



GOVERNMENT OF MONTENEGRO

**ANNUAL REPORT OF THE COUNCIL FOR IMPROVEMENT
OF BUSINESS ENVIRONMENT, REGULATORY AND
STRUCTURAL REFORMS FOR 2013**

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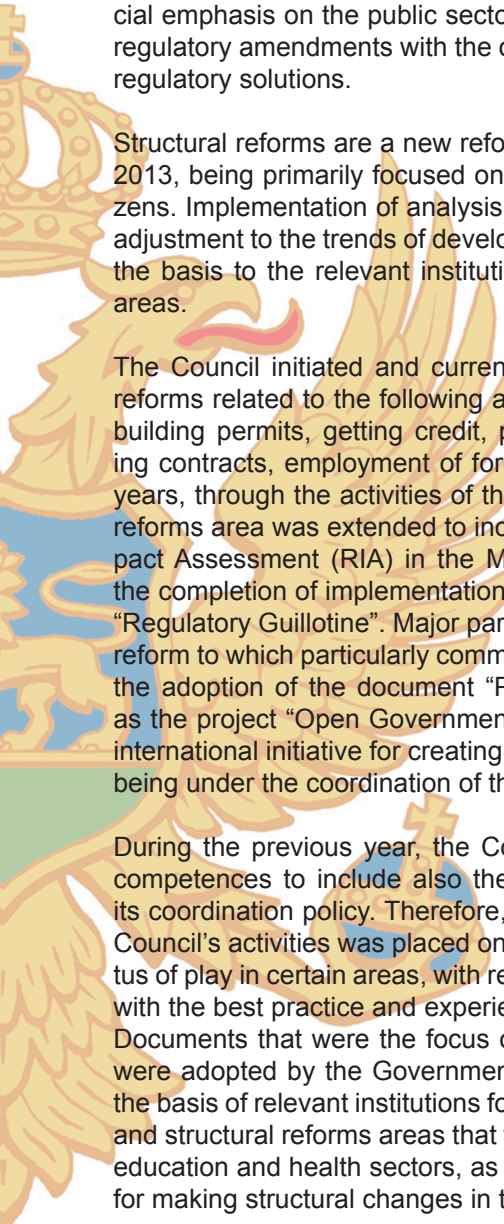
INTRODUCTION



In years of the economic and fiscal challenges, administrative system and regulatory framework reforms are pivotal for the improvement of the investment climate, being considered as a precondition for the economic growth. Reform processes are particularly important for smaller countries and open economies such as Montenegro in terms of entrepreneurial initiative strengthening and foreign investments attractiveness. The year behind us, 2013, had a trend for continuation of transferred problems in the economic policy area, but it simultaneously brought a basis for Montenegrin institutions to undertake reform steps. At the same time, during the previous year, the foreign investors initiated some of the most important investment projects in Montenegro, particularly in the area of tourism.

Creation of simplified procedures, state administration modernization, as well as having more efficient administration are the objectives of the reform measures coordinated by the Council for Improvement of Business Environment, Regulatory and Structural Reforms. In this area, following up the position of Montenegro in the international reports, the Council is specifically dedicated to improving a positioning of Montenegro in the investment world map. Better position in the international framework is providing for a sufficient room for the promotion of Montenegro, especially in the context of drawing an overall picture of our investment climate for inciting foreign investments. In this area, we have pursued the achievement of the most significant reform steps primarily aimed at creating a stronger competitive advantage in the regional terms. In order to create better conditions for investments, it is crucial having an efficient administration with clear procedures, short and transparent deadlines for acting upon a request. Furthermore, “one - stop - shop” i.e. single point communication with the clients is particularly suitable for overcoming problems of going to different institutions within a procedure. The introduction of a modern technology is an expensive process, simultaneously considered essential in terms of creating simplified procedures and monitoring global trends related to an efficient administration.

Reform Agenda of the Council has three reforms directions: improving the business environment through the implementation of measures aimed at creating simplified business requirements, regulatory reforms focused on the creation of more efficient administration and coherent regulatory framework, as well as the latest structural reforms aimed at adapting certain areas to the modern standards of developed countries.



The focus of business environment improvement during 2013 was placed on areas important for performing business activities, while these areas were the subject of the analysis of international reports. On the other hand, the regulatory reforms are the result of the long - term processes placing special emphasis on the public sector reorganization, ex - ante and post - ante regulatory amendments with the objective of creating public and transparent regulatory solutions.

Structural reforms are a new reform area coordinated by the Council during 2013, being primarily focused on areas of particular importance for the citizens. Implementation of analysis and recommendations aimed at structural adjustment to the trends of developed countries have only in a year provided the basis to the relevant institutions to undertake further reforms in these areas.

The Council initiated and currently implements the business environment reforms related to the following areas: registration of companies, issuing of building permits, getting credit, paying taxes, registering property, enforcing contracts, employment of foreigners, licensing. Additionally in previous years, through the activities of the Council and its members, the regulatory reforms area was extended to include the introduction of the Regulatory Impact Assessment (RIA) in the Montenegrin regulatory system, as well as the completion of implementation of the recommendations issues within the “Regulatory Guillotine”. Major parts of reforms entail the state administration reform to which particularly committed were the relevant institutions, through the adoption of the document “Public sector reorganization plan”, as well as the project “Open Government Partnership”, representing a trend of the international initiative for creating conditions for a transparent administration being under the coordination of the Council.

During the previous year, the Council has further expanded the scope of competences to include also the structural reforms being the segment of its coordination policy. Therefore, during the previous year, the focus of the Council’s activities was placed on conducting the analysis of the current status of play in certain areas, with recommendations for its improvement in line with the best practice and experience of developed economies of the world. Documents that were the focus of interdepartmental teams of the Council, were adopted by the Government in the previous year and they represent the basis of relevant institutions for implementing further reforms. Regulatory and structural reforms areas that were the subject of analysis are as follows: education and health sectors, as well as the pension system. The necessity for making structural changes in the aforementioned areas was used as a

guideline for the development of documents under the coordination of the Council, being primarily the result of the need to analyze results of the past reforms that were implemented in these sectors, representing a basis for triggering changes in future. The basics of the structural reforms documents related to the strengthening of private initiatives in the areas of health and education, particularly through the application of the public - private partnership. Moreover, further improvement of education as a precondition of an efficient economy through the creation of qualified employees required analysis in the area of education providing basic recommendations for the harmonization of labor market demand and supply, as well as the introduction of the concept of vouchers in the higher education system. Council's measures aimed at introducing higher degree of the information technology application have played an important role in the education system modernization, in terms of using electronic textbooks and tablet computers in teaching, which resulted in initiating a pilot project in primary education for the next school year. In addition to the aforementioned, the "Analysis of the local government taxes" is one of the most important documents developed by the Council in the previous year. The Analysis was adopted by the Government and it represents the first document that is focusing on the investment requirements improvement at the local government level, as well as the elimination of one of the most significant barriers to investments - land charges.

Cooperation with the World Bank and the USAID has resulted in the provision of support that provided the Council and institutions a chance to improve administrative processes in Montenegro and to make them closer to the experience of developed countries. This support was especially pronounced in the area of the business environment improvement, through the introduction of the one - stop - shop procedure for the registration of companies and electronic filing of registration applications, introduction of a single point for issuing building permits, enabling electronic payment for a large number of taxes, introduction of public bailiffs in the judicial system, information coverage expansion of the Credit registry, simplification of the procedure for the employment of foreigners, business licensing reform, reduction in administrative fees, implementation of activities aimed at increasing the transparency in the operation of business organizations and insolvency problems overcoming, etc.

Regulatory reforms are the second pillar of the Council's Agenda, placing special emphasis on measures related to the public administration reform. Reorganization of state authorities, with the objective of creating more efficient administration, as well as the decrease in public consumption are implemented for a longer period due to the special features of the system in general. In the light of the above, the Internal public sector reorganization

plan was devised with the objective of creating an efficient, cost - effective and effective public administration, which is based on the best international standards and practices. In order to create a unified legal framework for organizations exercising public powers, the Analysis of organizations exercising public powers was conducted, the adoption of which is planned for the first quarter of 2014. In order to monitor the implementation of the Public Administration Strategy, in the part related to the public administration area, a Coordinating body was established tasked to monitor and coordinate activities of state authorities and other relevant institutions in their areas of competency.

Moreover, with the objective of creating the regulatory framework providing the basis for lesser barriers to the economy and citizens, in the process of submitting regulation to the Government, the Ministry of finance is continuously implementing the procedure of issuing opinions to the regulation and its impact on the business environment. This step has been implemented since 2012, through the development of the Regulatory Impact Assessment, representing the accompanying document to regulation in the process of its adoption, or determining by the Government. Recommendations “Regulatory Guillotine”, the implementation of which is envisaged in 2015, aims at establishing greater level of regulation based on the post - ante regulatory framework control.

The partnership of the state institutions and employers’ associations, through the Council, is the best example of coordinated policy of both the private and public sectors with the objective of improving conditions for doing business in Montenegro. Experience of employers’ associations and the coverage of all practical problems with which the private sector is confronted with, is transferred through the participation of representatives of business organization’s associations in all teams of the Council that are in charge of creating recommendations for the reform of certain areas. In this regard, the recommendations submitted by the private sector, in addition to international reports that are illustrating the way others see us, represents the basis for creating the Reforms agenda of the Council, and ultimately the Government’s agenda in the investment policy area.

Activities implemented by the Council, especially from the standpoint of making the basis for the future reforms, are as follows: introduction of one - stop - shop registration of business organizations and the provision of electronic submission of applications for registration, introduction of one - stop - shop procedures for issuing building permits, enabling electronic payment for a large number of taxes, simplification of the final court decisions enforcement procedure, expansion of the credit registry scope, simplification of the

procedure for the employment of foreigners, creation of the e - licenses, reduction in administrative fees, implementation of activities aimed at increasing the transparency in the operation of business organization and overcoming the insolvency problems, etc. Monitoring of the current reforms, as well as the continuation of improvement of initiated administrative procedures will represent the top priority of the Council in the future period. Next years will bring new trends from the global market, simultaneously resulting in different aspirations of the Montenegrin society in accordance with the practice of developed countries. In this regard, the activities of the Council for the future period will be created on the basis of new courses of action in areas requiring reforms. The progress of Montenegro in the global ranking lists in internationally recognized reports will be the result of our efforts of bringing closer Montenegrin institutions and its entire system to the modern developed economies based on implemented reforms.





Pursuant to the Decision on the establishment of the Council for Improvement of Business Environment, Regulatory and Structural Reforms ("Official Gazette of MNE", No. 12/13) of March this year, the competences of the Council for regulatory reforms and business environment improvement were extended to include the structural reforms.¹

On its first session, the Council adopted the Programme of the top priority activities and areas for the current year entailing all three components – business environment improvement, regulatory, as well as the structural reforms.

¹The initial Council for the business barriers elimination was established by the Decision on the establishment of the Council for the business barriers elimination ("Official Gazette of Montenegro", No. 70/09 of 21st October 2009). Decision on the establishment of the Council for regulatory reforms and business environment improvement ("Official Gazette of Montenegro", No. 48/12 of 14th September 2012), extended the competences of the Council to include the regulatory reforms area, and the Council for Improvement of Business Environment, Regulatory and Structural Reforms ("Official Gazette of Montenegro", No. 12/13 of 1st March 2013) extended the competence to include the structural reforms. The Council is currently composed of the following members:

- 1) IGOR LUKŠIĆ, Vice President of the Government and the Minister of foreign affairs and the EU integration, president;
- 2) DUŠKO MARKOVIĆ, Vice President of the Government and the Minister of justice, deputy president;
- 3) BRANIMIR GVOZDENOVIĆ, Minister of sustainable development and tourism, member;
- 4) VLADIMIR KAVARIĆ, Minister of economy, member;
- 5) MIODRAG RADUNOVIĆ, Minister of health, member;
- 6) PREDRAG BOŠKOVIĆ, Minister of labor and social care, member;
- 7) RADOJE ŽUGIĆ, Minister of finance, member;
- 8) RAŠKO KONJEVIĆ, Minister of internal affairs;
- 9) SLAVOLJUB STIJEPOVIĆ, Minister of education, member;
- 10) RAJKO KOVAČEVIĆ, Head of the Cabinet of the Prime Minister of the Government of Montenegro, member;
- 11) BOŽIDAR VUKSANOVIĆ, Director of Inspection Administration, member;
- 12) BORIS MUGOŠA, Advisor to the Vice President of the Government of Montenegro for economic policy and financial system, member;
- 13) MILAN LAKIĆEVIĆ, Director of Tax Administration, member;
- 14) DUŠANKA JAUKOVIĆ, Secretary of the Secretariat for legislation, member;
- 15) MARIJA ŠUKOVIĆ, Advisor to the Vice President of the Government of Montenegro, member;
- 16) SRĐAN SPAIĆ, Advisor to the Prime Minister of the Government of Montenegro for legal issues, member;
- 17) LUIĐ ŠKRELJA, MP, member;
- 18) VELIMIR MIJUŠKOVIĆ, President of the Chamber of Commerce of MNE, member;
- 19) EDIN SEFEROVIĆ, Executive director of the American Chamber of Commerce, member;
- 20) MIOMIR MUGOŠA, President of the Managing board of the Municipalities Association of MNE, member;
- 21) PREDRAG MITROVIĆ, President of Municipalities Association of MNE, member;
- 22) SLOBODAN RADOVIĆ, President of Montenegro Business Alliance, member;
- 23) BOJANA BOŠKOVIĆ, General director in the Ministry of finance, secretary.

Reforms coordinated by the Council in the previous period have generated significant impact on the quality of the business environment in Montenegro, as well as the increase in the efficiency of public administration in the proceedings conducted before the private sector and citizens.

Activities aimed business environment improvement have been recognized in all relevant strategic documents of Montenegro (Economic policy guidelines, Pre - accession economic programme, the NDP). A special importance has the work of the Council for business associations in Montenegro in a part covering a continuous presentation of proposals for making amendments to the regulatory framework related to the business organizations.

At the same time, the Council is providing for the recommendations to the local governments to implement certain measures that are considered important for economic activities performance. The Council is constituted of representatives from the Government of Montenegro as well as the private sector representatives. Therefore, it is established based on the public - private partnership principles, which contributes to maintaining partnership relations between the public and private sector.

During 2013, the Council has held six sessions.



Creating better conditions for doing business in terms of providing for administrative efficiency, as well as the lower costs to the economy, represents the process which is especially pronounced in developing countries endeavoring in their international investment image improvement. Efforts invested in attracting foreign investments are creating a system of a competitive struggle also between the countries of our region. In the light of the above, numerous reforms are being implemented, primarily focusing on creating a modern administrative apparatus and requirements for the realization of investments pursuing the fulfillment of standards of developed Western countries.

Montenegro in 2014 Doing Business Report

Every economy, especially the transitional one, is challenged by the private business development. On the one hand, there are regulatory barriers imposing obligations, while on the other hand, there is a market battle in competitive conditions. Doing Business Report with its research facts represents the identity card of a country, which is very important, especially for foreign investors when making their investment decisions.

The primary value of the Doing Business Reports for all sectors of the economy is to encourage governments to create a business environment boosting business development. To that end, one of the main objectives of the DB Report is to ensure that the comments and suggestions given in the Report assist the governments in the process of creating a regulatory framework that removes barriers that hinder the operations of the private sector. The Doing Business Report emphasizes that complex and redundant regulations are considered the most common obstacles to the free exercise of entrepreneurial activity. The state sector is aware that the increase in operational costs will impose difficulties to entrepreneurs to succeed in the market.

Bearing in mind that the basic premise of the Doing Business Report is that the private sector growth is only possible through the regulatory environment providing incentives, the Government of Montenegro initiated radical reforms to encourage companies to invest and to develop.

The World Bank Doing Business Report for 2014 has also recognized the efforts aimed at reforms implementation in Montenegro in the area of creating

a stable business environment, advancing the positioning of Montenegro by 44 places. This year's improvement was a result of the reforms focused on certain areas in previous year. However, a more competitive position in the global ranking list is particularly significant given the continued progress of Montenegro advancing from 92 position based on the 2008 DB Report.

Better position in international arena is providing for the sufficient room for the promotion of Montenegro, especially in the context of having an improved picture of the investment climate for foreign investments. In this area, significant reform steps were made with the objective of strengthening the competitive advantages primarily in the regional terms. In order to create better conditions for investments, it is very important to have an efficient administration, with clear procedures, short and transparent deadlines for acting upon a request. Moreover, "one - stop - shop" , or a single point of communication with the clients is particularly suited for overcoming the problems of going to different institutions within one procedure. The introduction of modern technologies is considered an expensive process, but at the same time, it is essential in terms of creating a simpler procedures and monitoring global trends in reference to the efficient administration.

The reforms that the Government has implemented and is currently implemented relate to the following areas: registration of companies, dealing with construction permits, getting credit, paying taxes, registering property, enforcing contracts. It is important emphasizing that the provision of possibility to new business organizations to electronically submit the registration application to the Tax Administration. At the same time, this is the basis for the implementation of further reforms in terms of creating software solutions for a complete on - line registration , implying that a registered business organizations electronically receive a feedback decision on registration.

Moreover, registration procedure will benefit from the measures announced by the Tax Administration to extend the registration procedure to the new eight branch units, in addition to Podgorica where it is currently only possible to carry out the registration procedure.

As for the procedure "dealing with construction permits," the most significant amendments to the regulatory framework were made in 2011, as well in 2013, and they related to the introduction of one - stop - shop implying significantly shorter deadlines and simplified procedure, which this year has contributed to making a significant progress in the Doing Business Report.

Expanded was the coverage of the Credit registry of the Central Bank of Montenegro providing for the information on credit indebtedness of physical

persons and legal entities, which according to the Doing Business is one of the best in the world. Therefore Montenegro is ranked second in the global ranking list of 189 countries.

An important reform implemented by the Government refers also to the contracts enforcement procedure. Full implementation of the new Law on Enforcement and Security and based on the establishment of the institute of public bailiffs, which is expected early next year, will contribute to more efficient and more effective procedure of enforcing contractual obligations of contractual parties in Montenegro.

At the same time, amendments to the Law on Enforcement and Security have been launched with the objective of having a prompter and more efficient use of the bill in the enforcement proceedings and improved use of this instrument as a mean of securing the claims.

Critical areas that should be the focus of attention for the next period are as follows :

- **“enforcing contracts” (136),**
- **“dealing with construction permits” (106),**
- **“property registration” (98) and**
- **“paying taxes” (86).**

Moreover, it is necessary to continue with the implementation of planned activities aimed at introducing the electronic registration of companies in the branch units of the Tax Administration, having in mind the that our country is experiencing significant decline in this indicator in the last two reports (from 45th in DB 2012 to 58th in DB2013 and 69th in DB2014). Moreover, it is necessary to proceed with the simplification of import/export procedures, as well as with the reduction of costs and duration of the procedure, especially having in mind the fact that the Report for this year has accounted for a significant increase in the cost of exports and imports. Our country is experiencing a permanent decline in this indicator in the last two Reports (from 37th position in DB2012 to 42nd in DB2013 and 53rd in DB2014).

Analysis of local government taxes²

During this year, for the purpose of decreasing operating costs, developed was one of the most important documents relating to the business environment improvement “ Analysis of the local government taxes”. For the first time, the Analysis makes a reference to the improvement of the investment climate at the local level, as well as the elimination of one of the biggest burdens for the realization of investments - land charges. The reference was made based on the two key aspects, one as a result of the current financial situation of local governments, and the second which was the result of necessity of taking measures to increase economic activity through the new investments. The document is for the first time providing for an overview of the fees imposed by the local governments aimed at generating revenues and most importantly, recommendations given are the part of the regulatory framework aimed at improving investment requirements.

The most important recommendations relate to the land charges, being perceived as the key barrier to the realization of investments due to its excessive amount. Its amount is one of the highest in the world, being analyzed as an individual amount per m², as well as the total amount for an average business and residential facility, but the right measure may be illustrated by this fee ratio with the GDP per capita, income per capita, being the measure of the living standards of a country. The ratio of costs that are paid on the basis of this fee against the income per capita, has positioned Montenegro on the top of poorly ranked countries by the World Bank, thus only Afghanistan, India, Nigeria, Niger, Serbia, Zimbabwe and several other smaller African countries have lower rankings. Moreover, considering the importance of the

²Working group members:

1. Bojana Bošković, Ministry of finance, coordinator,
2. Jelena Vojinović, Ministry of finance, secretary,
3. Boris Mugoša, Cabinet of the Vice President of the Government for economic policy and financial system, member,
4. Biljana Ščekić, Ministry of finance, member,
5. Danilo Gvozdenović, Ministry of sustainable development and tourism, member,
6. Siniša Stanković, Ministry of sustainable development and tourism, member,
7. Goran Nikolić, Ministry of economy, member,
8. Tatjana Vujošević, Ministry of sustainable development and tourism, member,
9. Dalibor Milošević, Ministry of transportation and maritime affairs, member,
10. Oliver Marković, Capital City of Podgorica and Municipalities Association of MNE, member,
11. Borivoje Marić, Administration for local public revenues CC Podgorica and Municipalities Association of MNE, CG, member,
12. Suzana Radulović, Employers Association of MNE, member,
13. Darko Konjević, Montenegro business alliance, member,
14. Aleksandar Mitrović, Chamber of Commerce, member
15. Edin Seferović, American Chamber of Commerce in MNE, member.

local governments financing, as well as the presence of the gray zone, in the collection of property taxes, the Analysis is providing for the recommendations for improving the collection of this fee. As far as the land charges are concerned, being for years the most important sources of local government financing, as well as the amount of this fee, the Analysis provides for the three scenarios for overcoming this problem. Scenario I assumes the concept of the charges abolishment and financing the construction and maintenance of communal infrastructure from the revenues obtained on the basis of property taxes. During the transitional period of two years, up to 1st January 2016, local governments would have the room to compensate the losses from uncollected revenues from the charges and to leverage them against other revenue sources in order to provide funds for the construction and maintenance of the communal infrastructure. It is evident from the Analysis that the abolishment of the charges would, to the greatest extent, generate negative impact on the revenues of the Municipality of Budva and the Capital City of Podgorica, as well as the majority of the local governments in the coast, while the negative effects due to the abolishment of the fee would be negligible in other local governments, taking into account the current trend of revenues generated on this basis. Suggested Scenario II assumes retaining the charges in the system, provided that its amount is reduced to the level of best practice of the EU countries, primarily Slovenia where such charges for the building of 1000 m² amount at EUR 9,000 being paid within the electrical grid connection, which in our country is a separate cost in addition to the fee which amounts of around EUR 44,000 for the building of same size. This means that the charges must be reduced by approximately 80% of the current amount. Proposed Scenario III assumes the same requirements as the Scenario II, whereas the payment of the charges should be made within a period of 10 years in annual or monthly installments.

Moreover, the document is setting forth the guidelines for the improvement of the collection tools and broadening of the tax base governing property taxes, assuming amendments to the concept of local governments financing, as well as the amendments to the set of laws governing communal and administrative fees, charges for the use of roads, funding of tourism organizations, etc.

The material along with the proposal of conclusions was discussed at the session of the Government adopting the Scenario I for the land charges, envisaging its abolishment as of 016, after the transitional period which would enable the local governments to assume implementation, which was also the recommendation of the European Commission. In the first stage, local governments in accordance with the new provisions of the Law on Spatial

Planning and Construction of Structures are obliged to pass new decisions on land charges to which the Government is issuing consent and the change that was introduced is that the local governments will be obliged to equalize the amount of the charges for the business facilities with the current amount for the residential buildings. The aforementioned decline for business buildings in some local governments will amount to 30% of the current amount of this charge.

Regulatory Impact Assessment (RIA)

One of the most important steps in terms of continuous improvement of the regulatory framework is the introduction of the Regulatory Impact Assessment's (RIA) in the Montenegrin system of adopting new regulations. RIA is essentially based on the series of pre - identified steps based on which it is possible to determine effects that a new regulation or its amendments may have to the citizens, business community and the state. It aims at analytically answering the question whether the regulatory intervention is necessary, and if so, which possible regulatory option represents the best solution to the problem.

The main benefits of the RIA may be summarized in the following manner:

- *enabling the policy makers to better understand the consequences, i.e. costs, benefits and distributional impacts of decisions (who benefits and who bears the costs);*
- *providing for a greater insight and understanding of the real impact of regulations, taking into account that the RIA helps in the assessment and description of costs and benefits;*
- *providing for a timely detection of indirect and unintended regulatory impact;*
- *simplifying the regulatory environment;*
- *providing for the transparency of the process, stakeholders may present their views and additional facts through consultations with a regulator and during the public discussion;*
- *providing for the improvement of the work of public administration, better coordination of regulatory activities and responsibilities of the regulator.*

RIA was formally introduced by the entry into force of the new Rules of Procedure of the Government of Montenegro in early 2012, imposing an obligation to the authors of regulation to conduct the Regulatory Impact Assessment within the procedure of drafting laws and other regulations.

Since RIA's formal adoption to present, the Ministry of Finance issued over 590 opinions on the proposals of regulations and accompanying documents of the Report on conducted RIA (299 during 2012, and 291 from the beginning of 2013), in terms of regulatory implications to the business environment and the state budget impact.

Implementation of recommendations of the “Regulatory Guillotine”

Regulatory Guillotine represents an ex - post analysis of the impact of provisions of the current regulations. In our system the Guillotine was implemented in three phases:

- ***Phase I - Inventory and collection of the entire legal corpus/structure in Montenegro ;***
- ***Phase II - Regulations analysis;***
- ***Phase III - Provision of opinions, recommendations for amendments or even the abolishment of certain regulations, which was conducted in cooperation with regulators or relevant ministries, state administration authorities and regulatory agencies.***

The first Action Plan for the implementation of recommendations of the “Regulatory Guillotine” was adopted in May 2012. Specifically, in order to define clear deadlines for the fulfillment of the recommendations envisaged by the Action Plan in the period March - April 2012, several meetings were held at the level of the decision makers in the line ministries. On that occasion, the decision makers gave detailed explanations regarding the possibility of implementing certain recommendations and have determined the dynamics of the work that was presented in the first Action Plan adopted at the Government's session.

The first information on the implementation of the recommendations from the Regulatory Guillotine for the period May - December 2012, was adopted in April 2013. In accordance with adopted information, it was determined that

over a period of eight months of 2012, only 175 recommendations have been implemented, i.e. that the implementation degree amounted at 40.05%. In the light of the above, amended were 13 laws and 27 subordinate legislation. Since the greater number of recommendations was postponed for 2013 and 2014, the same conclusion required all authorities covered by the Action Plan to implement the recommendations given in the Regulatory Guillotine and to review the deadlines for the implementation of recommendations for 2013.

Amended Action Plan was adopted in September 2013, defining that 1,446 out from the total of 1,887 recommendations were accepted. Out from this number, 835 were implemented in the previous period (since the adoption of the Action Plan by the end of the third quarter of 2013), representing 58% of the total number of accepted recommendations. The remaining 611 recommendations will be implemented in following period. Pursuant to amended deadlines, it is planned to complete the implementation of recommendations by the end of 2015.

Resolving insolvency problem

With the objective of improving liquidity, the Government of Montenegro in cooperation with the Central Bank has initiated the development of a transparent system of periodic listing of companies having accounts blocked, for the purpose of supporting healthy companies and entrepreneurial ideas.

Therefore, prepared was the Proposal of the Law on Amendments to the Law on the National Payment System Operation (May 2012). The aforementioned Proposal of the Law sets forth a clear criteria for the disclosure of information on accounts blocked. In this regard, the Central Bank, starting from 1st July 2012, is publishing the names of legal entities or entrepreneurs with their unified registration numbers, amounts of accounts blocked (exceeding EUR 10,000) that are in the procedure of ongoing enforced collection exceeding 30 days.

The implementation of proposed solution aims at increasing the turnover and improved collection of executed operations, ultimately resulting in the fulfillment of agreed payment terms. Furthermore, it aims at defining the collection terms and methods, improving regulations and practices, as well as the conduct of administrative deletion of business organizations that are not engaged in business transactions. Moreover, this will result in a more efficient monitoring of the legal status of both legal entities and physical persons

representing the corporate sector of Montenegro. All this will contribute to a significant improvement of the business environment, enhancing legal certainty and the information on creditworthiness of business partners.

After the implementation of the aforementioned activities, the Working Group has continued with the examination of other issues related to finding solutions for overcoming the insolvency problem of business organizations. Since the insolvency of the economy has been strongly connected to the non-performing loans (NPL) of banks, the Working Group dealt specifically with the recommendations of the Working Group "Vienna Initiative" addressing the NPL issue and its overcoming in March 2012.

Starting from the negative impact generated by a high NPL level to the financial stability and the lending dynamics of banks, and thus to the triggering of a stronger economic growth, the Central Bank of Montenegro addressed at the end of 2011 to the World Bank with a request for assistance in minimizing the NPL's of banks in Montenegro. From 1 July 2012, the World Bank started with the provision of technical assistance to Montenegro intended to the application of measures that should contribute to faster reduction of the NPL's of banks. After analyzing the situation in the area of the NPL's, as well as the legal and institutional framework of Montenegro governing its collection, the World Bank, in cooperation with the Central Bank, reached an agreement on courses of action intended to more rapid and successful reduction in the NPL's levels. Course of action aimed at reducing the NPL's is based on the "Istanbul Approach", representing a successful assistance model in overcoming the banking crisis in Turkey in the period 2002 - 2005. "Podgorica approach" implies a voluntary NPL's restructuring, which is based on the provision of new incentives to the banks and companies to harmonize the assessment of their credit portfolios with post-crisis economic conditions of their borrowers.

The legal and institutional framework that should provide for the incentives to banks and companies also includes the Central Bank's regulation on credit risk management, as well as the modification of a broader framework for the protection of the rights of creditors who need to make the NPL's restructuring successful. At the same time, extensive amendments to the legal and institutional framework should enable faster and more successful debt restructuring of the real sector. "Podgorica approaches" activities are envisaged in three phases. The first phase was focused on a pilot projects in cooperation with banks, for the purpose of testing the approach assumed on a number of NPL's. The aforementioned phase has been implemented in the first quarter of 2013.

It is anticipated that the second phase is completed with the preparation of the proposals for the amendment to the regulatory framework, through the enactment of a special law (*lex specialis*) that would allow for the amendments to existing regulations aimed at facilitating rapid and successful implementation of the NPL's restructuring on a voluntary basis.

Taking into account the aforementioned, a draft Law on consensual financial restructuring has been developed, aimed at encouraging the recovery of the debtor, or the mortgage loan beneficiary in financial difficulties by restructuring debts, preservation of the financial system stability and the provision of access to the new financing options for the purpose of boosting the economic recovery and growth.

The third implementation phase of "Podgorica approach" refers to the commencement of implementation of the voluntary restructuring of loans and it will include activities related to both the corporate and retail loans. The success of the "Podgorica approach" will heavily rely on the support of both the banks and the institutions in Montenegro, as well as the Government of Montenegro for accepting the amendments to legislation with the objective of overcoming the barriers (especially in the area of the tax regulations) for creditors and beneficiaries to enter the process of the consensual loan restructuring. In addition to the aforementioned activities, a set of additional measures has been envisaged aimed at preventing the creation of the new NPL's.

Reforms in the area of enforcing contracts

The Law on enforcement and security entered into force in July 2011, introducing significant changes in the enforcement and security proceedings, whereas the most important change is the introduction of competences of public bailiffs and their acting upon enforcement scope determining and implementation.

The Law on public bailiffs entered into force in December 2011, governing the organization of public bailiffs conducting the enforcement and security proceedings, their appointment and other issues of importance for the performance of the enforcement activity.

The new regulation on enforcement is abandoning the current model of judicial enforcement assigning its implementation to the public bailiffs, except

in cases of child custody decisions, return of employee to work and some other specific activities that can be performed only by the executive debtor, which remains under the competency of the court.

Public enforcement service is a public service that is entrusted to persons who are worthy of public trust, being independent and autonomous providers of services. A public bailiff is independent, yet his autonomy and independence is not absolute, he is bound by the Constitution, laws and subordinate legislations, under the supervision of the Chamber, as well as the ministry responsible for judicial affairs.

Pursuant to the Law on public bailiffs, with the objective of ensuring efficient execution of this activity and the creation of legal security of citizens, the Ministry of justice and human rights has adopted all subordinate legislations enabling the implementation of the Law.

For the appointment of public bailiffs and for carrying out enforcement activity, the Law is setting forth the appropriate procedure (publication and implementation of the public competition for the appointment, adoption and publication of the decision on the appointment, taking the oath of the public bailiff (at latest within 30 days from the appointment date), the provision of the office space and equipment for the operation of the office in which the enforcement activity will be performed, etc).

After implementing the procedure for taking examinations, the first public bailiffs will be appointed, who will be trained and who, above all, as professionals will contribute to the improvement of the enforcement proceeding, at the same time taking into account that an enforcement is conducted with maximum respect of personality and dignity of the debtor and of course, to protect the interests of the creditor on whose behalf the enforcement is to be conducted. A public bailiff, who will be under the supervision of the Ministry and the Chamber will assist in reducing the workload of courts and the backlog of court cases, which ultimately will result in the judiciary efficiency enhancement in the enforcement area.

Open Government Partnership

The Operating team has continuously held working meetings for the purpose of evaluating the implementation of measures from the current and preparation of the new Action Plan. The Action Plan envisages the implementation

of 49 measures, out of which 23 represent nonrecurring and 26 are continuous measures. Out of 23 nonrecurring measures, 17 were implemented within a year.

As for the improvement of the portal “Voice of Citizens - e - petitions”, in early April of the current year, the Operating team prepared a proposal of measures for further improvement of this service which was submitted to the Government for consideration.

In early February 2013, on the web - sites of the Government of Montenegro, Council for Improvement of Business Environment, Regulatory and Structural Reforms and the Ministry of Finance, as well as on the various social networks, public invitations were issued to all interested parties to submit the measures and recommendations for amending the Montenegrin Action Plan, which lasted a month. Furthermore, invitations to media of Montenegro were separately sent, letters to all members of the Operating team, as well as the ministries of the Government of Montenegro. Since the public did not express the interest in submitting suggestions and proposals of measures by the set deadline, the deadline for submission of measures was extended until the end of March 2013, which also was unsuccessful.

After resending calls, in early April 2013, non - governmental organizations that are the members of the Operating team have submitted their proposals. The proposed recommendations, to the greatest extent, represented the concretization of existing measures, in addition to defining the deadlines for their implementation, as well as the institutions responsible for their implementation. In this manner, Montenegro has already conducted activities related to public consultation for the development of amendments to the Action Plan.

However, activities on the finalization of amended Action Plan have been suspended, bearing in mind that the Open Government Partnership Secretariat informed the Operating team that activities aimed at developing an independent progress report of the member states of the Open Government Partnership have been initiated, which will comprehensively examine and consider the first action plans of the member states, and provide for a specific recommendations for improving both formal and substantive parts of the Action plans, and generally improve the transparency of the Government’s work.

Bearing in mind the current problems in the implementation of planned measures, a detailed information on activities of the Operating team shall be

developed for the production and implementation of measures of the Action Plan in accordance with the principles of the Open Government Partnership, which will be submitted to the Government of Montenegro for consideration and adoption, with concrete proposals for overcoming the problems that have so far appeared in the work of the Operating team.

In early November, the coordinator, deputy coordinator and secretary of the Operating team took part in the second annual conference of the Open Government Partnership in London.



Development of the Internal Public Sector Reorganization Plan³

Public sector financial sustainability, especially the state administration and its impact on the state budget, represents a strategic issue since the independence renewal of Montenegro. This issue has become more complex in recent years due to the impact of the global financial crisis. Under the influence of the aforementioned circumstances, the Government, is for several years taking measures aimed at providing fiscal sustainability, including, inter alia, the limitation of the wage fund, while on the other hand, there is a need to improve the public administration efficiency and to build capacities for managing the EU accession process.

Having in mind the aforementioned, in July 2013, the Government of Montenegro, at the proposal of the Council for Improvement of Business Environment, Regulatory and Structural Reforms, adopted the Internal Public Sector Reorganization Plan.

Since the state administration is only one segment of the public sector and having in mind that other layers of this sector have the need to increase efficiency, accountability, professionalism, reduce costs, rationalize the workforce and improve the quality of public services, the Plan envisages certain measures and activities related also to organizations that are exercising public powers (services, agencies, public institutions and public enterprises founded by the Government).

³Working group members:

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2. Ivan Radulović, Ministry of finance, secretary,
3. Marija Šuković, Cabinet of the Vice President of the Government, member,
4. Bojana Bošković, Ministry of finance, member,
5. Nataša Pešić, Ministry of justice, member,
6. Đuro Nikač, HRMA, member,
7. Danijela Nedeljković-Vukčević, Ministry of internal affairs, member,
8. Snežana Mugoša, Ministry of finance, member,
9. Ana Krsmanović, Ministry of finance, member,
10. Antonio Krčalović, Ministry of finance, member,
11. Marja Žugić, Ministry of IT society and telecommunications, member.

Public sector reorganization is pursuing for double effects. In addition to the decrease in the number of employees in the public sector, it is necessary to provide that the decreased number of employees is providing high quality services to the citizens in a more efficient manner. In the light of the above, determined was also the objective of the Plan which is the creation of more efficient, cost - effective and effective public administration being founded on the best international standards and practices.

Key challenges recognized by the Plan are as follows:

- *Ensuring fiscal sustainability of the public sector;*
- *Creating administrative capacity and standards in the process of designing policies that will contribute to improving the quality of life and provide for the future economic prosperity;*
- *Establishment of a modern and efficient apparatus that will in the best possible manner and with limited resources, fulfill the needs of citizens and business organizations in Montenegro;*
- *Increase in the quality of management/leadership and accountability at all levels of public administration;*
- *Providing quality services of education, health and safety;*
- *Building administrative capacities in terms of reaching the EU standards, which will enable accession to the NATO and EU.*

Special objectives are focused on the following:

- ***Human resources planning improvement;***
- ***Improvement and standardization of the public sector wage policy planning in line with the economic fiscal capacity;***
- ***Improving efficiency, productivity, and service quality; and***
- ***Decrease in the number of public sector employees.***

Because of the public sector layered structure, a number of specific characteristics of individual areas that make its part, and the fact that the recommendations, measures and activities do not apply in the same manner and to the same extent in all areas within the sector, the Plan is elaborating in details a specific reform measures for the following sectors: education, justice, defense for the army, health and home affairs for the police.

It is planned to make the reduction in the number of employees across the sectors and to implement the cuts in two phases, in the period from 2013 to 2015 and in the period from 2015 to 2017. The implementation of the Plan up to 2017, will result in decreasing the total public sector consumption by EUR 64,01 million.

Savings on the basis of:	Estimated amount of savings, in EUR
<i>Increase in work efficiency and decrease in the number of employees</i>	31.740.933,68
<i>Increase in work efficiency and decrease in the number of employees in special sectors</i>	24.284.228,62
Outsourcing	500.000,00
<i>Creating conditions for the establishment of unified authority for the supervision of the financial system</i>	90.000,00
<i>Creating conditions of the potential establishment of unified regulatory authority</i>	442.000,00
<i>Centralization of public procurement in certain areas</i>	2.000.000,00
Severance pay	5.000.000,00
Total:	64.057.162,30

Total savings in the public sector consumption should amount to approximately 2% of GDP, whereas the maximum savings should be achieved on the basis of the employees' wage costs (1.7% of GDP), being the highest consumption item. The biggest savings by sector are expected in the area of internal affairs, health and education sectors.

Relevant ministries will assume the responsibility for the implementation of measures and activities envisaged by the Plan at the sectoral level. This means that the line ministries will bring decisions in which parts of the sector and in which percentage it is necessary to reduce the number of employees, or in which parts and which levels it is necessary to provide professional training or the need for additional employment, in accordance with their policies and the human resources plans. When making the aforementioned decision, the issues that will be considered will not only be limited to the total number of employees in the sector, they will also include the manner of its distribution among the authorities and institutions within each sector (possible the mobility of employees), as well as the future needs, with the particular emphasis on the implications of the future negotiation process with the EU.

Special attention will be paid to monitoring the implementation of all activities envisaged by the Plan, which is why the Council for Improvement of Business Environment, Regulatory and Structural Reforms, in October 2013, has established a Special group to monitor and prepare information and reports on the implementation of all recommendations, measures and activities determined by the Action Plan for the implementation of the Plan.



As for the structural reforms, prepared were the following analysis providing for a clear conclusions and measures aimed at improving the situation in the area of education, health and the pension system:

1. Analysis of the supply and demand ratio in the labor market;
2. Analysis of the possibility of the IT technology introduction (hardware and corresponding didactic software) in the implementation of the primary education curriculum;
3. Comparative analysis of the primary education curriculum in Montenegro, the countries of the European Union and the countries of the region;
4. Analysis of possibilities for the introduction of the “voucher schemes” for funding higher education;
5. Analysis of the professional training module for high school graduates;
6. Analysis which aims at pension system reform;
7. Services Directive

Analysis of the labor market's supply and demand ratio ⁴

During the first year of implementation of the Government's programme for training of persons with acquired higher education, which aims at facilitating the vocational training for a period of nine months, in the stage of “matching” the expressed needs of employers and available candidates, or their expressed preferences, a basis for analysis of the labor market's supply and demand ratio has been obtained. Having this in mind, the Council has initiated the development of the Analysis which would represent an additional source of information for creating an effective enrollment policy at higher education institutions.

Prepared Analysis provides an insight into the study programmes that are (not) in demand, showing a significant difference between the supply and

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1. Ivana Petričević, Ministry of foreign affairs and the EU integration, coordinator,
2. Marija Šuković, Cabinet of the Vice President of the Government, member,
3. Ivan Lazarević, Ministry of IT society and telecommunications, member

demand, also providing an insight into the inconsistency between the strategic objectives of the Government and the future employees who are educated to work in the top priority development areas. Conclusions and recommendations provide for a concrete proposals and suggestions to the relevant institutions in order to improve this area.

For example, when we review the development sectors of the Montenegrin economy, except for the tourism sector accounting for a significantly lower number of vacancies against the number of users, other two sectors - agriculture and energy - require the identification of mechanisms that will boost the interest of young people to study the curriculum in these areas. Specifically, when it comes to the tourism sector curriculum, it is necessary to examine the existing ones, and to determine whether there is a significant difference in the content of the curriculum that is currently offered, in order to enhance its effectiveness, simultaneously considering the reduction in the number of enrolment posts for these courses.

Although most of the recommendations relate to the admission policy, it is important to emphasize that the analysis recognizes the importance of employers' willingness to engage more actively in the process of training the future workforce, thus the Analysis is pointing out the necessity of strengthening cooperation between employers and higher education institutions, in order to adapt the curriculum to the requirements of the labor market, but also to enable the employers to identify the future employees who within the "existing supply" could meet their needs.

Finally, the analysis has been adopted by the Government and submitted to all relevant institutions and it can be found on the web - site of the Council.

Analysis of the possibility of the IT technology introduction (hardware and corresponding didactic software) in the implementation of the primary education curriculum⁵

Bearing in mind that the ICT is one of the key competencies required for a successful personal and professional life, the Council's working group prepared an Analysis addressing the ICT importance in primary education, a review of the experiences of other countries in the use of this kind of teaching aids, a detailed analysis of the advantages and disadvantages of using the e-readers compared to the tablet computers, budget for introducing this system, as well as a basis for the proposal of a pilot project as a prerequisite for further development of this initiative.

International experience suggests that the ICT introduction in teaching and learning processes, based on a careful analysis of the objectives and standards, as well as the specific needs of students and teachers, can significantly increase the effectiveness of teaching and learning, enabling a better didactic organization of individual courses, as well as the adoption of general ICT skills. Computer literacy, in its broadest sense, we consider as a continuous process both when it comes to students and teachers, the need for constant monitoring of new technologies, innovation and practical knowledge, and subsequently the evaluation of the effects of their application plays a very significant role in improving the quality of education. We should bear in mind the very important aspect of computer literacy which later on, in the process of starting and progression in the work career, plays an important and often decisive role.

The IT devices introduction in primary education is a process that is being implemented in a large number of countries regardless of the level of development and economic stability. The initiative of the European Union "1:1" speaks in favor of the idea that Montenegro should at earliest start with a programme that would aim at presenting, at the beginning through the implementation of a pilot project, the advantages of the computer literacy of children in their early development ages to the Montenegrin society.

⁵Working group members:

1. Marina Matijević, Ministry of education, coordinator,
1. Marija Šuković, Cabinet of the Vice President of the Government, member,
2. Lidija Vukčević, Ministry of education, member,
3. Jelena Jovetić, Ministry of education, member,
1. Vesna Bulatović, Educational bureau, member,
2. Radule Novović, Ministry of IT society and telecommunications, member.

Children would thus acquire the ability to acquiring high quality education, following international standards, while at the same time they would be preparing for a labor market that is increasingly demanding.

Since this is a very extensive topic and demanding implementation, both in terms of the equipment level and necessary didactic software, and in terms of financial resources, the Analysis suggests that the implementation of the aforementioned project is conducted in phase, and to use it to test the willingness of all stakeholders (pupils, teachers, parents, relevant institutions, donors, IT firms...) to support the implementation, which is also crucial for the project's successfulness.

Analysis was adopted by the Government's committees, submitted to the responsible institutions and it can be found of the web - site of the Council. The next step in the implementation of this project, is the **Analysis of financial and other prerequisites necessary for the implementation of pilot project of IT technology introduction in primary education and upbringing**⁶ which is in its final stage of development, defining all aspects necessary for the successfulness and sustainability of the pilot project phase.

⁶ **Working group members:**

2. Marina Matijević, Ministry of education, coordinator,
4. Jelena Konatar, Ministry of education, member,
5. Ana Labudović, Ministry of education, member,
1. Radule Novović, Ministry for information society and telecommunication, member,
6. Ljubica Novović, Ministry for information society and telecommunication, member,
7. Marija Šuković, Cabinet of the Vice President of the Government, member,
8. Radoslav Milošević, Educational office, member,
2. Jelena Jovetić, Ministry of finance, member,
3. Aleksandar Čogurić, Institute for textbooks publishing and teaching aids, member.

Comparative analysis of the primary education curriculum in Montenegro, the countries of the European Union and the countries of the region⁷

Within the fundamental principles of the primary education in Montenegro, inter alia, emphasized are also the developmental principles of all aspects of the child's personality, principle of effective cooperation between pupils, teachers and parents, as well as the availability and access to high quality education to every child in order to successfully continue further education. In accomplishing these objectives, the application of the elective courses concept also plays an important role, which is a new concept compared to the traditional system of education of Montenegro, starting from 2004/2005. Bearing the above in mind, the Council proposed the preparation of an Analysis examining in details the current situation in this area in Montenegro in relation to the experiences of other countries. Thus, the Analysis includes a brief overview of the primary education in Montenegro, with a special emphasis on weekly overload of pupils and duration of school hours, curriculum, number of pupils in a class, elective courses in relation to the length of the study, type, number, frequency and selection procedure of both by children and by school. A very important part of the Analysis represents a review of the experience of other countries, the similarities and differences in relation to the Montenegrin educational model: Serbia, Croatia, Bosnia and Herzegovina, Kosovo, Slovenia, England, Finland and Estonia. Finally, the Analysis includes the main conclusions and recommendations that may form the basis for further improvement of the primary education system of Montenegro.

The Analysis was adopted by the Government and submitted to the relevant institutions with clearly defined conclusions which, inter alia, relate to the consideration of unburdening the objectives and contents of obligatory teaching courses, in order to increase the classes fund for elective courses, allowing for the first foreign language is introduced in the first grade of all elementary schools of Montenegro, introduction of "Entrepreneurship" as a compulsory

⁷ **Working group members:**

3. Vesna Vučurović, Ministry of education, coordinator,
9. Branka Kankaraš, Ministry of education, member,
10. Marija Šuković, Cabinet of the Vice President of the Government, member,
11. Radoslav Milošević, Educational office, member,
12. Miodrag Vučeljić, Educational office, member,
13. Gordana Sekulić, Cabinet of the Vice President of the Government, member.

school course in senior primary school classes, change of the current list of elective courses, introduction of the elective course “Career orientation” in VIII or IX class, etc.

The Analysis can be found on the web - site of the Council.

Analysis of possibilities for the introduction of the “voucher schemes” for funding higher education⁸

With the objective of finding optimal ways of funding higher education institutions, the Council initiated the examination of the idea of introducing “vouchers”, i.e. to review the legal basis, as well as the financial implications and procedures that would allow a “voucher” to be awarded to a student, and who in that case may opt for an institution that will provide him the education.

Having in mind the implementation of the project “Higher education and research for innovation and competitiveness” and the engagement of the World Bank expert to conduct an analysis of financing higher education in Montenegro and to make recommendations for improving the financing system, the working group of the Council, through intensive communication and cooperation on this project, contributed to the development of materials, and informed the Council about the Project’s Final report - Appropriate financing mechanisms for the development of higher education in Montenegro.⁹

The aforementioned Report is based on the data obtained from institutions in the higher education system in Montenegro, providing for an overview of the best practices in this area that in the world. Of course, corresponding model for the allocation of public funds for higher education should be guided, inter alia, by the principles of its direct linking with the national priorities, higher education performance criteria, transparency, equality and stability.

The Report, in addition to a detailed analysis of the current status of play in

⁸**Working group members:**

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5. Biljana Mišović, Ministry of education, member,
6. Predrag Stanišić, Representative of the University of MNE, member,
7. Maja Drakić-Grgur, High education private institutions representative, member,
8. Marija Šuković, Cabinet of the Vice President of the Government, member,
9. Boris Mugoša, Cabinet of the Vice President of the Government, member,
10. Slobodanka Burić, Ministry of finance, member,

⁹Report prepared by Mr. Žamil Salmi within the project of the Government of MNE, being funded from the WB loan.

the area of higher education financing, provides for the analysis of the two possible financing options/models including:

- “Contract on the basis of achieved results, universal costs distribution and credits related to income” and
- “Vouchers and credits related to the future income of graduates”.

When addressing the model “vaucherisation” model, for which the Council was initially interested in, it has been emphasized that the basic principle is the competition promotion between the state and private institutions of higher education, providing a support to student, and not an institution directly. Thus, the aforementioned model should contribute to improving the quality of work and the relevance of the programmes implemented by the institution, through the encouragement of competition among the institutions itself, which ultimately results in attracting a large number of successful students, increasing internal efficiency, reducing the number of students dropping out their studies and more effective use of financial support from the Government.

Voucher system, in the majority of cases, would be implemented in the following manner:

- students and/or their families would receive a coupon (voucher) representing a certain amount of money, which is used exclusively for the study costs;
- students would be submitting a voucher to institution in which they are enrolling in, and the institution itself would claim the value of the voucher from the Government.

Finally, in the case of voucher scheme development and assessment of available resources, the Government must consider and resolve a number of operational issues on the eligibility of institutions to participate in a vouchers system, the amount of the vouchers in relation to the unit price and other educational expenses, as well as focusing special attention to the weakness of this model, which primarily relate to the difficulties in its administering.

Under the proposed scenario, the Government of Montenegro would have a powerful tool to guide and stimulate the development of higher education institutions. The advantage of the vouchers by the demand compared to traditional funding approaches is reflected in a greater variety of choices to students, thus encouraging greater access to higher education and internal efficiency.

Analysis of the professional training module for high school graduates¹⁰

Since the youth employment is one of the top priorities of the Government of Montenegro for a longer period of time, the Council has established a working group to conduct an analysis, which would consider the need and propose a model of Vocational training programme for high school graduates, which would be based on the principles of the current Vocational training programme for university graduates, to the extent possible. Thus, developed Analysis is reviewing the current situation in Montenegro in the labor market, secondary education curricula, attitude of the economy to the need for state intervention through the introduction of these type of programme and it ultimately defines the target group and envisages the necessary steps and activities aimed at successfully implementing the programme.

Taking into account strategic documents and labor market analysis developed by both the public and private sector, as well as the data on issued work permits to foreigners, the conclusion was drawn that the Programme applies to high school graduates who have completed the programmes that are considered scarce in the labor market of Montenegro, i.e. who possess qualifications that are largely “imported” primarily from the countries of the region. In the light of the above, the list of professions/areas of work for which there is the market demand and are primarily related to the third level of qualification: mechanical engineering and metalworking, electrical engineering, surveying, construction, agriculture, manufacturing and food processing, forestry and wood processing, trade, hospitality services and tourism.

Potential employers who would take part in the Programme, taking into account the specificity of selected scarce professions, would largely be from the private sector, with the possibility of participation of companies in which the Government has a controlling stake.

¹⁰ **Working group members:**

1. Marija Šuković, Cabinet of the Vice President of the Government for the EU integrations, coordinator,
2. Boris Mugoša, Cabinet of the Vice President of the Government for economic policy and financial system, member.
3. Arijana Nikolić, Ministry of labor and social care, member,
4. Zora Bogičević, Ministry of education, member,
5. Ivan Lazarević, Ministry of IT society and telecommunications, member,
6. Vesna Simonović, Ministry of IT society and telecommunications, member,
7. Danka Četković, Employment Agency, member.

Pursuant to the Analysis, vocational training would be implemented within a period of four months, from 1st February to 31st May, while the promotion of the Programme and the publication of a call for public participation would begin in September of the previous year. Thus, the first year of the Programme should start on 1st February 2015, in order to end on 31st May 2015r, which coincides with the beginning of the summer season when there is a significant increase in requests for the issuance of work permits for jobs not requiring high expertise, thus there is a greater chance for the beneficiaries of the Programme to retain a job for which they were trained for or to find a new employment.

Finally, it is very important emphasizing that the Programme received support from the Association of Employers of Montenegro, which, during the development of Analysis and exchange of opinions, expressed the opinion that the Programme should be initiated and that they are willing to actively support and promote it through their participation.

Analysis was adopted by the Government and can be found on the web - site of the Council.

Analysis of further development options of the public - private partnership model in health sector of Montenegro ¹¹

The adoption of the Decision on health care institutions network in 2010, enabled the establishment of the the first form of the public - private partnership in the health sector of Montenegro. The network of health care institutions covered both the public and private health institutions to include activities which were difficult to access in public health care institutions, in terms of the waiting lists. At the same time, the network of health care institutions covered the dental practice in primary health care level, as well as outpatient clinics for the provision of specialist services. In addition, the Ministry of Health has prepared two concessionary studies and entered two concession contracts

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- 1.Nebojša Todorović, Ministry of health, coordinator,
- 1.Gorica Savović, Ministry of health, member,
- 2.Mensud Grbović, Ministry of health, member,
- 3.Milena Šćekić, Ministry of health, member,
- 4.Anđelka Babić, Deputy director of the Health insurance fund, member,
- 5.Sead Čirgić, Health insurance fund, member,
- 6.Marija Šuković, Cabinet of the Vice President of the Government, member,
- 7.Snežana Šljukić, Cabinet of the Vice President of the Government, member,
- 8.Dragica Perović (UPCG), Private sector representative, member.

for the medical waste management in Montenegro, as well as for the financing, construction and the use of PET/CT center based on the bot system within the Clinical Center of Montenegro.

Bearing in mind the current examples, as well as the need for further development of the public - private partnership model, the Council established a working group that prepared the Analysis, which is primarily:

- Identifying areas for the inclusion of private sector in the provision of health services;
- Identifying areas for the inclusion of private sector in the provision of other non - health related services;
- Identifying the current legislation with the objective of identifying the barriers to the development of the PPPs in the health sector, including the financing model.

Many, practically limitless opportunities are available for the provision of public services through the cooperation of the public and private sectors. Depending on the degree of the public and private sector involvement in the design, construction, maintenance, financing, functioning, management and allocation of risks in the provision of public services and/or construction of public infrastructure, the Analysis is presenting 15 possible PPP's models. The difference among the aforementioned partnership models emerges from the different coverage between the division of roles of public and private partners in the project, as well as agreed ways of financing, management, maintenance, risks allocation and ownership status of constructed or modernized infrastructure or public facility.

Understanding the importance of international experience, the Analysis is recognizing also the nine case studies that are providing for an overview of the recent experience in Europe, including a Table that is showing the combination of the public - private partnership in Europe. The conclusion to be drawn is that the PPP's in health care sector is largely applied in many countries, and that there is no specific model for the implementation of cooperation, but it is rather adapted to a specific project.

In terms of services and management in Montenegro, there is huge potential for projects in public health sector, health care and health industries that need to be identified. Starting from a very pronounced need for the improvement of health care facilities, replacement and modernization of equipment, construction of new facilities and its equipping, the introduction of the latest medical technologies, with the intention that these technologies provide for

a high quality health care available to every individual, some of the options for the application of the public - private partnership in the private health care in Montenegro have been identified, which are in line with the strategic documents of the Government pertaining to this issue. The following proposals have been addressed by the Analysis, which in the next stage certainly require the development of justification studies:

Clinical Services

- *Construction and use of magnetic resonance imaging within the Health Centers Berane and Bar;*
- *Construction of angiographic room;*
- *Gynecology and obstetrics clinic (GAK);*
- *Psychiatry clinic;*
- *Infectious Diseases and Dermatology clinic;*
- *Neurology clinic;*
- *General Hospital Podgorica.*

Outsourcing of non - clinical services

- *Provision of food for patients in health care institutions;*
- *Laundry and ironing of linen in health care institutions;*
- *Security services;*
- *Cleaning and maintenance services of hospital facilities;*
- *Health institutions business processes management.*

Analysis aimed at pension system reform ¹²

Pension system analysis is implying that the key reforms in the pension system directed to ensuring long - term financial sustainability of the system have generated the expected results, as well as that the effects of reforms will be even more visible in the future with its full implementation. However,

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2. Bojana Bošković, Ministry of finance, member,
3. Tijana Stanković, Ministry of finance, member,
4. Jovo Pajović, Ministry of labor and social care, member,
5. Ana Stijepović, Ministry of labor and social care, member,
6. Gordana Radojević, MONSTAT, member,
7. Valentina Ivanović, CBMNE, member,
8. Milanka Mrdak, Pension and disability insurance fund, member,
9. Jadranka Kaluđerović, representative of Montenegro Business Alliance, member,
10. Slađana Pavlović, Ministry of finance, secretary.

the effects of both reforms were, to a certain extent, hampered and limited by both ordinary and extraordinary harmonization of pensions, as well as by the imposition of special retirement requirements which, in addition to its financial effect, have a significant negative impact on the activity of the population.

Analysis of the possibility of introducing the Pillar II has shown that the introduction of the Pillar II is expensive, especially when the deficit of the Pillar I is pronounced, as it is the case in Montenegro. In addition, the practice of countries that have introduced the Pillar II is that a state is guaranteeing for revenues of future pension funds, as it is the case in the countries of European Union that have introduced the Second Pillar, which is not depriving a government from the responsibility for pensioners in the Second Pillar. Additionally, these arrangements affect the increase in moral hazard in the case of Montenegro, which has a relatively small and underdeveloped capital markets which is increasing fiscal risks.

Pension system, as well as a comprehensive social protection system of Montenegro, based on the World Bank's assessment are too "generous", negatively affecting the economic activity of citizens, as well as the labor market outcomes creating dependence on the system beneficiaries. Moreover, the labor market legislative framework, despite reforms in the previous period is still limited in terms of creating new jobs and provision of a greater labor market mobility. Pension reform, without complementary reforms in other areas, will fail in providing expected results, especially having in mind the low activity rate among working - age population of Montenegro.

In the light of the above, the key recommendations after conducted Analysis are as follows:

o Further reforms of the Montenegrin pension system are necessary to ensure the sustainability, security and adequacy of the existing pension system, through:

o Elimination of the special retirement requirements;

o Amendments to the early retirement provisions;

o Linking the age limit to life expectancy;

o Further setting of the system parameters;

o Deficit reduction of the Pension and Disability Insurance Fund;

o Change of the pensions adjustment method;

o Consideration of introducing the notional - defined contribution schemes.

The introduction of the Pillar II with poor performances of the Pillar I will only increase already high costs of the pension system and will require greater

funding from the tax revenues, which will eventually trigger the increase in the labor tax burden (relatively high compared to the OECD average) or an increase in indirect taxation (VAT).

Noting that the concept of individual responsibility for old age is the only sustainable pension system in the long run, especially in case of deterioration of the demographic parameters as it is the case in Montenegro, future pension system reforms, especially in the part covering the introduction of capitalized savings should be carefully considered and implemented, bearing in mind the experience of other countries that are similar in the level of economic development and the fact that each system implies implicit or explicit fiscal costs.

Fiscal pension system sustainability, regardless of the type of system, depends on the economic activity of population, thus, the pension system reform without further adjustment of the social protection system and the labor market legal framework and increase activity in the labor market will fail in generating expected results.

Services Directive ¹³

In accordance with the obligations under the Stabilization and Association Agreement and with the objective of meeting the requirements set forth in the Chapter 3 - Right of establishment of companies and freedom to provide services, Montenegro should fulfill all the requirements for the full implementation of Directive 2006/123/EC of the European Parliament and Council on services in the internal market until the date of accession to the European Union. The Services Directive represents a horizontal, more efficient legal framework in the area of freedom to provide services. The Directive applies to all services except those which are under the exclusive jurisdiction of the state and that relate to social, health, notary, audiovisual, financial services (banking, lending, investment funds).

¹³ **Working group members:**

1. Goran Šćepanović, Ministry of economy, WG president,
2. Svetlana Božović, Ministry of economy, member,
3. Marija Šuković, Vice President of the Government, member,
4. Pavle Radovanović, General Secretary of the Chamber of Commerce, member,
5. Jelena Jovetić, Ministry of finance, member,
6. Milica Šćepović, Ministry of economy, member,
7. Danijela Nedeljković Vukčević, Ministry of internal affairs, member,
8. Milena Biro, Ministry of foreign affairs and the EU integration, member.

With the objective of providing more efficient work coordination on the transposition of the Services Directive, a working group was established for the implementation of activities with the task, inter alia, to develop a long-term action plan, as well as to monitor the implementation of the Project "Approximation to the EU legislation - capacity building in reference to the transposition of Services Directive in the internal market and its implementation". According to estimates, 13 ministries, Inspection Administration, Chamber of Commerce of Montenegro, Chamber of Engineers, Chamber of Craft, etc., will be in charge of the Directive implementation, the complexity of which is requiring that the coordination, i.e. monitoring is conducted by the Council.

The working group is regularly reporting the Council of its activities.

