have been established, and some have been reorganized. Also, the number of users of material security benefit was reduced, with 14,737 families registered in July 2013, 11,059 in December 2015 and 8,218 families in September 2017.

Positive trends in the field of social and child protection have been significantly affected by the adoption of the Law on Amendments to the Law on Social and Child Welfare, which prescribes the right to compensation based on the birth of three or more children. Since the beginning of the application of this law (January 1, 2016) until December 2016, the right to compensation was realized by 21.597 women and the appropriated funds amounted to €54.021.220,17, more than the funds paid out for all other social and child protection rights amounting to €52,843,244,530. There was a negative impact on public finances and the labor market, with the growth of gray economy. Bearing in mind that this Law violated the principle of fairness and allowed discrimination in the distribution of social benefits, the Law on Amendments to the Social and Child Welfare Law was adopted in January 2017, reducing the remuneration for the birth of three or more children, and on this basis, for the first 6 months of 2017, savings of €7.643.031,71 were realized.

The Law on the Execution of the Decision of the Constitutional Court of Montenegro suspended the execution of a decision establishing the right to compensation on the basis of the birth of three or more children and the new Law on Amendments to the Law on Social and Child Welfare, which deleted the provisions on the right to compensation based on the birth of three or more children, as well as the provisions relating to the right to benefit for children attending elementary or high school, provided that their parents do not receive social and material benefits on any grounds and are on the register of the Employment Agency as unemployed persons.

As part of the project Continuing the Reform of the Social and Child Welfare System - Social Inclusion Improvement, the Analysis of the Implementation of the Social and Child Welfare Strategy 2013-2017 was completed and a new Strategy for the Development of Social and child Welfare System was adopted for the period 2018- 2022 with the Action Plan for 2018.

Following the successful implementation of the Integrated Information System for Social Welfare (IISSS) - Phase I, Phase II for the period 2015-2017 was successfully implemented. The total value of the Project is €1.2m, out of which €1.080.000,00 (90%) is appropriated from the budget and €120.000,00 (10%) from the United Nations Development Program (UNDP). With the realization of the Integrated Social Welfare Information System - the Social Card project has significantly improved the efficiency and effectiveness of the administration as well as the provision of services in the social and child protection field.

In order to improve the protection of children with disabilities, day care centers for children and young people with obstacles and difficulties in development were opened in Bijelo Polje, Niksic, Pljevlja, Rožaje, Mojkovac, Berane, Plav, Cetinje, Herceg Novi, Ulcinj and Podgorica. The day care for the elderly is open in the Mojkovac municipality, three day care places for the elderly and a support flat are opened in the Niksic municipality; two day care centers for the elderly and a support flat are open in the Danilovgrad municipality; the Small Group Community for children with disabilities in Bijelo Polje was opened and organized within the framework of the JU Daily Center "Tisa".

Through the project Continuation of the Social Welfare System Reform the following services were supported in 2017: the functioning of the day care network for the elderly; the establishment and operation of the Homeless Shelter in the Capital Podgorica; establishment and operation of Old People shelter within Home for Elderly Grabovac, Risan; Day Care Center for Children with Behavioral Problems within the JU Center Ljubovic, and services Family Associate, Home Help for the Elderly" and National SOS Telephone Line for Victims of Domestic Violence were also supported.

Through the Montenegrin Regional Housing Program, the provision of funds has been envisaged to house 6,063 people (1,177 households) from the most vulnerable categories (persons located in informal collective centers and vulnerable persons in private accommodation, with a special emphasis on Kamp Konik) . The project is being implemented in more than 13 Montenegrin municipalities. The total value of the project is €27.696 million out of which €4.154m, or 15%, is contributed by the state. Implementation of the Regional Housing Program is carried out with the anticipated dynamics. During the reporting period, the following activities were realized: Sub-project MNE1 Construction of 62 Residential Units in Niksic; Sub-project MNE2 Construction of 171 Housing Units for the Konik Kamp in Podgorica; Sub-project MNE 3 Construction of the Home for the Elderly in Pljevlja. By implementing the Regional Housing Program, a chapter of displacement on the territory of the former Yugoslav republics will be closed. In the previous period, a total of €10,669,885.71 was realized, out of which the contribution from the budget of Montenegro amounted to €2,676,210.82.

Healthcare. The primary healthcare policy goal is to provide accessible and comprehensive health care, starting from the fact that health of the population is of general social interest and the most important resource for development.

The Healthcare Policy Strategy is aimed at raising the quality of population health by adjusting and improving the healthcare system activities, all in accordance with financial capabilities. Healthcare policy, as a general one, defines the goals: prolonging life term, improving quality of life in relation to health, reducing health differences, insurance against financial risk.

In this field, measures/activities aimed at providing comprehensive, accessible, safe, quality and timely healthcare were realized in the previous period.

1. Adoption and Implementation of Strategies and National Programs

The Healthcare Development Plan is the umbrella document in the healthcare system, which enables setting up strategic goals and priorities in conducting healthcare policy through the operational looking at the system 's condition and in line with recommendations at national and international level. In this regard, the Montenegro Healthcare Development Master Plan was adopted, defining the basic goals and directions of development of the healthcare system in the period 2015-2020. In addition, the following strategic documents were also adopted:

- National Strategic Response to HIV / AIDS in Montenegro 2015-2020;
- Strategy for the Advancement of Work Medicine in Montenegro 2015-2020. with Action Implementation Plan;
- Action Plan for Nutrition 2015-2016;
- Action Plan for 2015-2016 for the Implementation of the National Strategy for the Prevention of Harmful Use of Alcohol and Alcohol Caused Syndromes in Montenegro 2013-2020;
- Action Plan for the Improvement of Mental Health in Montenegro 2015-2016;
- Action Plan for the Implementation of the Strategy for the Optimization of the Secondary and Tertiary Levels of Health Care in the period 2015-2016;
- Action Plan of the Strategy for the Prevention and Control of Chronic Non-Contagious Disease for the period 2017 - 2018;
- National Health Care Strategy for People with Diabetes 2017-2022;
- Framework Action Plan for the National Strategy for Health Care of Persons with Diabetes 2012-2016;
- National Strategy for Bacteria Antibiotic Resistance Control 2017-2020;
- The Framework Action Plan of the National Strategy for Bacteria Antibiotic Resistance Control for the period 2017 to 2018;
- Action Plan for National Strategy to Improve Quality of Health Care and Patients Safety 2018-2020;
- Action Plan for Nutrition 2017 - 2018;
- Action Plan for Mental Health Improvement in Montenegro 2017-2018;
- Action Plan for Rare Diseases 2017 - 2020.

2. Institutional Reforms

By following the basic postulates of the healthcare system (quality, equality, availability, universal health care, protection against financial risk), a set of laws regulating this area has been adopted (Health Care Law, Health Insurance Act, Law on Amendments to the Law on Restricting Use of Tobacco Products; the Law on Procuring and Transplantation of Human Organs for the Purpose of Treatment).

By adopting a series of rulebooks, normative preconditions have been created for the better functioning of institutions and subjects of the healthcare system, ensuring equal rights in the use of health care, the creation of optimal working conditions and an appropriate quality control system in health care.

In addition, expert protocols, guides and guidelines for good clinical practice have been adopted, the application of which, through the definition of procedures, will provide quality control criteria and raise the level of standards in the quality of healthcare provision in the fields which they regulate and relate to (Regular Analysis Guide in Monitoring Drugs Prescription; Protocols of Obligations and Skills Needed to Work in the Team of Chosen Doctors for Adults; Guide to Counseling with Family of Newborn with Disabilities in Health Care Institutions; Good Drugs Manufacturing Practice Guidelines; National Guidelines for Good

Clinical Practice for Laboratory Diagnostics in Clinical Bacteriology; Guide to the Diagnosis and Treatment of Acute Uncomplicated Urinary Infections in Adult Patients in Primary Health Care and National Guidelines for Good Clinical Practice for Depression).

3. Changing economic relations in healthcare

In order to have an objective view of the actual costs of the health system operations, a comprehensive analysis of the financing of the healthcare system in Montenegro was carried out in June 2015, which showed that the level of realized expenditures, each year individually, was significantly higher than the projected budgeted funds. The financial models used in solving the problems in the system have shown that, in addition to all existing sources of funding, the system as such has not become more functional, financially disburdened, nor has it resulted in increased quality of service, but has produced new, unresolved obligations and has shown uneven burdens and pauses in business processes, meaning it was insufficiently controlled and regulated system. The consequence of this manner of business is the financial unsustainability of the system, while the quality of healthcare has become increasingly lower.

In order to solve the problem of continuous increase of unpaid obligations, the document Structural Reforms in the Healthcare System with the Action Plan for their Realization 2015-2017 was prepared, which encompasses priority areas for intervention and identifies segments in the healthcare system where significant savings can be achieved.

Table 1			Realized (2015 - 2017)						Remaining to be realized
			Total Realized	Sources of Funds					
Development trends, policy fields and measures /projects	Realization Period	Value of Measure/Project		The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	
TOTAL		3,205,722,435.38	2,184,883,984.17	245,238,633.49	31,797,990.08	457,659,340.44	23,855,752.67	1,426,332,267.49	469,522,702.08
SMART GROWTH		1,311,553,918.59	1,250,666,141.84	75,842,821.30	2,536,232.10	9,349,427.00	156,811.00	1,162,780,850.44	60,887,776.75
SME		422,922,101.81	406,297,773.19	1,176,160.85	1,074,001.00	0.00	51,600.00	403,996,011.34	16,624,328.62
1. Strengthening the financial support for the SME sector	2015 - 2017	419,176,663.00	403,486,883.00					403,486,883.00	15,689,780.00
2. Strengthening of the competition and SME promotion	2015 - 2017	3,392,068.81	2,566,037.19	982,907.85	1,074,001.00			509,128.34	826,031.62
3. Support to business beginners - start up	2015 - 2017	353,370.00	244,853.00	193,253.00			51,600.00		108,517.00
MANUFACTURING INDUSTRY		16,668,781.92	668,781.92	103,942.82	0	0	0	564,839.10	16,000,000.00
1. Program support for modernization of the Manufacturing	2016 - 2017	655,906.92	655,906.92	91,067.82				564,839.10	
2. Program for innovativeness improvement	2016 - 2017	12,875.00	12,875.00	12,875.00					
3. Investing in Toščelik NK and Uniprom KAP Podgorica production capacities	2015-2017	16,000,000.00	0.00						16,000,000.00
COMPETITION		3,168,666.65	1,781,251.65	1,731,251.65	0.00	0.00	50,000.00	0.00	1,387,415.00
1. Incentives program for clusters development in Montenegro 2012-2016/ 2017-2020	2012 - 2017 - 2020	200,000.00	131,548.00	131,548.00					68,452.00

Table 1			Realized (2015 - 2017)						
			Sources of Funds						
Development trends, policy fields and measures /projects	Realization Period	Value of Measure/ Project	Total Realized	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	Remaining to be realized
2. The Program to increase regional and local competition through adjusting to international business standards	2014 - 2016 2017 - 2020	270,000.00	201,037.00	201,037.00					68,963.00
3. Strengthening of Competition and employment rate, Decree on Direct Investment Incentives	2015-2018	2,468,666.65	1,218,666.65	1,218,666.65					1,250,000.00
The Program of Business Zones Development	2014 - 2017	230,000.00	230,000.00	180,000.00			50,000.00		
SCIENCE		9,697,872.00	9,697,872.00	3,098,445.00	0.00	6,599,427.00	0.00	0.00	0.00
1. National Programs Realization (2015 - 2018)	Continuously	950,000.00	950,000.00	950,000.00					
2. The Realization of the Project Higher Education and Research for Innovation and Competition (INVO)": Establishing the First Centre for Excellence in Montenegro and awarding big grants for sub-projects of research and development (2012 - 2017)	2015 - 2017	5,960,000.00	5,960,000.00			5,960,000.00			
3. The Increase of the number of researchers and the quality of the work on the scientific research, through adequate incentives program and promotion of the science in the society program and support to young researchers through the National Scholarships for Excellence Program	2015 -2018	534,427.00	534,427.00			534,427.00			

Table 1			Realized (2015 - 2017)						
			Sources of Funds						
Development trends, policy fields and measures /projects	Realization Period	Value of Measure/Project	Total Realized	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	Remaining to be realized
4.Establishments of Science and Technology Park and Centers for Innovation and Entrepreneurship	2015 - 2018	1,988,253.00	1,988,253.00	1,883,253.00		105,000.00			
5. Participation in the market oriented EUREKA projects	2015 - 2017	65,192.00	65,192.00	65,192.00					
6. Introducing new instrument for innovation incentives	2016 - 2018	200,000.00	200,000.00	200,000.00					
HIGHER EDUCATION		53,509,715.50	36,657,248.50	32,758,807.50	1,148,441.00	2,750,000.00	0.00	0.00	16,852,467.00
1. Enrollment policy adjusted to the market requirements (higher education)	2015 - 2017	25,459,467.00	25,459,467.00	24,059,467.00		1,400,000.00			
2. Qualifications developed in line with the market needs (professional education)	2015 - 2017	1,549,001.00	1,549,001.00	400,560.00	1,148,441.00				

Table 1			Realized (2015 - 2017)						Remaining to be realized
			Sources of Funds						
Development trends, policy fields and measures /projects	Realization Period	Value of Measure/ Project	Total Realized	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	Remaining to be realized
3. Increased enrolment of students in the deficient programs (professional education)	2017	151,247.50	151,247.50	151,247.50					
4. Students dorms renovation	2015 - 2017	1,350,000.00	1,350,000.00			1,350,000.00			
5. Construction of the Art Academy in Cetinje	2015 - 2017	20,500,000.00	7,122,533.00	7,122,533.00					13,377,467.00
6. Construction of the High School in Golubovci	2015 - 2017	4,500,000.00	1,025,000.00	1,025,000.00					3,475,000.00
ICT		965,000.00	865,000.00	645,000.00	0.00	0.00	0.00	220,000.00	100,000.00
1. Further fast development of the broadband Internet access sector and of information and communications technology sector The Law on electronic communication	2013-		0.00						

Table 1			Realized (2015 - 2017)						Remaining to be realized
			Sources of Funds						
Development trends, policy fields and measures /projects	Realization Period	Value of Measure/ Project	Total Realized	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	Remaining to be realized
2.Digitalization Support to the digitalization of the public broadcasting system of Montenegro	2009 - 2015	45,000.00	45,000.00	45,000.00					
3. Internet exchange points Establishing of the national Internet traffic exchange point (IXP)	2014	20,000.00	20,000.00					20,000.00	
4.Lowering the prices of telecommunication roaming services Roaming Agreement	2014 -		0.00						
5.Stimulating end users, people and companies to use available devices and services of information and communication technologies in everyday life and business	Continuously	900,000.00	800,000.00	600,000.00				200,000.00	100,000.00
TOURISM		786,675,546.80	786,675,546.80	28,675,546.80	0.00	0.00	0.00	758,000,000.00	0.00

Table 1			Realized (2015 - 2017)						Remaining to be realized
			Sources of Funds						
Development trends, policy fields and measures /projects	Realization Period	Value of Measure/ Project	Total Realized	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	
1. measure – tax and other reliefs, subsidies etc. for the new investments/improvement of the quality of accommodation capacities	2016-2017	100,000.00	100,000.00	100,000.00					
2. Building of tourism infrastructure (hotels etc.)	2015 - 2017	758,000,000.00	758,000,000.00					758,000,000.00	
3. Improvement of tourism product quality	2015 - 2017	25,054,437.96	25,054,437.96	25,054,437.96					
4. The tourism product promotion 2015 – 2017	2015 - 2017	3,521,108.84	3,521,108.84	3,521,108.84					
CULTURAL TOURISM		17,946,233.91	8,022,667.78	7,653,666.68	313,790.10	0.00	55,211.00	0.00	9,923,566.13
1. Implementation of annual programs of protection and preservation of the cultural goods	2015-2017	3,189,705.00	3,189,705.00	3,189,705.00					

Table 1			Realized (2015 - 2017)						Remaining to be realized
			Sources of Funds						
Development trends, policy fields and measures /projects	Realization Period	Value of Measure/ Project	Total Realized	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	Remaining to be realized
2.Preparation of the nomination files for entering the UNESCO World Heritage List for places from the Tentative List of Montenegro (Duklja, Venetian forts in Herceg Novi and Ulcinj)		250,000.00	250,000.00	250,000.00					
3.Protection and preservation of the cultural goods			0.00						
4.Restoration of the Besac Fortification	2013-2017	313,790.10	313,790.10		313,790.10				
5.The former Russian embassy building in Cetinje	2012-2017	2,323,023.55	2,323,023.55	2,323,023.55					
6.National Library Đurđe Crnojević in Cetinje	2015-2018	476,500.00	75,797.81	75,797.81					400,702.19
7. Strazica Monument in Pljevlja	2016	99,997.61	99,997.61	99,997.61					
8.Prison Building in Kotor	2015-2020	1,500,000.00	29,097.88	29,097.88					1,470,902.12

Table 1			Realized (2015 - 2017)						Remaining to be realized
			Sources of Funds						
Development trends, policy fields and measures /projects	Realization Period	Value of Measure/ Project	Total Realized	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	Remaining to be realized
9.Restoration of the memorial sign to the fallen NOR fighters in Zabljak	2016-2017	105,552.55	105,552.55	105,552.55					
10. Zetski dom building in Cetinje	2017-2020	3,772,101.39	22,101.39	22,101.39					3,750,000.00
11.Restauration of Ivan Crnojevic's Mill	2016-2017	130,211.00	130,211.00	75,000.00			55,211.00		
12.Reconstruction and construction of the cultural buildings	2015-2016		0.00						
13.The Musical Centre and the Montenegrin Cinematheque	2015-2019	5,200,000.00	898,038.18	898,038.18					4,301,961.82
14.Cultural Centre in Pljevlja	2010-2016	585,352.71	585,352.71	585,352.71					
SUSTAINABLE GROWTH		1,841,204,514.60	904,085,381.43	149,970,288.68	27,333,059.53	447,085,359.39	16,205,256.78	263,491,417.05	385,803,384.04
AGRICULTURE AND RURAL DEVELOPEMNET	2015-2018	92,637,529.62	51,472,882.39	35,520,174.06	7,157,708.33	7,173,000.00	1,622,000.00		41,164,647.23

Table 1			Realized (2015 - 2017)						
Development trends, policy fields and measures /projects	Realization Period	Value of Measure/ Project	Total Realized	Sources of Funds					Remaining to be realized
				The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	
1. strengthening of competition and sustainability of the agricultural sector through the investments in primary agricultural production, processing and marketing of agricultural products	2015-2018	65,299,542.00	34,838,743.00	24,041,034.67	7,157,708.33	2,540,000.00	1,100,000.00		30,460,799.00
2. sustainable developments of rural areas through improvement and development of rural infrastructure, as well as diversification of economic activities in rural areas	2015-2018	3,077,000.00	2,066,255.29	2,066,255.29					1,010,744.71
3. rehabilitation, preservation and strengthening of the ecosystem through the implementation of agro –ecological measures	2015-2018	1,959,039.00	1,402,166.20	1,402,166.20					556,872.80

Table 1			Realized (2015 - 2017)						
Development trends, policy fields and measures /projects	Realization Period	Value of Measure/ Project	Total Realized	Sources of Funds					Remaining to be realized
				The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	
4. transfer of knowledge and innovations into agriculture through investments in education, research and analytical work	2015-2018	22,301,948.62	13,165,717.90	8,010,717.90		4,633,000.00	522,000.00		9,136,230.72FORESTRY
FORESTRY		14,315,000.00	12,988,808.80	2,403,808.80	340,000.00			10,245,000.00	1,326,191.20
1. Ensuring and improving long term resistance and productivity of forests	2015-2018	2,850,000.00	2,333,808.80	2,333,808.80					516,191.20
2. Sustainable management of the forests resources	2015-2018	120,000.00	20,000.00	20,000.00					100,000.00
3. Wood manufacturing development based on the natural potentials of Montenegro	2015-2018	10,245,000.00	10,245,000.00					10,245,000.00	
4.The advisory services for forests managements established	2015-2018	0.00	0.00						
5. Implementing incentives measures in forestry and wood industry	2015-2018	500,000.00	0.00						500,000.00

Table 1			Realized (2015 - 2017)						
			Sources of Funds						
Development trends, policy fields and measures /projects	Realization Period	Value of Measure/ Project	Total Realized	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	Remaining to be realized
6. Establishing the information system of forestry	2015-2018	600,000.00	390,000.00	50,000.00	340,000.00				210,000.00
ENERGY		467,539,314.05	274,990,048.28	55,000.00	0.00	43,429,111.18	7,440,000.00	224,065,937.10	202,549,265.77
1. Construction of a small hydropower plant SHP at the watercourse Crnja (Kolašin municipality)	2008-2016	10.000.000,00	604,600.00					604,600.00	9,395,400.00
2. Construction of a SHP at the watercourse Bistrica (Berane municipality)	2008-2018	16,575,812.05	5,850,000.00					5,850,000.00	10,725,812.05
3. Construction of a SHP at the watercourse Trepča Rijeka (Andrijevica)	2010-2016	12,000,000.00	1,401,200.00					1,401,200.00	10,598,800.00
4. Construction of a SHP at the watercourse Šekularska (Berane municipality)	2010-2016	9,500,000.00	9,500,000.00					9,500,000.00	0.00
14. Construction of a SHP at the watercourse Kaludarska	2014-2018	2,700,000.00	1,206,000.00					1,206,000.00	1,494,000.00

(Berane municipality)									
Construction of a SHP at the watercourse Ljeviška rijeka – Morača spring (Kolašin municipality)	2012-2018	1,050,000.00	499,500.00					499,500.00	550,500.00
Table 1			Realized (2015 - 2017)						
			Sources of Funds						
Development trends, policy fields and measures /projects	Realization Period	Value of Measure/ Project	Total Realized	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	Remaining to be realized
14. Construction of SHP at the watercourse Raštak 2 (Kolašin municipality)	2014-2019	1,070,000.00	1,200.00					1,200.00	1,068,800.00
15. Construction of SHP at the watercourse Piševska (Andrijevica municipality)	2014-2017	1,480,000.00	1,480,000.00					1,480,000.00	0.00
16. Construction of SHP at the watercourse Bradavec (Andrijevica municipality)	2013-2015	1,610,000.00	800,000.00					800,000.00	810,000.00
17. Construction of SHP at the watercourse Reževića rijeka (Budva municipality)	2014-2018	1,077,342.00	920,000.00					920,000.00	157,342.00
18. Construction of wind power plant in Možura (Ulcinj and Bar municipalities)	2010-2018	87,000,000.00	35,000,000.00					35,000,000.00	52,000,000.00
19. Construction of wind power plant Krnovo (Šavnik, Plužine and Nikšić)	2010-2017	142,375,000.00	142,375,000.00					142,375,000.00	0.00

municipalities)									
20.MEEP – Montenegro Energy Efficiency Project	2014-2017	5,000,000.00	4,400,000.00			4,400,000.00			600,000.00
21. SS Lastva and TL Lastva-Čevo-Pljevlja- Serbian border	2011-2024	115,200,000.00	45,197,647.53			39,029,111.18		6,168,536.35	70,002,352.47
Table 1			Realized (2015 - 2017)						
			Sources of Funds						
Development trends, policy fields and measures /projects	Realization Period	Value of Measure/ Project	Total Realized	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	Remaining to be realized
22.EEPPB - Energy Efficiency Program for Public Buildings	2015-2020	22,743,000.00	8,180,000.00				7,200,000.00	980000	14,563,000.00
23. MONTESOL									
24. Energy Wood I	2015-2017	240,000.00	240,000.00				240000		
25. Energy Wood II	2017-2018	85,000.00	0.00						85,000.00
26. Solar summer pastures	2017	55,000.00	55,000.00	55,000.00					
ENVIRONMENT		214,167,900.21	74,652,551.21	1548098.72	7,964,308.70	55174188.06	7143256.78	2822698.95	139,515,349.00

1. Nature and biodiversity – establishing Natura 2000 network of protected areas of identification, establishing and competition of functional network of NATURA 2000 protected areas	Project financed from IPA2012 has started on April 26, 2016 and will last for 3 years	2,350,000.00	940,000.00		940,000.00				1,410,000.00
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Table 1			Realized (2015 - 2017)						Remaining to be realized
			Sources of Funds						
Development trends, policy fields and measures /projects	Realization Period	Value of Measure/ Project	Total Realized	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	Remaining to be realized
2. Safe management of chemicals. Remediation of contaminated locations PCB (the measure from the National plan for Stockholm Convention implementation)	2017 - 2021	19,947,836.00	128,567.00				128,567.00		19,819,269.00
3. Preparation for ratification and implementation of Minamata Convention on Mercury – Initial Assessment for Montenegro'	2016 - 2018	171,423.60	115,862.00				115,862.00		55,561.60

<p>4. Climate change – Development of strategic framework in the climate change field. Preparation and adoption of the National Climate Change Strategy</p>	<p>2015</p>	<p>200,000.00</p>	<p>200,000.00</p>		<p>200,000.00</p>			<p>0.00</p>	
<p>5. Climate change – Development of strategic framework in the climate changes field. Prepare Law-carbon Development strategy and the National Plan of Adapting to Climate Change</p>	<p>2017 - 2021</p>		<p>0.00</p>					<p>0.00</p>	

Table 1			Realized (2015 - 2017)						Remaining to be realized
			Sources of Funds						
Development trends, policy fields and measures /projects	Realization Period	Value of Measure/ Project	Total Realized	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	
6. Climate change – Development of strategic framework in the climate changes field. Prepare biannual updated report containing inventory of green house gasses for 2013 using the latest methodology (IPCC 2006)	2014 - 2016	301,705.50	301,705.50				301,705.50		0.00
7. Climate change – Development of strategic framework in the climate changes field. Second National Communication on climate change.	2015	428,559.00	428,559.00				428,559.00		0.00
8. Industrial pollution Rehabilitation and recultivation of locations contaminated with dangerous industrial waste. Implement the project Industrial waste Management and Cleaning		50,000,000.00	419,874.31			419,874.31			49,580,125.69
9. Air quality Extending and improving the national network for monitoring air quality and of the laboratory for air quality testing (SHMZ) complying with the EU standards	2016 - 2018	1,100,000.00	0.00						1,100,000.00

Table 1			Realized (2015 - 2017)						Remaining to be realized
			Sources of Funds						
Development trends, policy fields and measures /projects	Realization Period	Value of Measure/ Project	Total Realized	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	Remaining to be realized
10. Air quality Reconstruction of boiler plants, securing the new heating sources, drafting the new design documentation for the new boiler plant replacing the boiler plant in Skerlic Street in Pljevlja	2015 - 2020	5,105,000.00	500,000.00	500,000.00					4,605,000.00
11. Waste water management and water supply – Protection of water resources of Montenegro through the improvement of water supply and the integrated system of wastewater management Construction of the wastewater purification plant (WWPP) and of the sewage network in Nikšić municipality	2009-	16,500,000.00	2,400,000.00			2,200,000.00		200,000.00	14,100,000.00
12. Waste water management and water supply – Protection of water resources of Montenegro through the improvement of water supply and the integrated system of wastewater management Construction of the wastewater purification plant (WWPP) in Herceg Novi	Jun 2012 until present	8,888,653.94	8,333,708.09			6,304,000.00	1,349,928.28	679,779.81	554,945.85

Table 1			Realized (2015 - 2017)						Remaining to be realized
			Sources of Funds						
Development trends, policy fields and measures /projects	Realization Period	Value of Measure/ Project	Total Realized	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	Remaining to be realized
13. Waste water management and water supply – Protection of water resources of Montenegro through the improvement of water supply and the integrated system of wastewater management Construction of the water supply and sewage networks in Herceg Novi (35.3 km, 13 PSs and 1 underwater outlet)	August 2012 until present	18,522,140.36	16,162,723.41			12,684,383.07	3,078,750.00	399,590.34	2,359,416.95
14. Waste water management and water supply – Protection of water resources of Montenegro through the improvement of water supply and the integrated system of wastewater management Construction of individual segments of sewage infrastructure in the territory of the Tivat municipality	2011 - 2016	9,491,454.00	7,077,994.37			5,378,915.57	155,750.00	1,543,328.80	2,413,459.63
15. Waste water management and water supply – Protection of water resources of Montenegro through the improvement of water supply and the integrated system of wastewater management Construction of water supply networks in city municipalities Tuzi and Zeta	2013 - 2016	4,190,000.00	4,190,000.00			4,190,000.00			0.00

Table 1			Realized (2015 - 2017)						
			Sources of Funds						
Development trends, policy fields and measures /projects	Realization Period	Value of Measure/ Project	Total Realized	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	Remaining to be realized
16. Waste water management and water supply – Protection of water resources of Montenegro through the improvement of water supply and the integrated system of wastewater management Construction of water supply network in the Old Capital Cetinje	2014 - 2021	7,119,539.00	983,466.00			983,466.00			6,136,073.00
17. Waste water management and water supply – Protection of water resources of Montenegro through the improvement of water supply and the integrated system of wastewater management Construction of wastewater purification plant for Kotor and Tivat municipalities	January 2015 - June 2016	10,247,469.00	9,981,962.50			9,981,962.50			265,506.50
18. Waste water management and water supply – Protection of water resources of Montenegro through the improvement of water supply and the integrated system of wastewater management Construction of wastewater purification plant and sewage network in Savnik municipality									
19. Waste water management and water supply – Protection of water resources of Montenegro through the improvement of water supply and the integrated system of wastewater management Construction of wastewater purification plant and sewage network segments in Pljevlja	2014 - 2021	6,500,200.00	2,516,530.11			2,133,850.11	382,680.00		3,983,669.89

Table 1			Realized (2015 - 2017)						Remaining to be realized
			Development trends, policy fields and measures /projects	Realization Period	Value of Measure/ Project	Total Realized	The Budget of Montenegro	Sources of Funds	
EU Funds	Loans	Donations						Other Funds	
20. Waste water management and water supply – Protection of water resources of Montenegro through the improvement of water supply and the integrated system of wastewater management Construction of water supply network in Andrijevica	2016 - 2017	519,000.00	407,076.00			47,076.00	360,000.00		111,924.00
21. Waste water management and water supply – Protection of water resources of Montenegro through the improvement of water supply and the integrated system of wastewater management Construction of wastewater purification plant and sewage infrastructure segments in the territory of Bar municipality	2016 - 2018	8,433,055.74	4,438,931.49			4,283,181.49	155,750.00		3,994,124.25
22. Waste water management and water supply – Protection of water resources of Montenegro through the improvement of water supply and the integrated system of wastewater management Construction of wastewater purification plant and sewage network segments in Bijelo Polje municipality	2015 - 2021	9,498,633.00	1,149,530.00		1,057,819.00	91,711.00			8,349,103.00
23. Waste water management and water supply – Protection of water resources of Montenegro through the improvement of water supply and the integrated system of wastewater management Construction of wastewater purification plant and sewage network segments in Berane municipality	2016 - 2020	12,494,964.77	2,681,644.03	780,748.66	1,900,895.37				9,813,320.74

Table 1			Realized (2015 - 2017)						Remaining to be realized
			Sources of Funds						
Development trends, policy fields and measures /projects	Realization Period	Value of Measure/ Project	Total Realized	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	
24. Waste water management and water supply – Protection of water resources of Montenegro through the improvement of water supply and the integrated system of wastewater management Construction of wastewater purification plant and individual sewage infrastructure segments in the territory of Cetinje municipality		9,805,807.00	3,641,916.00		2,733,111.00	223,100.00	685,705.00		6,163,891.00
25. Waste water management and water supply – Protection of water resources of Montenegro through the improvement of water supply and the integrated system of wastewater management Construction of wastewater purification plant and water supply and sewage networks segments and installation of SCADA system in Danilovgrad municipality		5,350,000.00	5,350,000.00			5,350,000.00			0.00
27. Waste management – Develop infrastructure for managing waste in order to decrease environment impact Rehabilitation of uncontrolled dumpsite "Čafe" in Bar	2015 - 2019	3,817,896.00	1,306,673.39	253,376.06	1,053,297.33				2,511,222.61
28. Waste management – Develop infrastructure for managing waste in order to decrease environment impact Rehabilitation of uncontrolled dumpsite "Vrtijeljka" in Cetinje	2016 - 2020	1,727,735.50	93,160.00	13,974.00	79,186.00				1,634,575.50

Table 1			Realized (2015 - 2017)						Remaining to be realized
			Sources of Funds						
Development trends, policy fields and measures /projects	Realization Period	Value of Measure/ Project	Total Realized	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	
29. Waste management – Develop infrastructure for managing waste in order to decrease environment impact Construction of drained water treatment system at the dumpsite "Livade" in Podgorica	2013 - 2020	1,456,827.80	902,668.01			902,668.01			554,159.79
TRANSPORT		1,049,704,561.72	488,388,812.59	108,870,928.94	11,871,042.50	341,289,060.15	0.00	26,357,781.00	
1. Activities on realizations of projects of construction of the two motorways: Bar-Boljare and Adriatic- Ionian motorway									561,315,749.13
1.1. Motorway Bar-Boljare (Smokovac-Uvač-Mateševo section)	2015-2019	809,577,356.14	345,310,000.00	51,800,000.00		293,510,000.00			464,290,000.00
2. Express Road along the Montenegrin seaside – seaside version of the Adriatic - Ionian corridor		3,500,000.00	3,500,000.00		3,500,000.00				0.00
3. Rehabilitation of 250 km of state roads		107,120,000.00	72,020,000.00	56,440,000.00		15,580,000.00			35,100,000.00
4. Continuation of reconstruction and modernization works on railway Bar-Vrbnica		36,918,808.08	20,027,693.54	630,872.50	8,071,162.50	11,325,658.54			16,891,114.54
5. Modernization of Port of Bar and revitalization/expanding of merchant fleet		29,157,781.00	26,357,781.00					26,357,781.00	2,800,000.00
6. Modernization of airports in Podgorica and Tivat			0.00						0.00
7. IPA funds		299,880.00	299,880.00		299,880.00				0.00
CONSTRUCTION		1,090,665.00	272,734.16	272,734.16					817,930.84
1. Adopted eurocodes, as national standards for construction calculations	2015 - 2018	990,665.00	252,173.00	252,173.00					738,492.00
2. Adopted national rules for construction products, in accordance with EU legislation	2015-2018	100,000.00	20,561.16	20,561.16					79,438.84
HAUSING		1,749,544.00	1,319,544.00	1,299,544.00	0.00	20,000.00	0.00	0.00	430,000.00

Table 1			Realized (2015 - 2017)						Remaining to be realized
			Sources of Funds						
Development trends, policy fields and measures /projects	Realization Period	Value of Measure/ Project	Total Realized	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	Remaining to be realized
1.Integration of illegally built facilities into formal housing sector	2015-2018	430,000.00	0.00						430,000.00
2.Defining standards of human housing and ensuring non-discriminatory access to affordable and safe housing	2015-2018	1,299,544.00	1,299,544.00	1,299,544.00					0.00
3.Improvement, management, allocation and maintenance of the existing housing fund	2015-2018	10,000.00	10,000.00			10,000.00			0.00
4. Realization of the program of social housing, mainly for renting, including also the construction of flats for vulnerable target groups (pensioners, persons with disabilities etc.)	2015 - 2018	10,000.00	10,000.00			10,000.00			0.00
INCLUSIVE GROWTH		52,964,002.19	30,132,460.90	19,425,523.51	1,928,698.45	1,224,554.05	7,493,684.89	60,000.00	22,831,541.29
LABOR MARKET		16,773,011.14	16,773,011.14	14,844,312.69	1,928,698.45				0.00
1.Realization of measures of active employment policy	continuously	7,895,241.54	7,895,241.54	7,895,241.54					0.00
2. Realization of measures of the professional rehabilitation and employment of persons with disability	continuously	6,608,712.60	6,608,712.60	6,608,712.60					0.00
3. Realization of the project Efficient and Inclusive Measures of the Active Employment Policy of the Operational Program of Human Recourses Development 2012-2013	2015-2017	2,269,057.00	2,269,057.00	340,358.55	1,928,698.45				0.00
EDUCATION		2,109,554.05	2,109,554.05	825,000.00		1,224,554.05	0.00	60,000.00	0.00

Table 1			Realized (2015 - 2017)						Remaining to be realized
			Sources of Funds						
Development trends, policy fields and measures /projects	Realization Period	Value of Measure /Project	Total Realized	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	
1.Increased number of children in the pre-schooling institutions (construction of the Zagorič, Podgorica kindergardens and reconstructions of facilities for the needs of JPU "Đina Vrbica", Podgorica)	2015 - 2017	1,284,554.05	1,284,554.05			1,224,554.05		60,000.00	0.00
2.Construction of the new objects in Guke settlement, Pljevlja	2015 - 2017	825,000.00	825,000.00	825,000.00					0.00
SPORT			0.00						0.00
SOCIAL SECURITY		28,896,000.00	11,249,895.71	3,756,210.82			7,493,684.89		17,646,104.29
1. Stage II "Information system - Social card"		1,200,000.00	1,200,000.00	1,080,000.00			120,000.00		0.00
2. Realization of the Regional Housing Program for Montenegro		27,696,000.00	10,049,895.71	2,676,210.82			7,373,684.89		17,646,104.29
HEALTHCARE		5,185,437.00	0.00						5,185,437.00
1. Adopting and implementation of strategies and national programs; 2. Institutional reforms; 3. Change of the economic relations in the healthcare system	2015 - 2018	5,185,437.00	0.00						5,185,437.00

				Funds from public sources 2018 - 2021						
Development trends, policy fields and measures /projects	Time framework	Total value measures/ projects	Funds needed in the period of 2018 - 2021	Total	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	Missing funds in the period 2018 - 2021
TOTAL:		4,004,153,986.50	3,458,313,833.16	3,187,424,957.27	420,328,159.29	61,165,174.57	801,023,877.11	53,024,895.51	1,851,882,850.79	270,888,877.00
SMART GROWTH		1,767,468,468.38	1,759,270,935.38	1,730,734,935.38	122,679,417.00	1,740,041.00	578,477.38	0.00	1,605,737,000.00	28,536,000.00
BUSINESS ENVIRONMENT				0.00						
SME		561,029,649.00	561,029,649.00	561,029,649.00	889,608.00	140,041.00	0.00	0.00	560,000,000.00	
1. Strengthening the financial support for the SME sector	2018 - 2021	560,000,000.00	560,000,000.00	560,000,000.00					560,000,000.00	
2. Improvement of the entrepreneurship infrastructure and strengthening entrepreneurs' knowledge and skills	2018-2021	889,608.00	889,608.00	889,608.00	889,608.00					
3. Improvement of the SME competition	2018-2021	140,041.00	140,041.00	140,041.00		140,041.00				
MANUFACTURING		46,305,000.00	46,305,000.00	46,305,000.00	805,000.00	0.00	0.00	0.00	45,500,000.00	0.00

				Funds from public sources 2018 - 2021						
Development trends, policy fields and measures /projects	Time framework	Total value measures/projects	Funds needed in the period of 2018 - 2021	Total	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	Missing funds in the period 2018 - 2021
1. Manufacturing Modernization Support Program 2018 – 2020	2018 - 2021	3,350,000.00	3,350,000.00	3,350,000.00	550,000.00				2,800,000.00	
2. SMEs innovations Improvement Program 2018 – 2020	2018 - 2020	150,000.00	150,000.00	150,000.00	150,000.00					
3. Crafts Development Support Program	2019 - 2020	105,000.00	105,000.00	105,000.00	105,000.00					
4. Investing in Toščelik NK and Uniprom KAP Podgorica production capacities	2018-2020	42,700,000.00	42,700,000.00	42,700,000.00					42,700,000.00	
COMPETITON		6,420,000.00	6,420,000.00	6,420,000.00	6,420,000.00	0.00	0.00	0.00	0.00	0.00
1. Montenegro Clusters Development Incentives Program 2017 – 2020	2017 - 2020	550,000.00	550,000.00	550,000.00	550,000.00					

				Funds from public sources 2018 - 2021						
Development trends, policy fields and measures /projects	Time framework	Total value measures/projects	Funds needed in the period of 2018 - 2021	Total	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	Missing funds in the period 2018 - 2021
2. The program to increase regional and local competition through adjusting to international business standards	2017 2020 -	600,000.00	600,000.00	600,000.00	600,000.00					
3. The Business Zones Development Program	2018	120,000.00	120,000.00	120,000.00	120,000.00					
4. Strengthening of Competition and Employment Level	2018 2021 -	5,150,000.00	5,150,000.00	5,150,000.00	5,150,000.00					
SCIENCE		16,366,262.00	16,366,262.00	16,366,262.00	15,286,262.00	950,000.00	130,000.00	0.00	0.00	0.00
1. Program of support to employing graduate PHD and doctoral candidates	2019 - 2020	950,000.00	950,000.00	950,000.00		950,000.00				
2. Program for financing scientific and research projects	2018 - 2020	6,000,000.00	6,000,000.00	6,000,000.00	6,000,000.00					

Development trends, policy fields and measures /projects	Time framework	Total value measures/ projects	Funds needed in the period of 2018 - 2021	Total	Funds from public sources 2018 - 2021					Missing funds in the period 2018 - 2021
					The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	
3.Improvement in participation in international and EU program and collaborations within the renown scientific and research institutions	2018 - 2021	710,262.00	710,262.00	710,262.00	710,262.00					
4. Support for establishing the International Institute for Sustainable Technologies in the area of South Eastern Europe - conducting a study	2018 - 2021	100,000.00	100,000.00	100,000.00	100,000.00					
5.Establishments of Science and Technology Park	2018 - 2021	8,350,000.00	8,350,000.00	8,350,000.00	8,220,000.00		130,000.00			
6.Financial support for the research and innovation – EUREKA Projects	2018 - 2021	256,000.00	256,000.00	256,000.00	256,000.00					

				Funds from public sources 2018 - 2021						
Development trends, policy fields and measures /projects	Time framework	Total value measures/ projects	Funds needed in the period of 2018 - 2021	Total	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	Missing funds in the period 2018 - 2021
HIGHER EDUCATION		36,756,557.38	28,609,024.38	28,609,024.38	27,510,547.00	650,000.00	448,477.38	0.00	0.00	0.00
1 Further improvement of the mechanisms of securing quality and adjusting the enrollment policy to the market requirements (higher education)	2018 - 2021	9,170,477.38	9,170,477.38	9,170,477.38	8,942,000.00		228,477.38			
2. Development of qualifications in tune with the market needs (vocational education)	2018 - 2020	1,466,080.00	1,466,080.00	1,466,080.00	816,080.00	650,000.00				
3. Facilitated access to four faculties of the University of Montenegro for persons with disabilities	2018 - 2021	220,000.00	220,000.00	220,000.00			220,000.00			
4. Construction of the Art Academy in Cetinje	2018 -	20,500,000.00	13,377,467.00	13,377,467.00	13,377,467.00					

Development trends, policy fields and measures /projects	Time framework	Total value measures/ projects	Funds needed in the period of 2018 - 2021	Total	Funds from public sources 2018 - 2021					Missing funds in the period 2018 - 2021
					The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	
5. Construction of the High School in Golubovci	2018 - 2020	4,500,000.00	3,475,000.00	3,475,000.00	3,475,000.00					
6.Realization of practical education with the employer (vocational education)	2018 - 2020	900,000.00	900,000.00	900,000.00	900,000.00					
ICT		3,415,000.00	3,415,000.00	3,415,000.00	3,178,000.00	0.00	0.00	0.00	237,000.00	0.00
1.Drawing up Protocol IPv6a Migration Plan	2018-	25,000.00	25,000.00	25,000.00					25,000.00	
2. Improving environment for using information and communication technology services in business	2018-	1,840,000.00	1,840,000.00	1,840,000.00	1,840,000.00					
3.Improvement of electronic identification and increasing of trust in electronic transactions	2018-	350,000.00	350,000.00	350,000.00	138,000.00				212,000.00	
4.Cyber security	2018-	1,200,000.00	1,200,000.00	1,200,000.00	1,200,000.00					

				Funds from public sources 2018 - 2021						
Development trends, policy fields and measures /projects	Time framework	Total value measures/projects	Funds needed in the period of 2018 - 2021	Total	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	Missing funds in the period 2018 - 2021
TOURISM		1,063,440,000.00	1,063,440,000.00	1,063,440,000.00	63,440,000.00	0.00	0.00	0.00	1,000,000,000.00	0.00
1.Diversification and improvement of tourism product/offer quality	continuously	59,440,000.00	59,440,000.00	59,440,000.00	59,440,000.00					
2. The tourism product promotion	Continuously	4,000,000.00	4,000,000.00	4,000,000.00	4,000,000.00					
3. Building of tourism infrastructure (hotels etc.)	2018 – 2021	1,000,000,000.00	1,000,000,000.00	1,000,000,000.00					1,000,000,000.00	
KULTURNI TURIZAM		33,736,000.00	33,686,000.00	5,150,000.00	5,150,000.00	0.00	0.00	0.00	0.00	28,536,000.00
1. Annual program of protection and preservation of the cultural goods	2018 - Continuously	4,000,000.00	4,000,000.00	4,000,000.00	4,000,000.00					
Management Plans Implementation (Kotor, Cetinje, Besac, "Stećak")	2018- Continuously			0.00						

				Funds from public sources 2018 - 2021						
Development trends, policy fields and measures /projects	Time framework	Total value measures/ projects	Funds needed in the period of 2018 - 2021	Total	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	Missing funds in the period 2018 - 2021
2. Protection and rehabilitation of the cultural goods within CH	2018-2021	11,433,000.00	11,383,000.00	75,000.00	75,000.00	0.00	0.00	0.00	0.00	11,308,000.00
People's museum	2018-	115,000.00	115,000.00	0.00						115,000.00
National library Đurđe Crnojević	2018-	1,220,000.00	1,220,000.00	0.00						1,220,000.00
State Archives	2018-2020	1,200,000.00	1,200,000.00	0.00						1,200,000.00
Royal Theatre Zetski dom	2017-2020	3,750,000.00	3,750,000.00	0.00						3,750,000.00
Drago Palace, Kotor	2018-2019	1,100,000.00	1,100,000.00	0.00						1,100,000.00
The King Nikola Castle Nikšić	2017-2019	2,380,000.00	2,380,000.00	20,000.00	20,000.00					2,360,000.00
Maritime museum	2018	53,000.00	53,000.00	0.00						53,000.00
Prison Building	2018-2020	1,500,000.00	1,500,000.00	0.00						1,500,000.00

				Funds from public sources 2018 - 2021						
Development trends, policy fields and measures /projects	Time framework	Total value measures/ projects	Funds needed in the period of 2018 - 2021	Total	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	Missing funds in the period 2018 - 2021
Terrain decoration around memorial sign to the fallen NOR fighters in Zabljak	2016-2018	115,000.00	65,000.00	55,000.00	55,000.00					10,000.00
3. Reconstruction and construction of the cultural buildings	2018-2021	18,303,000.00	18,303,000.00	1,075,000.00	1,075,000.00	0.00	0.00	0.00	0.00	17,228,000.00
The Montenegrin national Theatre	2017-2019	1,633,000.00	1,633,000.00	25,000.00	25,000.00					1,608,000.00
Contemporary Art Museum	2018-2021	5,500,000.00	5,500,000.00	0.00						5,500,000.00
The Musical Centre and the Montenegrin Cinematheque	2016-2019	4,840,000.00	4,840,000.00	1,050,000.00	1,050,000.00					3,790,000.00
Library for the Blind and Natural history Museum	2017-2021	3,100,000.00	3,100,000.00	0.00						3,100,000.00
Cultural Centre Berane	2018-2021	2,310,000.00	2,310,000.00	0.00						2,310,000.00
Pekici's House	2016-2018	70,000.00	70,000.00	0.00						70,000.00

				Funds from public sources 2018 - 2021						
Development trends, policy fields and measures /projects	Time framework	Total value measures/ projects	Funds needed in the period of 2018 - 2021	Total	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	Missing funds in the period 2018 - 2021
Cultural Centre Savnik	2018-2019	625,000.00	625,000.00	0.00						625,000.00
Cultural Centre Bijelo Polje	2018-2019	225,000.00	225,000.00	0.00						225,000.00
SUSTAINABLE GROWTH		2,113,367,796.15	1,575,725,175.81	1,334,557,361.82	196,426,753.57	58,478,133.57	791,445,399.73	42,061,224.16	226,145,850.79	241,167,815.00
AGRICULTURE AND RURAL DEVELOPEMENT	2018-2021	192,018,370.00	192,018,370.00	192,018,370.00	84,668,370.00	36,800,000.00	17,800,000.00	1,950,000.00	50,800,000.00	0.00
1. strengthening of competition and sustainability of the agricultural sector through the investments in primary agricultural production, processing and marketing of agricultural products	2018-2021	157,552,000.00	157,552,000.00	157,552,000.00	66,452,000.00	36,800,000.00	6,000,000.00		48,300,000.00	
2 sustainable developments of rural areas through improvement and development of rural infrastructure, as well as diversification of economic activities in rural areas	2018-2021	16,350,000.00	16,350,000.00	16,350,000.00	4,800,000.00		7,600,000.00	1,950,000.00	2,000,000.00	

				Funds from public sources 2018 - 2021						
Development trends, policy fields and measures /projects	Time framework	Total value measures/ projects	Funds needed in the period of 2018 - 2021	Total	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	Missing funds in the period 2018 - 2021
3.rehabilitation, preservation and strengthening of the ecosystem through the implementation of agricultural and ecological measures	2018-2021	6,080,000.00	6,080,000.00	6,080,000.00	1,380,000.00		4,200,000.00		500,000.00	
4. transfer of knowledge and innovations into agriculture through investments in education, research and analytical work	2018-2021	12,036,370.00	12,036,370.00	12,036,370.00	12,036,370.00					
FORESTRY		17,345,000.00	17,345,000.00	17,345,000.00	2,275,000.00	20,000.00	10,000,000.00	50,000.00	5,000,000.00	0.00
1. Forestry sector reform	2018-2021	10,050,000.00	10,050,000.00	10,050,000.00			10,000,000.00	50,000.00		
2. Ensuring and improving long term resistance and productivity of forests Realization of the Development of Forestry and Wood Industry Strategy	2018-2021	2,235,000.00	2,235,000.00	2,235,000.00	2,235,000.00					
3. Sustainable management of the forests resources Certified areas under forests –certificates received	2018-2021	40,000.00	40,000.00	40,000.00	40,000.00					

				Funds from public sources 2018 - 2021						
Development trends, policy fields and measures /projects	Time framework	Total value measures/projects	Funds needed in the period of 2018 - 2021	Total	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	Missing funds in the period 2018 - 2021
4. Wood industry development based on the natural potentials of Montenegro	2018-2021	5,000,000.00	5,000,000.00	5,000,000.00					5,000,000.00	
5. Application of EUTR regulations	2018-2021	20,000.00	20,000.00	20,000.00		20,000.00				
ENERGY		359,605,277.37	205,788,733.70	205,788,733.70	150,000.00	0.00	35,036,749.1	8,873,338.00	161,728,645.79	0.00
1. Construction of SHP at the watercourse Bistrica (Berane municipality)	2008-2018	16,575,812.00	1,590,000.00	1,590,000.00					1,590,000.00	
2. Construction of SHP at the watercourse Kaludarska (Berane municipality)	2014-2018	2,700,000.00	800,000.00	800,000.00					800,000.00	
3. Construction of SHP at the watercourse Bjelojevička (Mojkovac municipality)	2017-2019	5,346,310.00	4,996,310.00	4,996,310.00					4,996,310.00	
4. Construction of SHP at the watercourse Šeremetski potok (Andrijevića municipality)	2017-2019	1,130,000.00	990,000.00	990,000.00					990,000.00	
5. Construction of SHP at the watercourse Bistrica (Kolašin municipality)	2017-2020	1,880,000.00	1,330,000.00	1,330,000.00					1,330,000.00	
6. Construction of SHP at the watercourse Slatina (Kolašin municipality)	2017-2020	1,396,500.00	1,216,500.00	1,216,500.00					1,216,500.00	

Development trends, policy fields and measures /projects	Time framework	Total value measures/ projects	Funds needed in the period of 2018 - 2021	Total	Funds from public sources 2018 - 2021					Missing funds in the period 2018 - 2021
					The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	
7. Construction of SHP at the watercourse Vinicka (Berane municipality)	2017-2019	1,165,000.00	1,126,000.00	1,126,000.00					1,126,000.00	
8. Construction of SHP at the watercourse Paljevinska (Kolašin municipality)	2017-2019	1,332,297.00	1,200,000.00	1,200,000.00					1,200,000.00	
9. Construction of SHP at the watercourse Reževića rijeka (Budva municipality)	2014-2018	1,075,000.00	875,000.00	875,000.00					875,000.00	
10. Construction of SHP at the watercourse Pecka (Kolašin municipality)	2017-2019	1,687,773.81	1,637,773.81	1,637,773.81					1,637,773.81	
11. Construction of SHP at the watercourse Lještanica (Bijelo Polje municipality)	2017-2019	4,000,000.00	3,940,000.00	3,940,000.00					3,940,000.00	
12. Construction of SHP at the watercourse Krkori (Andrijevica municipality)	2017-2019	707,560.00	607,560.00	607,560.00					607,560.00	
13. Construction of SHP at the watercourse Vrbnica (Plužine municipality)	2017-2019	9,780,000.00	8,888,333.33	8,888,333.33					8,888,333.33	
14. Construction of SHP at the watercourse Rijeka (Ljevak) (Mojkovac municipality)	2017-2019	2,053,734.26	1,663,734.26	1,663,734.26					1,663,734.26	

Development trends, policy fields and measures /projects	Time framework	Total value measures/ projects	Funds needed in the period of 2018 - 2021	Total	Funds from public sources 2018 - 2021					Missing funds in the period 2018 - 2021
					The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	
15. Construction of SHP at the watercourse Djurička rijeka with tributaries (Plav Municipality)	2014-2020	12,017,000.00	11,100,000.00	11,100,000.00					11,100,000.00	
16. Construction of SHP at the watercourse Bukovica (Kolašin municipality)	2017-2020	708,410.00	658,410.00	658,410.00					658,410.00	
17. Construction of SHP at the watercourse Raštak (Kolašin municipality)	2012-2018	1,200,000.00	243,500.00	243,500.00					243,500.00	
18. Construction of SHP at the watercourse Raštak 2 (Kolašin municipality)	2014-2021	1,070,000.00	1,070,000.00	1,070,000.00					1,070,000.00	
19. Construction of SHP at the watercourse Bukovica (Šavnik municipality)	2017-2020	9,242,125.00	8,292,125.00	8,292,125.00					8,292,125.00	
20. Construction of SHP at the watercourse Mojanska rijeka (Andrijevica municipality)	2014-2018	7,443,090.00	4,901,550.00	4,901,550.00					4,901,550.00	
21. Construction of SHP at the watercourse Kutska Rijeka (Andrijevica municipality)	2014-2018	5,930,000.00	3,922,600.00	3,922,600.00					3,922,600.00	

22. Construction of SHP at the watercourse Štitarica (Mojkovac municipality)	2016-2020	4,182,000.00	3,782,065.00	3,782,065.00					3,782,065.00	
					Funds from public sources 2018 - 2021					
Development trends, policy fields and measures /projects	Time framework	Total value measures/ projects	Funds needed in the period of 2018 - 2021	Total	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	Missing funds in the period 2018 - 2021
23. Construction of SHP at the watercourse Murinskarijeka (Plav municipality)	2010-2018	3,501,749.00	1,960,889.00	1,960,889.00					1,960,889.00	
24. Construction of SHP at the watercourse Ljeviška rijeka- Morača Spring (Kolašin municipality)	2012-2018	1,050,000.00	750,000.00	750,000.00					750,000.00	
25. Construction of SHP at the watercourse Komrača (Plav municipality)	2010-2018	5,500,000.00	4,300,000.00	4,300,000.00					4,300,000.00	
26. Construction of SHP at the watercourse Bistrica-Ljuboviđe tributary (Bijelo Polje municipality)	2014-2017	12,000,000.00	11,500,000.00	11,500,000.00					11,500,000.00	
Wind power plant in Možura (Ulcinj and Bar municipalities)	2010-2018	87,000,000.00	52,000,000.00	52,000,000.00					52,000,000.00	

27. Construction of a solar power plant "Klenak 80 kW" on the roof of an agricultural object owned by the company "Banjski Katun"doo, Nikšić	2015-2018	1,500,000.00	1,500,000.00	1,500,000.00					1,500,000.00	
Funds from public sources 2018 - 2021										
Development trends, policy fields and measures /projects	Time framework	Total value measures/ projects	Funds needed in the period of 2018 - 2021	Total	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	Missing funds in the period 2018 - 2021
28. Construction of a solar power plant on the roof of halls owned by the investor, at KO Bandići, Danilovgrad municipality	2016-2018	500,000.00	500,000.00	500,000.00					500,000.00	
29. Construction of a solar power plant "Intours" on the roof of the Bus Station with platforms, Podgorica municipality	2016-2018	100,000.00	100,000.00	100,000.00					100,000.00	
30. Construction of a solar power plant "Andrijeвица" on the roof of the industrial object, KO Slatina I, Andrijeвица municipality	2016-2018	700,000.00	700,000.00	700,000.00					700,000.00	
31. Construction of a solar power plant "BAR-KOD" on the roof of the business building, KO Donja Gorica, Podgorica municipality	2016-2018	600,000.00	600,000.00	600,000.00					600,000.00	

32. Construction of a solar power plant "DG", KO Martinići, Danilovgrad municipality	2016-2018	1,380,000.00	1,380,000.00	1,380,000.00					1,380,000.00	
33. Construction of a solar power plant "PV elektrana", KO Podgorica II, Podgorica municipality	2016-2018	500,000.00	500,000.00	500,000.00					500,000.00	
Funds from public sources 2018 - 2021										
Development trends, policy fields and measures /projects	Time framework	Total value measures / projects	Funds needed in the period of 2018 - 2021	Total	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	Missing funds in the period 2018 - 2021
33. Construction of a solar power plant "PV elektrana", KO Podgorica II, Podgorica municipality	2016-2018	500,000.00	500,000.00	500,000.00					500,000.00	
134. Construction of a solar power plant at the Football Association of Montenegro on the roof of the administrative building, KO Podgorica III, Podgorica municipality	2017-2019	46,240.30	46,240.30	46,240.30					46,240.30	
35. Construction of a solar power plant "Titex 3", KO Podgorica III, Podgorica municipality	2016-2018	1,099,758.00	1,099,758.00	1,099,758.00					1,099,758.00	
36. Construction of a solar power plant "Titex 4", KO Podgorica III, Podgorica municipality	2016-2018	446,600.00	446,600.00	446,600.00					446,600.00	
37. Construction of a solar power plant "Alliance" KO Donja Gorica, Podgorica municipality	2016-2018	243,360.00	243,360.00	243,360.00					243,360.00	

38. Construction of a solar power plant "Titex 1", KO Podgorica III, Podgorica municipality	2016-2018	502,200.00	502,200.00	502,200.00					502,200.00		
				Funds from public sources 2018 - 2021							
Development trends, policy fields and measures /projects	Time framework	Total value measures/ projects	Funds needed in the period of 2018 - 2021	Total	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	Missing funds in the period 2018 - 2021	
39. Construction of a solar power plant "Titex 2", KO Podgorica III, Podgorica municipality	2016-2018	1,099,758.00	1,099,758.00	1,099,758.00					1,099,758.00		
40. Construction of a solar power plant at the roof construction of the hotel Hilton, KO Podgorica II, Podgorica municipality	2016-2018	220,000.00	220,000.00	220,000.00					220,000.00		
41. Lastva and TL Lastva-Čevo-Pljevlja- Serbian border	2011-2024	115,200,000.00	41,218,467.00	41,218,467.00			16,936,749.91	6,833,338.00	17,448,379.09		
42. MEEP – Montenegro Energy Efficiency Project (additional financing)	2014-2018	5,000,000.00	500,000.00	500,000.00			500,000.00				
43.MEEP 2 – Project „Energy efficiency in the buildings of healthcare institutions“	2018-2022	6,000,000.00	5,500,000.00	5,500,000.00			5,500,000.00				
44.EEPPB II - EEPPB - Energy Efficiency Program for Public Buildings, stage II	2015-2020	22,743,000.00	14,140,000.00	14,140,000.00			12,100,000.00	2,040,000.00			
45.ENERGY WOOD (stage IV)	2,018.00	100,000.00	100,000.00	100,000.00	100,000.00						

				Funds from public sources 2018 - 2021						
Development trends, policy fields and measures /projects	Time framework	Total value measures / projects	Funds needed in the period of 2018 - 2021	Total	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	Missing funds in the period 2018 - 2021
46. Solar summer pasture lands (stage IV)	2018	50,000.00	50,000.00	50,000.00	50,000.00					
ENVIRONMENT		239,663,935.00	226,695,042.69	156,527,228.69	745,000.00	3,035,000.00	119,606,557.69	8,523,466.00	24,617,205.00	70,167,815.00
1. Drawing up strategic noise maps for main roads	2018 - 2019	100,000.00	100,000.00	0.00						100,000.00
2. Drawing up strategic noise maps for agglomerations	2018 - 2019	100,000.00	100,000.00	40,000.00	40,000.00					60,000.00
3. Drawing up Noise Action Plan for main roads	2020 - 2021	50,000.00	50,000.00	0.00						50,000.00
4. Drawing up Noise Action Plan for the Capital Podgorica	2020 - 2021	50,000.00	50,000.00	0.00						50,000.00
5. Establishing Help Desk, service for helping users	2018 -	2,000.00	2,000.00	0.00						2,000.00
6. Establishing Center for Poisoning Control - (a body in charge of receiving information in connection with emergency healthcare interventions) and conduct additional staff training (toxicology)	2019	170,000.00	170,000.00	0.00						170,000.00

Development trends, policy fields and measures /projects	Time framework	Total value measures/ projects	Funds needed in the period of 2018 - 2021	Total	Funds from public sources 2018 - 2021					Missing funds in the period 2018 - 2021
					The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	
7. Establish the registry of chemicals and biocide products	2019	100,000.00	100,000.00	0.00						100,000.00
8. Updating the National Implementation Plan for the Stockholm Convention	2017 - 2018	200,000.00	200,000.00	200,000.00				200,000.00		
9. Comprehensive, ecologically acceptable management of waste containing PCB	2017 - 2021	19,947,836.00	19,819,269.00	19,819,269.00				2,871,346.00	16,947,923.00	
10. Preparations for the ratification and the implementation of the Minamata Mercury Convention – Initial assessment for Montenegro	2018	171,423.00	55,561.00	55,561.00				55,561.00		
11. Establishing the registry of polluters	2019	100,000.00	100,000.00	0.00						100,000.00
12. Management of the industrial waste cleaning	Until June 2019. on the bases of the Loan agreement	50,000,000.00	49,580,125.69	49,580,125.69			49,580,125.69			
13. Further realization of the activities on construction of the secondary network for Pljevlja city heating		21,442,575.00	9,265,985.00	0.00						9,265,985.00

Development trends, policy fields and measures /projects	Time framework	Total value measures / projects	Funds needed in the period of 2018 - 2021	Total	Funds from public sources 2018 - 2021					Missing funds in the period 2018 - 2021
					The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	
14. Extending and improving the national network for monitoring air quality and of the laboratory for air quality testing (SHMZ) complying with the EU standards	2016 - 2018	1,100,000.00	1,100,000.00	1,100,000.00		1,100,000.00				
15.The project to continue research on establishing land NATURA 2000 Improvement of capacities for implementation and monitoring in the environment	2018/ 2019/ 2020/2021	1,100,000.00	1,100,000.00	1,100,000.00	165,000.00	935,000.00				
16.The project for research and data collection in order to establish marine NATURA 2000 Promotion of management of the protected Ares through the Integrated protection of the ecosystem of the sea and the littoral zone at the Seaside of Montenegro	2018 - 2020	1,600,000.00	1,600,000.00	1,600,000.00				1,600,000.00		
17.Draw up the National Biodiversity Strategy 2021-2025	2019 - 2020	250,000.00	250,000.00	250,000.00				250,000.00		

Development trends, policy fields and measures /projects	Time framework	Total value measures / projects	Funds needed in the period of 2018 - 2021	Total	Funds from public sources 2018 - 2021					Missing funds in the period 2018 - 2021
					The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	
18. Draw up the Third National Communication of Montenegro on Climate Change according to the UN Framework Convention on Climate Change (TNC)	2016 - 2020	428,559.00	428,559.00	428,559.00				428,559.00		
19. Drawing up the National Adapting Plan to climate change (NAP)	2017 - 2021	3,000,000.00	3,000,000.00	3,000,000.00				3,000,000.00		
20 Drawing up the Low-Carbon Development Strategy	2018 - 2020	1,000,000.00	1,000,000.00	1,000,000.00		1,000,000.00				
21. Water supply and wastewater drainage at the Montenegrin seaside Stage V1 – Implementation of urgent measures in Tivat	2018 - 2019	3,192,044.00	3,192,044.00	3,192,044.00			3,192,044.00			
22. Water supply and wastewater drainage at the Montenegrin seaside Stage V1 – Implementation of urgent measures in Kotor	2018 - 2019	1,027,177.00	1,027,177.00	1,027,177.00			741,656.00		285,521.00	
23. Water supply and wastewater drainage at the Montenegrin seaside Stage V1 – Implementation of urgent measures in Herceg Novi	2018 - 2019	1,680,600.00	1,680,600.00	1,680,600.00			1,480,600.00		200,000.00	

Development trends, policy fields and measures /projects	Time framework	Total value measures/ projects	Funds needed in the period of 2018 - 2021	Total	Funds from public sources 2018 - 2021					Missing funds in the period 2018 - 2021
					The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	
24. Water supply and wastewater drainage at the Montenegrin seaside Stage V2 – Implementation of long term measures in Tivat, Kotor and Herceg Novi	2018 - 2021	32,364,000.00	32,364,000.00	23,447,866.00	540,000.00		18,541,625.00		4,366,241.00	8,916,135.00
25. Construction of wastewater purification plant (WWPP) in Sutomore (Bar)	2018 - 2021	8,575,270.00	8,575,270.00	8,575,270.00			7,795,700.00		779,570.00	
26. Water supply and wastewater drainage at the Montenegrin seaside Stage III CONVERSION of funds – Bar	2016 - 2018	10,047,250.00	10,047,250.00	10,047,250.00			8,009,300.00		2,037,950.00	
27. Water supply and wastewater drainage at the Montenegrin seaside Stage V – Ulcinj	2018 - 2021	18,712,826.00	18,712,827.00	18,712,827.00			18,712,827.00			
28. The water supply network in the Old Capital Cetinje	2018 - 2021	4,429,539.00	4,429,539.00	0.00						4,429,539.00
29. Construction of wastewater purification plant in Bijelo Polje municipality	2018 - 2021	6,473,730.00	6,473,730.00	3,084,050.00			3,084,050.00			3,389,680.00
30. Construction of wastewater purification plant in the Old Capital Cetinje	2018 - 2021	6,156,991.00	6,156,991.00	0.00						6,156,991.00

Development trends, policy fields and measures /projects	Time framework	Total value measures / projects	Funds needed in the period of 2018 - 2021	Total	Funds from public sources 2018 - 2021					Missing funds in the period 2018 - 2021
					The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	
31. Construction of wastewater purification plant and water supply and sewage networks segments in Rožaje municipality	2018 - 2020	8,845,229.00	8,845,229.00	0.00						8,845,229.00
32. Construction of wastewater purification plant and sewage network segments in Kolašin municipality	2018 - 2021	3,650,600.00	3,650,600.00	0.00						3,650,600.00
133. Construction of sewage network for settlements gravitating to Port Milena - Kodra, Totoši, Bijela Gora and Donja Bratica	2018 - 2020	4,200,000.00	4,200,000.00	4,200,000.00			4,200,000.00			
34. Construction of wastewater purification plant and sewage network in Danilovgrad municipality and completion of work on SCADA system installation	2018 - 2019	4,386,630.00	4,386,630.00	4,386,630.00			4,268,630.00	118,000.00		
35 Construction of wastewater purification plant and sewage network in Plav municipality	2018 - 2021	9,228,508.00	9,228,508.00	0.00						9,228,508.00
36.The Centre for waste processing within the sanitary dumpsite "Možura", the plant for sorting and mixed communal waste	2019 - 2021	8,155,005.00	8,155,005.00	0.00						8,155,005.00

Development trends, policy fields and measures /projects	Time framework	Total value measures/ projects	Funds needed in the period of 2018 - 2021	Total	Funds from public sources 2018 - 2021					Missing funds in the period 2018 - 2021
					The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	
37.Centre for processing waste within the sanitary dumpsite "Možura", the plant for composting of biodegradable waste, Bar	2018 - 2019	5,394,704.00	5,394,704.00	0.00						5,394,704.00
38.Construction of objects: recycling yard and transfer station with the related equipment in Rožaje municipality	2018 - 2019	559,939.00	506,939.00	0.00						506,939.00
39. Construction of the recycling yard in Kolašin municipality	2018 - 2020	249,000.00	249,000.00	0.00						249,000.00
40. Construction of the recycling yard with the sorting facility in Berane municipality	2018 - 2019	575,000.00	575,000.00	0.00						575,000.00
41. Construction of the transfer station and the recycling yard in Mojkovac municipality	2018 - 2019	847,500.00	772,500.00	0.00						772,500.00
TRANSPORT		1,302,392,677.78	931,535,493.42	760,535,493.43	106,255,847.57	18,623,133.57	608,992,092.13	22,664,420.16	4,000,000.00	171,000,000.00
1. Motorways construction		817,590,000.00	472,290,000.00	472,290,000.00	69,640,000.00	0.00	394,660,000.00	7,990,000.00	0.00	0.00
1.1. Bar-Boljare Motorway		815,090,000.00	469,790,000.00	464,300,000.00	69,640,000.00		394,660,000.00			

				Funds from public sources 2018 - 2021						
Development trends, policy fields and measures /projects	Time framework	Total value measures/ projects	Funds needed in the period of 2018 - 2021	Total	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	Missing funds in the period 2018 - 2021
1.1.1. Priority section Smokovac-Mateševo	2015-2019	809,600,000.00	464,300,000.00	464,300,000.00	69,640,000.00		394,660,000.00			
1.1.2. Other sections		5,490,000.00	5,490,000.00	5,490,000.00	0.00	0.00	0.00	5,490,000.00	0.00	0.00
A. Mateševo-Andrijevića	2018-2020	3,100,000.00	3,100,000.00	3,100,000.00				3,100,000.00		
B. Smokovac-Tološi-Farmací	2018-2020	2,390,000.00	2,390,000.00	2,390,000.00				2,390,000.00		
1.2. Seaside version of the Adriatic Ionian Motorway – Express Road along the Montenegrin seaside		2,500,000.00	2,500,000.00	2,500,000.00	0.00	0.00	0.00	2,500,000.00	0.00	0.00
1.2.1. Feasibility study for the Adriatic – Ionian corridor through Montenegro and Albania	2017-2019	1,000,000.00	1,000,000.00	1,000,000.00				1,000,000.00		
1.2.2. Finalization of the concept design for the section of the ring road Budva (13km + access roads)	2017-2019	1,500,000.00	1,500,000.00	1,500,000.00				1,500,000.00		
2. Construction, reconstruction and maintenance of the highways and regional roads		352,050,000.00	340,550,000.00	248,550,000.00	33,600,000.00	0.00	207,450,000.00	3,500,000.00	4,000,000.00	92,000,000.00
2.1. CONSTRUCTION		106,950,000.00	105,450,000.00	78,450,000.00	7,600,000.00	0.00	66,850,000.00	0.00	4,000,000.00	27,000,000.00
2.1.1. Ring road Rožaje stage II	2017-2019	19,850,000.00	19,850,000.00	19,850,000.00			19,850,000.00			

Development trends, policy fields and measures /projects	Time framework	Total value measures/ projects	Funds needed in the period of 2018 - 2021	Total	Funds from public sources 2018 - 2021					Missing funds in the period 2018 - 2021
					The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	
2.2.3. Reconstruction of the road Berane – Petnjica, stage II	2018-2019	7,000,000.00	7,000,000.00	0.00						7,000,000.00
2.2.4. Reconstruction of the road Pljevlja-Metaljka	2018-2019	7,000,000.00	7,000,000.00	0.00						7,000,000.00
2.2.5. Reconstruction of the road Ulcinj – Krute	2017-2018	5,800,000.00	4,800,000.00	4,800,000.00			4,800,000.00			
2.2.6. Reconstruction of the road Berane – Kolašin, Lubnice – Jezerine section	2017-2019	34,700,000.00	27,700,000.00	27,700,000.00			27,700,000.00			
2.2.7. Reconstruction and rehabilitation of the M-2.1 road Bijelo Polje – Ribarevine from km 149+950 to km 153+000	2018-2019	7,000,000.00	7,000,000.00	7,000,000.00			7,000,000.00			
2.2.8. Reconstruction of the road Dinoša – Cijevna Zatrijebačka	2018-2020	15,000,000.00	15,000,000.00	0.00						15,000,000.00
2.2.9. Reconstruction of the road Rogami – Spuž in the length of 5 km	2,018.00	2,000,000.00	2,000,000.00	0.00						2,000,000.00
2.2.10. Reconstruction of the road Debeli Brijeg – Herceg Novi, location Tatarbašče	2,018.00	2,000,000.00	2,000,000.00	0.00						2,000,000.00
2.2.11. Reconstruction of the regional road Krstac – Ivanova Korita	2017-2018	3,500,000.00	3,500,000.00	0.00						3,500,000.00
2.2.12. Reconstruction of the regional R-1 road in the length of 3,5 km from the Voli Supermarket to the Church in Bajice	2,018.00	2,500,000.00	2,500,000.00	0.00						2,500,000.00

Development trends, policy fields and measures /projects	Time framework	Total value measures/ projects	Funds needed in the period of 2018 - 2021	Total	Funds from public sources 2018 - 2021					Missing funds in the period 2018 - 2021
					The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	
2.2.13. Reconstruction of the road Nikšić – Vilusi, section Trubjela – Vilusi in the length of 16 km	2018-2019	8,000,000.00	8,000,000.00	0.00						8,000,000.00
2.2.14. Reconstruction and rehabilitation of the road M-2.1 Barski most – Bijelo Polje, from Barski most to Dobrakovo	2018-2019	3,000,000.00	3,000,000.00	3,000,000.00			3,000,000.00			
2.2.15. Reconstruction and rehabilitation of the road M-2.1 Barski most – Bijelo Polje, from Dobrakov to Bijelo Polje km 35+300 to km 146+600	2018-2019	7,000,000.00	7,000,000.00	7,000,000.00			7,000,000.00			
2.2.16. Reconstruction and rehabilitation of the road M-8 Pljevlja– Mihajlovica	2018-2019	6,500,000.00	6,500,000.00	6,500,000.00			6,500,000.00			
2.2.17. Reconstruction of the main road M-2 Rožaje – Špiljani from km 1148+200 to 1168+200 with rehabilitation of the tunnels and bridges	2018-2019	13,000,000.00	13,000,000.00	13,000,000.00			13,000,000.00			
2.2.18. Reconstruction of the road M-2, section Lepenac – Ribarevina, L=12,90 km, sections: km 1075+200 – km 1081+800 and km 1083+600 – km 1089+872	2018-2019	6,500,000.00	6,500,000.00	6,500,000.00			6,500,000.00			
2.2.19. Reconstruction of the road M-2, section Ribarevina – Poda, L=14,70 km, from km 1089+872 to km 1104+559	2018-2019	11,000,000.00	11,000,000.00	11,000,000.00			11,000,000.00			

Development trends, policy fields and measures /projects	Time framework	Total value measures/ projects	Funds needed in the period of 2018 - 2021	Total	Funds from public sources 2018 - 2021					Missing funds in the period 2018 - 2021
					The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	
2.2.20. Reconstruction of the road M-2 section Poda – Berane, L=12,20 km, from km 1104+559 to km 1117+300	2018-2019	10,000,000.00	10,000,000.00	10,000,000.00			10,000,000.00			
2.2.21. Reconstruction of the road M-2 section Berane –Lokve tunnel, L=16,2 km, from km 1117+300 to km 1133+507	2019-2020	12,000,000.00	12,000,000.00	12,000,000.00			12,000,000.00			
2.2.22. Reconstruction of the road M-2 section Lokve tunnel – Rožaje, L=14,7 km	2019-2020	16,000,000.00	16,000,000.00	16,000,000.00			16,000,000.00			
2.2.23. Reconstruction of the road M-2 section Kamenovo – Petrovac, L=11,3 km, from km 911+700 to km 923+000	2018-2019	7,500,000.00	7,500,000.00	7,500,000.00			7,500,000.00			
2.2.24. Reconstruction of the road M-2.4 section Petrovac – Bar, L=12,0 km	2018-2020	7,000,000.00	7,000,000.00	7,000,000.00			7,000,000.00			
2.2.25. Investment overlay pavement of roads and regional roads	2018-2020	8,000,000.00	8,000,000.00	0.00						8,000,000.00
2.2.26. Reconstruction of the road Trpezi - Kalače	2018-2020	5,000,000.00	5,000,000.00	0.00						5,000,000.00
2.2.27. Reconstruction of the road Zeleni - Vuča	2018-2020	5,000,000.00	5,000,000.00	0.00						5,000,000.00
2.2.27. Drawing up of the main design and tender documentation for reconstruction of the section of the road Šćepan polje - Plužine.	2016-2018	3,500,000.00	3,500,000.00	3,500,000.00				3,500,000.00		

Development trends, policy fields and measures /projects	Time framework	Total value measures/ projects	Funds needed in the period of 2018 - 2021	Total	Funds from public sources 2018 - 2021					Missing funds in the period 2018 - 2021
					The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	
2.3. MAINTENANCE		26,000,000.00	26,000,000.00	26,000,000.00	26,000,000.00					
Regular maintenance of the main roads and regional roads	2018-2020	26,000,000.00	26,000,000.00	26,000,000.00	26,000,000.00					
3. Improvement of railway Infrastructure		43,190,853.78	29,133,669.42	27,133,669.43	1,131,573.57	7,945,583.57	6,882,092.13	11,174,420.16	0.00	2,000,000.00
3.1. Drawing up the project documentation for rehabilitation of the concrete bridges	2018-2019	1,500,000.00	1,500,000.00	1,500,000.00				1,500,000.00		
3.2. Drawing up the project documentation for rehabilitation of tunnels	2018-2019	1,500,000.00	1,500,000.00	1,500,000.00				1,500,000.00		
3.3. Overhaul of the superstructure on section Kos - Trebešica	2017-2018	4,600,000.00	4,600,000.00	4,600,000.00	460,000.00	4,140,000.00				
3.4. Drawing up the project documentation for replacing signal/safety devices in stations from Podgorica to Bar	2018-2019	1,500,000.00	1,500,000.00	1,500,000.00				1,500,000.00		
3.5. Drawing up the project documentation for replacing signal/safety devices in stations from Podgorica to Bijelo Polje as well as the Main project for repair of the Ratac landslide	2018-2019	2,000,000.00	2,000,000.00	2,000,000.00				2,000,000.00		

3.6. Drawing up the Main Project of the rehabilitation and electrification of the railway Podgorica – State border with Albania	2018-2020	2,000,000.00	2,000,000.00	0.00							2,000,000.00
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Funds from public sources 2018 - 2021										
Development trends, policy fields and measures /projects	Time framework	Total value measures / projects	Funds needed in the period of 2018 - 2021	Total	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	Missing funds in the period 2018 - 2021
3.7. Rehabilitation of the steel bridge Morača	2015-2016	886,558.14	44,327.89	44,327.89			44,327.89			
3.8. Overhaul of the superstructure at the section Kolašin - Kos	2015-2017	5,898,315.30	1,162,604.33	1,162,604.33			1,162,604.33			
3.9. Rehabilitation of 3 tunnels	2015-2017	3,428,179.80	715,041.77	715,041.77			715,041.77			
3.10. Rehabilitation of 6 slopes	2017-2019	4,287,200.62	3,429,760.50	3,429,760.50			1,714,880.25	1,714,880.25		
3.11. Oversight on rehabilitation works on 6 slopes	2017-2019	620,000.00	558,000.00	558,000.00			279,000.00	279,000.00		
3.12. Replacing the signal/safety device in Podgorica Station	2017-2018	6,149,874.76	4,919,899.81	4,919,899.82			2,459,949.91	2,459,949.91		
3.13. Overseeing the works on replacement of SS device in Podgorica Station	2017-2018	490,200.00	441,180.00	441,180.00			220,590.00	220,590.00		
3.14. Rehabilitation of culverts and regulation of watercourses	2017-2018	542,795.80	277,752.98	277,752.98			277,752.98			
3.15. Overseeing the rehabilitation work on culverts and regulation of	2017-2018	15,945.00	7,945.00	7,945.00			7,945.00			

watercourses										
3.16. Overhaul of superstructure on section Virpazar - Sutomore in the Sozina tunnel	2016-2018	4,083,891.36	1,977,899.75	1,977,899.75	296,684.96	1,681,214.79				

				Funds from public sources 2018 - 2021						
Development trends, policy fields and measures /projects	Time framework	Total value measures/ projects	Funds needed in the period of 2018 - 2021	Total	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	Missing funds in the period 2018 - 2021
3.17. Overseeing the overhaul works on the superstructure on section Virpazar - Sutomore in the Sozina tunnel	2016-2018	134,000.00	93,800.00	93,800.00	14,070.00	79,730.00				
3.18. Dismantling the existing, purchasing and installing the new substation (EVP) Trebešica	2015-2017	3,408,893.00	2,354,707.39	2,354,707.39	353,206.11	2,001,501.28				
3.19. Overseeing the works on dismantling the existing, purchasing and installing the new substation (EVP) Trebešica	2015-2017	145,000.00	50,750.00	50,750.00	7,612.50	43,137.50				
4. Expansion of airports		55,000,000.00	55,000,000.00	0.00						55,000,000.00
4.1. Modernization and reconstruction of the Tivat airport	2018-2021	55,000,000.00	55,000,000.00	0.00						55,000,000.00
5. Expanding the port capacities		22,000,000.00	22,000,000.00	0.00	0.00	0.00	0.00	0.00	0.00	22,000,000.00
5.1. Rehabilitation of the quay construction at the Dry Bulk Cargo Terminal (Volujica)	2018-2021	5,000,000.00	5,000,000.00	0.00						5,000,000.00
5.2. Quay extension at the Passenger Terminal	2018-2021	12,500,000.00	12,500,000.00	0.00						12,500,000.00
5.3. Extending the operational quay at the Dry Bulk Cargo Terminal	2018-2021	4,500,000.00	4,500,000.00	0.00						4,500,000.00

(Volujica)										
6. IPA		12,561,824.00	12,561,824.00	12,561,824.00	1,884,274.00	10,677,550.00	0.00	0.00	0.00	0.00
6.1. Development of database for the road network and security assessment program	2018-2021	1,218,000.00	1,218,000.00	1,218,000.00	182,700.00	1,035,300.00				
Funds from public sources 2018 - 2021										
Development trends, policy fields and measures /projects	Time framework	Total value measures/ projects	Funds needed in the period of 2018 - 2021	Total	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	Missing funds in the period 2018 - 2021
6.3. Improvement of maritime and internal waterways, VTMS and safety equipment	2018-2021	3,950,000.00	3,950,000.00	3,950,000.00	592,500.00	3,357,500.00				
6.4. Strengthening of administrative capacities in the institutions and adjusting to the EU acquis	2018-2021	6,018,824.00	6,018,824.00	6,018,824.00	902,824.00	5,116,000.00				
CONSTRUCTION		1,592,536.00	1,592,536.00	1,592,536.00	1,592,536.00	0.00	0.00	0.00	0.00	0.00
1. Improved process of facilities constructing through upgrading the existing information solutions	2018 - 2021	850,000.00	850,000.00	850,000.00	850,000.00					
2. Adopted eurocodes, as national standards for construction calculations	2018 - 2021	662,536.00	662,536.00	662,536.00	662,536.00					
3. Innovating the technical legislation in the construction field in order to adjust to the EU legislation in this area	2018 - 2021	80,000.00	80,000.00	80,000.00	80,000.00					
HAUSING		750,000.00	750,000.00	750,000.00	740,000.00	0.00	10,000.00	0.00	0.00	0.00

1. Integration of illegally built objects into formal housing sector	2018-2021	680,000.00	680,000.00	680,000.00	680,000.00					
					Funds from public sources 2018 - 2021					
Development trends, policy fields and measures /projects	Time framework	Total value measures/ projects	Funds needed in the period of 2018 - 2021	Total	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	Missing funds in the period 2018 - 2021
2. Defining standards of human housing and ensuring non-discriminatory approach to affordable and safe housing	2018-2021	30,000.00	30,000.00	30,000.00	30,000.00					
3. Improvement, management, allocation and maintenance of the existing housing fund	2018-2021	30,000.00	30,000.00	30,000.00	30,000.00					
4. Realization of the social housing program, mainly for renting, including also the construction of flats for vulnerable target groups (pensioners, persons with disabilities etc.)	2018-2019	10,000.00	10,000.00	10,000.00			10,000.00			
INCLUSIVE GROWTH		123,317,721.97	123,317,721.97	122,132,660.07	101,221,988.72	947,000.00	9,000,000.00	10,963,671.35	0.00	1,185,062.00
LABOUR MARKET		42,400,000.00	42,400,000.00	42,400,000.00	42,400,000.00					
1. Measures of active employment policy	2018 - 2021	18,400,000.00	18,400,000.00	18,400,000.00	18,400,000.00					
2. Activities on increased inclusion of persons with disabilities in the labor market and professional rehabilitation	2018 - 2021	24,000,000.00	24,000,000.00	24,000,000.00	24,000,000.00					
					Funds from public sources 2018 - 2021					

Development trends, policy fields and measures /projects	Time framework	Total value measures/ projects	Funds needed in the period of 2018 - 2021	Total	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	Missing funds in the period 2018 - 2021
EDUCATION		25,239,049.00	25,239,049.00	25,239,049.00	15,739,049.00	500,000.00	9,000,000.00		0.00	
1. Increased number of children in the pre-schooling institutions (construction of educational facilities)	2018 - 2021	10,000,000.00	10,000,000.00	10,000,000.00	1,000,000.00		9,000,000.00			
2.Improvement of the physical (architectural) access	continuously	588,000.00	588,000.00	588,000.00	88,000.00	500,000.00				
3. Construction of the new elementary school in Karabuško Polje, Podgorica	2018-2021	2,000,000.00	2,000,000.00	2,000,000.00	2,000,000.00					1,185,062.00
4. Construction of the new elementary school in Tološi, Podgorica	2018-2021	5,000,000.00	5,000,000.00	5,000,000.00	5,000,000.00					
5. Construction of the elementary school object in Sukobin, Ulcinj	2,018.00	300,000.00	300,000.00	300,000.00	300,000.00					
6. Construction of the new object of the elementary school " Dušan Korać", Bijelo Polje	2018-2021	5,351,049.00	5,351,049.00	5,351,049.00	5,351,049.00					
7. Construction of the new elementary school facility in Rožaje	2018-2021	2,000,000.00	2,000,000.00	2,000,000.00	2,000,000.00					

				Funds from public sources 2018 - 2021						
Development trends, policy fields and measures /projects	Time framework	Total value measures/ projects	Funds needed in the period of 2018 - 2021	Total	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	Missing funds in the period 2018 - 2021
SPORT		2,107,305.66	2,107,305.66	2,107,305.66	2,107,305.66					
1.Projects nominated by the Capital Budget	2018-2020	2,107,305.66	2,107,305.66	2,107,305.66	2,107,305.66					
Sports hall in Kotor										
Indoor swimming pool in Kotor										
Construction of the sports courts and halls										
Construction of the football stadium in Cetinje										
SOCIAL WELFARE		22,886,367.31	22,886,367.31	22,886,367.41	12,679,634.06	0.00	0.00	10,206,733.35	0.00	
1.Continuation of the Project Integrated Information System of Social Security (ISSS)		896,000.00	896,000.00	896,000.00	846,000.00			50,000.00		
2. Development of services and quality system with the development of administrative capacities in the field of social and child protection		6,080,000.00	6,080,000.00	6,080,000.00	6,080,000.00					
3. Continuation of the Regional Housing Program – Construction of housing units		13,710,367.31	13,710,367.31	13,710,367.41	3,553,634.06			10,156,733.35		

				Funds from public sources 2018 - 2021						
Development trends, policy fields and measures /projects	Time framework	Total value measures/ projects	Funds needed in the period of 2018 - 2021	Total	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	Missing funds in the period 2018 - 2021
4.Establishing the PI Centre for professional rehabilitation		2,200,000.00	2,200,000.00	2,200,000.00	2,200,000.00					
HEALTHCARE		30,685,000.00	30,685,000.00	29,499,938.00	28,296,000.00	447,000.00	0.00	756,938.00	0.00	1,185,062.00
1.Prevention and control of the chronic non-contagious diseases (national program for early detection of cancer, Neuroneti Project, transplantation program)	2018-2021	3,673,000.00	3,673,000.00	3,273,000.00	2,826,000.00	447,000.00				400,000.00
2. Prevention and control of the contagious diseases (preventive HIV/AIDS services, preventive services in the mental health and addictions fields; compulsory immunization)	2018-2021	1,442,000.00	1,442,000.00	1,256,938.00	700,000.00			556,938.00		185,062.00
3.The continuing medical education program in Montenegro	2018-2021	2,800,000.00	2,800,000.00	2,200,000.00	2,000,000.00			200,000.00		600,000.00
4. Healthcare Information System and e-healthcare(Informatization of KCCG and electronic cards)	2018-2021	4,000,000.00	4,000,000.00	4,000,000.00	4,000,000.00					
5.Construction of the Clinique for infectious diseases and dermatovenerology in KCCG	2018-2021	5,600,000.00	5,600,000.00	5,600,000.00	5,600,000.00					

				Funds from public sources 2018 - 2021						
Development trends, policy fields and measures /projects	Time framework	Total value measures/ projects	Funds needed in the period of 2018 - 2021	Total	The Budget of Montenegro	EU Funds	Loans	Donations	Other Funds	Missing funds in the period 2018 - 2021
6.Construction of the Psychiatric Clinique of KCCG	2018-2021	3,600,000.00	3,600,000.00	3,600,000.00	3,600,000.00					
7. Construction of the Internal medicine Clinique within the Bijelo Polje General Hospital	2018-2021	4,080,000.00	4,080,000.00	4,080,000.00	4,080,000.00					
8.Tretment of the medical wastewaters in KCCG	2018-2021	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00					
9.Using the renewable energy sources in electricity supply, hot sanitary water preparation and cooling	2018-2021	1,090,000.00	1,090,000.00	1,090,000.00	1,090,000.00					
10. Construction of the General Hospital in Pljevlja	2018-2021	2,900,000.00	2,900,000.00	2,900,000.00	2,900,000.00					

