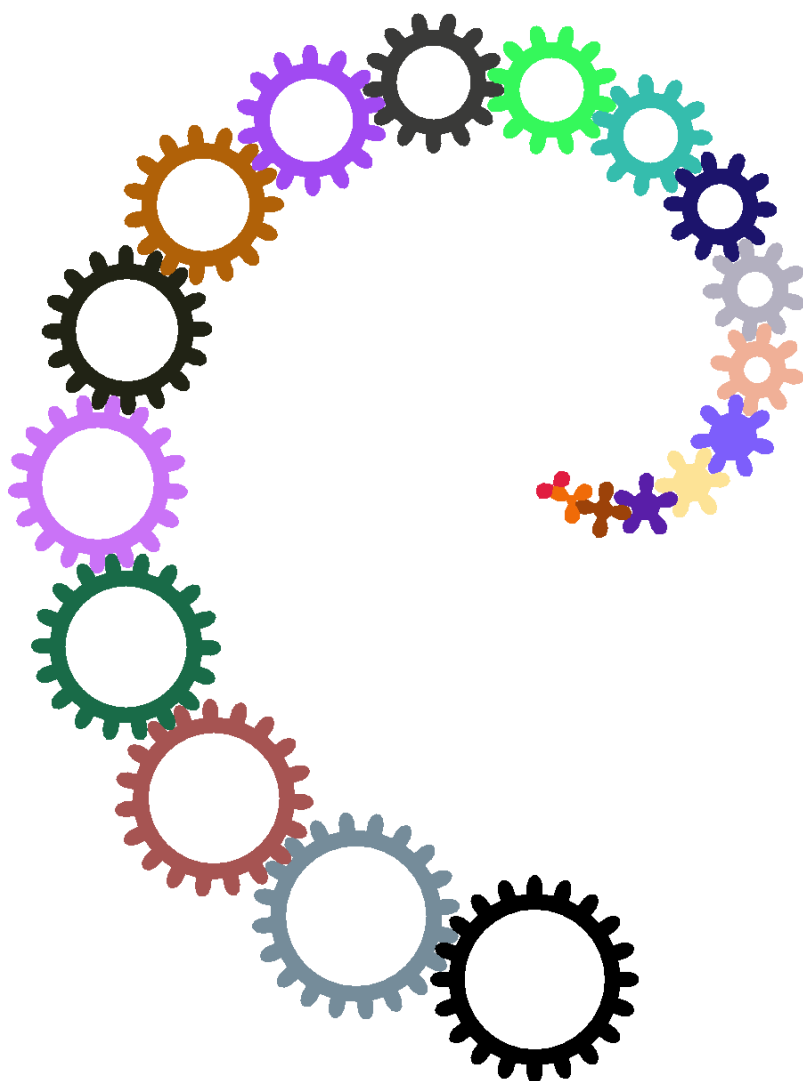


MSME Sector Status Report- Status and Obstacles Faced by Local MSME Sector in Bar, Budva, and Ulcinj Region



CEED Montenegro

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Part I: Introduction and executive summary

1. Introduction

The research “Business Operations and Operating Barriers in the MSME Sector in the Bar, Budva and Ulcinj Municipalities” was conducted by the Center for Entrepreneurship and Economic Development under the Business Centre Bar project, initiated by the Dutch NGO, SPARK (www.spark-online.org/www.bscbar.org) and implemented in cooperation with the NGO “Mrkojevici”, Faculty for Tourism, Hotel and Trade, “Cultural Centre” - Bar, Employment Agency - Bar, NGO “Forum of Unemployed Women”, Agricultural Association of Bar, Montenegro Business Alliance, Municipality of Bar, NGO “Association of Olive Producers” and Economic’s School - Bar. The BSC Bar is part of the SEE network of Business Start-up Centres, financed by the Netherlands Ministry of Foreign Affairs. The research was conducted in the fourth quarter of 2007 and the results published in early 2008.

The purpose of the research is to identify the status and barriers that micro, small and medium sized enterprises (MSME’s) face in three Montenegrin costal municipalities – Bar, Budva and Ulcinj. As part of the BSC Bar project, a business incubator is being established in the Bar municipality. This incubator and the BSC Bar will be the support units for MSMEs in these three municipalities.

The Center for Entrepreneurship and Economic Development (CEED) is the first consulting and research center established in Montenegro to support entrepreneurship and private sector development.

Today, after more than 10 years since it was founded, the primary services offered by the center include: (i) quantitative and qualitative research, economic surveys, and social assessments; (ii) policy analysis and recommendations; (iii) business consulting services; and (iv) advocacy

With more than 200 clients in Montenegro and references with international organizations, the Center for Entrepreneurship and Economic Development has developed a reputation as a reliable partner.

Research Methodology

The research method contained three phases:

- Phase 1: Desktop research (documentation analysis, regulations, legal issues);
- Phase 2: Quantitative research (MSME sector questionnaire in three municipalities);
- Phase 3: Qualitative research (focus groups and interviews in three municipalities).

Phase 1 – Desktop Research

Based on the available documentation and regulations in the MMSME sector, a critical review of the institutions and formal instruments at both the local and national level was

carried out. On that basis the general characteristics, barriers, and opportunities for overcoming those barriers was further identified and discussed.

Phase 2 – Quantitative Research

Based on data from the Central Register of the Commercial Court in Podgorica, a sample comprised of 246 enterprises from Bar, Budva and Ulcinj was created and classified by activity sector. The sample structure is shown below:

Type of activity	Bar		Budva		Ulcinj	
	Number	%	Number	%	Number	%
Trade	32	68.1	35	35.4	50	50.0
Services	8	17.0	33	33.2	28	28.0
Tourism and catering	3	6.4	20	20.2	13	13.0
Transportation	1	2.1	-	-	1	1.0
Pharmacy	1	2.1	-	-	-	-
Production	2	4.3	6	6.1	6	6.0
Construction	-	-	5	5.1	2	2.0
Total	47	100,0	99	100,0	100	100.0

In the Bar municipality the participation of enterprises was lower than in the other two municipalities due to the local entrepreneur's lack of interest and willingness to take part in this research. People simply refused to participate without obvious reasons.

The basic method used for gathering the data was by direct interview and personal dialogue with randomly chosen representatives of MSMEs. For field work, CEED employed people used to conducting similar research activities. All surveyors attended a one-day training course to introduce them to the interview content, the goal of the research, and the terms of employment, with special attention dedicated to open issues and those that required the ranking of offered responses. Based on data from the Central Register of the Commercial Court, classified by activity sector, each surveyor received a list of enterprises for surveying.

In order to make contacts with interviewees easier, CEED prepared accreditations and authorizations for all surveyors, thereby certifying their status.

The final version of the questionnaire contained 69 questions in five different sections:

- Part I: General information about the company;
- Part II: Legal barriers;
- Part III: Financial barriers;
- Part IV: Economic environment;
- Part V: Other barriers.

Data entry and processing was done using SPSS (Statistical Package for the Social Sciences). SPSS is a software program for managing and analyzing data with one or more variables; the program has the ability to classify and join files and process data.

Phase 3 – Qualitative Research

This research phase was carried out through focus group discussions with entrepreneurs in the three municipalities and detailed interviews with relevant partners and co-workers at both the local and national level. The interviewees included representatives from the following institutions:

- Development Fund;
- Ministry for Economic Development;
- Chamber of Commerce;
- Montenegro Business Alliance;
- Security Commission.

Detailed interviews were also conducted with lawyers from the three municipalities using the World Bank methodology, “Doing Business Report.” In this way data for the following four segments was obtained. This data is provided in the Annex.

- Starting business procedures;
- Property registration;
- Obtaining license procedure;
- Contract finalization.

2. Executive Summary

- This report revealed a generally positive trend in the development of the MSME sector in Montenegro as well as in the three targeting municipalities: based on reports of the Central Bank of Montenegro, MSME sector contribution to national Gross Domestic Product (GDP) has grown steadily in the last 8 years and now accounts for over 50% of GDP; annual revenues have also continuously increased.
- The development of certain industries, especially tourism, has influenced the economic structure in these three coastal municipalities; a high degree of tourism dependency was found in Budva and Ulcinj to a greater extent than in Bar. The fact is that Bar is the largest coastal city, hosting two university faculties and a large port, and it is also a traffic hub. In Bar other branches of industry are developing successfully: Port of Bar, Marina Bar, agriculture, transportation, higher education, etc.
- In the previous decades Bar utilized its great economic potential and systems; even today large enterprises play a vital role and employ high numbers of employees. Privatization has of course increased unemployment; however, the problem is being solved in part by the MSME sector. Owing to geographic and infrastructure advantages, there is a high presence of companies with foreign share capital and an export orientation. According to the surveys conducted by the Institute for Strategic Studies and Prognoses, participation in the grey economy has continually decreased in recent years.
- Local self-government is mostly inclined to support MSME development, especially in Bar and Budva where entrepreneurship is actively stimulated and supported. According to what all entrepreneurs and those considering to start own business, administrative barriers at the local level are still restraining MSMEs, but the situation

is significantly better when compared to the recent past; expectations, therefore, are positive.

- Based on the survey conducted, the overall outlook for the MSME sector is favorable, but entrepreneurs from Bar, Budva and Ulcinj consider that the most serious business operating barrier is “high taxes and contributions”. This is followed by “unfair competition” and “frequent changes in the legal and regulative environment”. Positive factors for business development are related to available financing sources, faster and less expensive licensing at the National level, open international market, etc.
- Regardless of the barriers that Bar entrepreneurs face, they consider that Bar has great potential for economic development and entrepreneurship considering its easy connections with neighboring European cities, its duty-free zone, railroad connection, micro-climate and tourism development. In addition, concrete business opportunities lie in the production of herbs and other domestic products. It is an interesting fact that people from surrounding areas better recognize the opportunities for business development in Bar and they invest for the long-term.
- Budva is reputed to be the center of Montenegrin tourism and it attracts every year more and more foreign guests, either because of its beautiful sandy beaches or its rich cultural heritage and architecture. The economy of the Budva Municipality is extremely dependant on tourism and its economic industry is very dependant on the season’s duration. A very significant number of employed people from other Montenegrin and regional municipalities work in Budva. The revenues generated in this municipality are very high but they are based on a high volume of the sale of real estate- both land and buildings.
- The economy of Ulcinj Municipality is very dependant on tourism and the season’s duration. Precisely for this reason the entire economy of this city relies on tourism and the majority of MSME deal with tourism, retail and the wholesale trade. In Ulcinj Municipality large state owned companies still operate but they are all in the same phase of privatization: tenders announced and will be completed process by the end of 2008.
- Business legislation and administration is mostly regulated well at the national level, but needs to be more efficient at the local level: faster and less expensive licensing procedure. The decentralization process is not completed and local self-governments still do not have the capacities to handle all the activities as prescribed in the law.
- Financial support for MSME development at the local level is dependant on national institutions and banks, which also operate at the national level.
- Non-financial support for MSME is provided through governmental and non-governmental institutions and they include training, information and lobbying for companies.

Part II: Local Economy Overview & the MSME Environment

1. Local Economy Overview

Municipality of Bar

Bar Municipality includes: the City of Bar- the administrative center, Sutomore and many other small places along the coast. According to the last census from 2003, there are 40,037 inhabitants in Bar, of which 13,719 live in the administrative center of Bar. The Municipality includes twelve local communities and 83 settlements. The most important features of the Bar Municipality are: the Port of Bar, Belgrade-Bar railroad (476 km) and the Sozina tunnel (which shortens the road Podgorica-Bar by 25 km and travel time by half an hour).

Bar is the biggest and most developed city on the Montenegrin seaside. According to data from 2004, the municipality's share in the Republic Gross Domestic Product (GDP) was 11.52% which makes it the second largest municipality, after Podgorica, by GDP share. Besides, the latest data from November 2007 shows that the participation of small and medium sized enterprises in Montenegrin GDP is growing and amounts to over 50% and it is necessary to mention that the number of small and medium sized enterprises in the municipality of Bar currently is growing faster than in other municipalities. The economy of the municipality in the last few decades largely relied on a few large enterprises that hired the majority of the work force and generated the most significant share of revenues. The economy of the municipality of Bar still contains large units such as Port Bar but also nearly 1,300 small and medium sized enterprises.

This is a coastal municipality which, unlike the rest, does not depend on tourism and the tourism season since it has other developed industries. Almost 40% of the population older than 15 is employed, which is more than the Republic average of 34.77%.

Tourism records for municipality of Bar:¹

	Arrivals		Overnights	
	Total	Foreign	Total	Foreign
2002	88,477	22,018	611,085	186,266
2003	89,644	17,543	602,680	141,934
2004	106,870	20,919	739,011	166,465
2005	103,020	25,420	746,407	192,039
2006	108,604	31,484	721,774	218,222

The average net wage without taxes and contributions in Bar Municipality in 2007 amounted to €312 which is somewhat lower than the state average which for the same period amounted to €330. Out of the total employed population in Bar, some 24.72% work in the sector "traffic, warehousing and connections".² This data indicates that the Port of Bar's presence is of great economic importance for the city. However, the rest of the

¹ Source: Statistic Yearbook 2007, MONSTAT

² Source: Statistic Yearbook 2007, MONSTAT

employed population is engaged in the sector of small and medium sized enterprises. Furthermore, it is important to mention that in the MSME sector the younger population is mostly involved because the age structure in Port Bar is unfavorable (average age of employed in the Port of Bar is over 45), while 1,382 employees are engaged in the Port of Bar. According to the Privatization Plan, the privatization of the Port Bar is planned thus, and in the near future it can be expected that a part of the manpower employed in this company is active in the MSME sector.

Along with “traffic, warehousing and connections” sector, a very significant share of manpower is engaged in the sectors “wholesale and retail trade” (24.7%), “wholesale and retail” (16.9%).

The large number of enterprises with foreign capital in Bar Municipality is shown by the high level of cross border movement by people, goods and capital and a significant part of Montenegrin exports have been completed through Bar Municipality because of its geographical and infrastructural advantages.

The MSME sector participation in total Montenegrin exports is constantly growing year by year and has reached a percentage of almost 30% which is extremely high considering the fact that the Aluminum Plant Podgorica makes up more than 50% of Montenegrin exports.

Employers in Bar Municipality mostly assess that the labor supply partly satisfies market demands, while the qualification structure of available manpower is satisfactory³. The plans for human resources development exist at some point and they mostly reflect that cooperation with universities and the availability of trained manpower is relatively good.

The Bar Municipality is also characterized by significant immigration of the younger population from inland. Beside that, in Bar there are 2 university faculties: Business management and Tourism hotel management and trade studies with 858 students. The establishment of these two institutions has caused the making of a critical mass of young people who will associate their future professional careers to Bar and the development of the town. In accordance with the above stated, conducted research has shown that in about 30% of small and medium sized enterprises in Bar the owners are under 35.

The development plans of the Municipality of Bar are institutionalized through the Strategy of local economic development for a five year period and were designed by the local self-government.

Municipality of Budva

Budva Municipality occupies the central part of the Montenegrin seaside, and it has a surface of 122 km². According to the last census from 2003, the municipality has 15,909 inhabitants. The city alone counts 10,918 inhabitants.

³ Interviews with 15 business owners from Bar, within the Strategic Plan on Local Economic Development preparation, CEED & SNV & Municipality of Bar, November 2007

Budva is reputed to be the center of Montenegrin tourism and it attracts every year more and more foreign guests, either because of its beautiful sandy beaches or rich cultural heritage and architecture.

Tourism records for municipality of Budva:⁴

	Arrivals		Overnights	
	Total	Foreign	Total	Foreign
2002	180,026	52,554	1,261,071	377,298
2003	205,550	57,767	1,384,405	383,947
2004	256,745	74,208	1,642,710	516,364
2005	319,218	124,394	2,048,852	718,779
2006	371,766	174,243	2,319,339	1,074,488

The economy in Budva Municipality is extremely dependant on tourism and its economic industry is very dependant on the season's duration. A very significant number of employed people from other Montenegrin and regional municipalities are engaged in Budva. The revenues in this municipality are very high but they are based on a high volume of the sale of real estate- both land and buildings.

Almost the entire economy of Budva Municipality relies on the MSME sector and most of them are in tourism, real estate and civil engineering and the retail and wholesale sector MSMEs achieve the biggest revenues and contribute the most to total municipality revenue at the level of budgetary revenues and individual salaries. It is necessary to mention that individuals, and the local self-government itself, provide a significant part of their incomes by selling real estate the price of which reached a peak during 2006 and 2007.

The MSME sector in Budva Municipality is also led by younger people because the participation of MSME owners who are under 35 is almost 40%. Apart from MSME owners, Budva is regarded as a very attractive place for living and employment due to significant tourism investments: highest number of hotels and tourists.

Municipality of Ulcinj

Ulcinj Municipality is located on the very south-east of Montenegro, between the Adriatic Sea and Skadar Lake. There are 20,290 inhabitants living in this municipality, while in the administrative center – Ulcinj, live 10,828 inhabitants. It has a surface of 255 km².

Due to its natural beauties and attractive places, Ulcinj is unique and attractive to many tourists and especially among Western Europe tourists because of its peace and atmosphere.

The economy of Ulcinj Municipality is also very dependant on tourism and season duration as 17.5% of population work in tourism and around 90% of households offer accommodation in private sector. Precisely for this reason the entire economy of this city

⁴ Source: Statistic Yearbook 2007, MONSTAT

relies on tourism and the majority of MSME deal with tourism and the retail and wholesale trade.

Tourism records for municipality of Ulcinj:⁵

	Arrivals		Overnights	
	Total	Foreign	Total	Foreign
2002	39,356	10,218	244,850	57,716
2003	70,862	9,976	452,060	54,478
2004	73,269	14,966	474,004	86,146
2005	82,195	16,858	462,991	95,412
2006	99,416	24,927	588,280	137,415

In Ulcinj Municipality are also operating big companies in state ownership (Salt Production and Ada Bojana) but they are all in the same phase of privatization: included in the privatization plan for 2008. The tourist companies are in the final phase of privatization: only 2 hotels are not privatized out of 6 hotels formerly within the Ulcinjska rivijera company.

The Local self-government, as well as individuals from Ulcinj earns the largest portion of their income from tourism, but for this municipality it can be said that the grey market is widely present hence, registered revenues are very low.

Municipality comparison

In the following tables are presented comparisons between the three municipalities in the area of revenues per capita and in the number of registered companies by sector during 2007.

Table: Revenue per capita

	Total revenue	Number of inhabitants	Revenue/per capita
Bar	14,244,270	40,780	349.30
Budva	31,109,120	16,280	1,910.88
Ulcinj	2,479,850	20,447	121.28
Montenegro	164,749,660	623,277	264.33

Source: Ministry of finance, 2006.

Table: Companies registered in 2007

	Bar	Budva	Ulcinj
Agriculture	6		1
Fishing industry		1	1
Mining industry		1	
Processing industry	20	21	16
Electric power, gas and water production	1		
Construction industry	90	195	34
Wholesale and retail trade, repair	174	183	94
Hotels and restaurants	127	79	54

⁵ Source: Statistic Yearbook 2007, MONSTAT

Traffic, storing and connections	80	53	29
Financial mediation (agency)	4	3	
Activities related to real estate, renting and business activities	161	286	40
Education	1	3	
Health and Social work		1	
Other communal, public and personal service activities	38	17	7
Total:	702	843	276

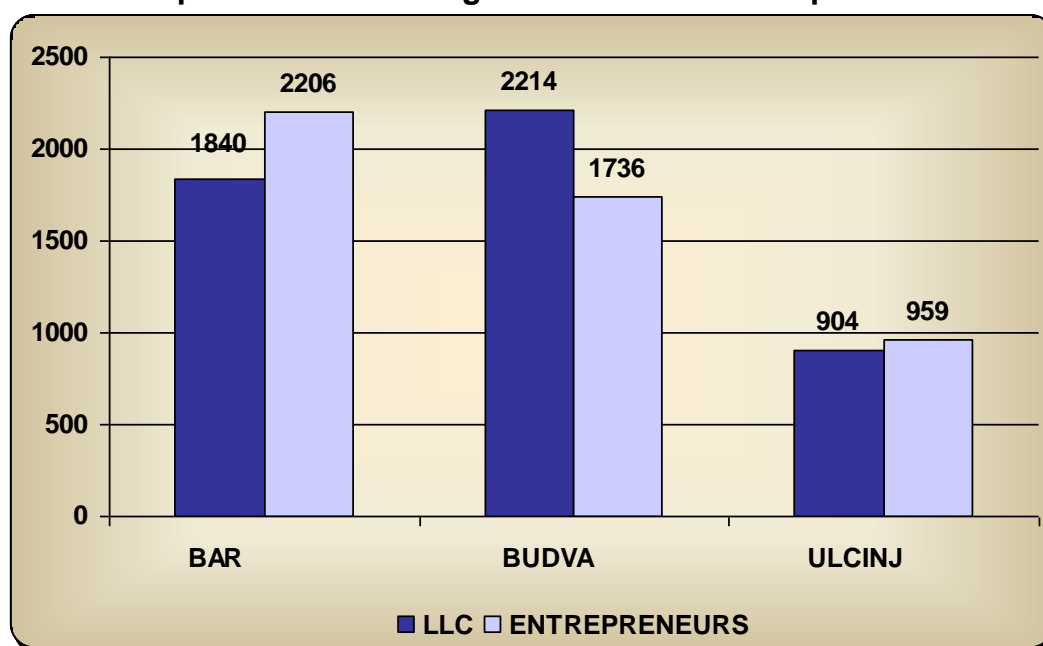
Source: Central Register of Commercial Court, December 31st, 2007

The tables show that Bar has the largest number of companies registered in 2007 but Budva has the largest revenue per capita which is the result primarily of the recent good tourist seasons and the high prices of real estate.

2. Small and Medium Sized Enterprise Overview

The participation and significance of the MSME sector in all of Montenegro is very important and that trend is also positive in the observed municipalities.

Graphic: Number of registered LLC and entrepreneurs



Source: Central Register of Commercial Court, February 1st, 2008

Bar

In the municipality of Bar there are near 2000 registered small and medium sized companies and almost the same number of entrepreneurs which employ 60% of employees in this municipality.

The research conducted in the municipality of Bar shows that young entrepreneurs rate the market system as too demanding for doing business. They see opportunity in starting

business in the form of a joint venture. They are more interested in starting a business with a friend or within a family.⁶

Regarding the municipal administration in Bar, bureaucracy (inefficient procedures) represents a threat and slows entrepreneurial activities, one of the highlighted problems is granting credits for employing a new labor force. In addition, entrepreneurs cite high interest rates, short repayment terms, and little or no grace periods on available loans.

Entrepreneurs from Bar consider that for starting a business, the most important factors are a good idea, education and adequate training.⁷

Regardless of the barriers that Bar entrepreneurs face, they consider that Bar has high potential for economic development and entrepreneurship bearing in mind its relations with neighboring European cities, its duty-free zone, railroad connection, micro-climate and tourism development. In addition, concrete opportunities are in the production of herbs and other domestic products. It is interesting that people from surrounding areas and settlements better recognize the opportunities for business development in Bar and they invest long-term.

Real Estate market also expanded in Bar, as in the entire Montenegro. Apartments in Bar in 2004 were sold by 700 €/m² and in 2007 by 2,500 €/m², while the price increase is even higher for the business premises: increase from 800 €/m² to 3,500 €/m².⁸

Entrepreneurs suggest that the existing barriers can be reduced and available capacities more efficiently utilized by improving administrative and legal procedures and more effectively mobilizing available material and personnel capacities, e.g. licensing.

Table: SWOT analysis for MSME in Bar

Strengths	Weaknesses
<ul style="list-style-type: none"> - Most favorable possibilities in Montenegro related to export (the lowest necessary amount of means and required number of days) - Herbs production - Production of natural products - Nautical tourism development - Development of other tourism activities (camps) 	<ul style="list-style-type: none"> - Import of workforce from former Yugoslav Republics - Lack of IT usage - Low level of consulting services, training and practical support - Tight connection between politics and business - Complicated bureaucracy apparatus - Unfavorable credit conditions - Import lobby - Lack of workforce in certain areas
Opportunities	Threats

⁶ See Annex

⁷ See Annex

⁸ Real Estate Market in Montenegro: Trends and Expectations, CEED Consulting Team 2007

- | | |
|---|---|
| - Duty-free zone | - Popularization of the Croatian tourism |
| - Railroad | - Switching the transportation for the Adriatic Sea to the Durres Port in Albania |
| - Port | |
| - Micro climate | |
| - Connection with neighboring EU cities | - Overcrowded construction |
| - University units | |

Budva

Tourism related industries dominate the Budva economy as the highest number of tourists visiting Montenegro is staying in Budva (app. 50% in the peak of the season) and Budva is offering the highest number of hotels and other types of accommodation.

According to the survey conducted, entrepreneurs from Budva believe that for good business it is important to have a good idea, money, a high quality product, as well as the market, but that the most important thing is the entrepreneur's personal motivation to start business in a rather unstable environment, relatively poor, and attacked by illegal competition, e.g. unregistered private accommodation offered to tourists.

Entrepreneurs from Budva, exactly because of the tourism season, have access to the international markets due the number of foreign tourists visiting Budva. Therefore, life standard in this municipality are considered very high when compared to other municipalities. Besides tourism, the real estate trade is extremely active since the real estate market in entire Montenegro has recorded dazzling growth. Apartments in Budva in 2004 were sold by 1,000 €/m² and in 2007 by 4,500 €/m², and the same situation is with business premises.⁹

However, thanks to tourism and a developed MSME sector, the Budva Municipality has a relatively low unemployment rate (10% during the peak of the season), but interviewed entrepreneurs stated that some additional training of personnel is needed at all levels, as well as that there are a great number of seasonal workers from neighboring countries.

Regardless of the relatively developed MSME sector in Budva, the problems that entrepreneurs face are related to: the lack of spatial plan documentation; the non-existence of an industrial zone, which will define area and conditions for all business types; delay in the adoption of a detailed urban plan and the lack of implementation of legal procedures.

The local self-government of Budva is very inclined to MSME development and it conducts numerous activities in favor of enhancing its general attractiveness and municipal competitiveness: improving existing infrastructure.

⁹ Real Estate Market in Montenegro: Trends and Expectations, CEED Consulting Team 2007

Table: SWOT analysis for MSME in Budva

Strengths	Weaknesses
<ul style="list-style-type: none"> - Production sector development (fish, domestic products) - Nautical tourism development - Development of other tourist activities (camps) - The minimal amount of means and required time for gathering registration documentation - The minimal amount of means and required time for getting licenses - Strengthening of competition in all areas - The minimal amount of means and required time for property registration 	<ul style="list-style-type: none"> - Lack of workforce in civil engineering area - Low level of consulting services, training and support - Workforce imported from former Yugoslav Republic - Lack of plan documentation - Non-existence of industrial zone - Delay of Detailed Urban Plan (DUP) adoption
Opportunities	Threats
<ul style="list-style-type: none"> - Very marked tourist season - High income per capita - Low unemployment rate - Real estate development - Opening new working places - Highly developed civil engineering sector - Qualitative training programs 	<ul style="list-style-type: none"> - Commercialization - Low life quality (cultural contents) - Insufficient financial support - Slow and complicated legal regulation - Improvisation upon passing of legal procedures

Ulcinj

Ulcinj lags in development compared to the other two cities. It is necessary to invest significant effort and means so that this, once one of most attractive tourist destinations in Ex-Yugoslavia, could become interesting again for foreign tourists, considering the fact that tourism is the most significant potential of this municipality.

The representatives of the local self-government of Ulcinj expressed an optimistic attitude regarding entrepreneurship development, but the support and concrete ways of its stimulation are still not entirely implemented. Obstacles, such as too complicated administration and bureaucratic procedures that entrepreneurs face, are overcome by hiring lawyers and consultants

The local Employment Bureau organizes training seminars and courses for entrepreneurs and employees are mostly hired through this institution; the grey labor market does exist, especially during the tourism season. When talking about migration, the intentions of leaving the municipality of Ulcinj are smaller in comparison to previous periods, but a personnel and inhabitant drain is still present.

Real Estate market also expanded in Ulcinj, as in the entire Montenegro. Apartments in Ulcinj in 2004 were sold by 600 €/m² and in 2007 by 2,000 €/m², while the price increase is even higher for the business premises: increase from 800 €/m² to 3,500 €/m².¹⁰

Regardless of the fact that tourism is the leading industry, local investors rarely opt for bigger investments even though the conditions for new opening banks and strengthening competition exist, although investors assess that financing and operating conditions are still generally less favorable than in developed countries. Therefore, foreign investors rather use foreign international banks than local banks as loan conditions are more favorable.

Table: SWOT analysis for MSME for Ulcinj

Strengths	Weaknesses
<ul style="list-style-type: none"> - Domestic food production (sea products, fish) - Development of tourism, catering - Development of small private businesses - Nautical tourism development - Strengthening of competition - Possibilities of fast and cheap start-up 	<ul style="list-style-type: none"> - Lack of IT usage in administration - Low level of consulting services, trainings and support - Undeveloped infrastructure - Inefficient decision making process in local self-government
Opportunities	Threats
<ul style="list-style-type: none"> - Privatization- Reconstruction and modernization of HTP "Ulcinjaska Riviera" - Modernization of beach infrastructure - Training programs, courses (catering industry) - Bank sector strengthening 	<ul style="list-style-type: none"> - Municipality under developed - Low level of public service development - Complicated administration - Unsuccessful privatization of hotel capacities for a few times caused that investors are not that interested in Ulcinj as few years ago - Low life quality (cultural contents)

¹⁰ Real Estate Market in Montenegro: Trends and Expectations, CEED Consulting Team 2007

3. MSME Environment

3.1 Policy Environment

National Policies: The freedom of entrepreneurship is guaranteed under Article 59 of the Constitution of Montenegro. The freedom of entrepreneurship can be limited only if it is necessary for the purpose of the people's health protection, environment, natural resources and cultural heritage protection, or safety and the defense of Montenegro". All legal acts, strategies and documents, which are adopted in Montenegro for the purpose of entrepreneurship and private business development, are derived from that Constitutional definition.

The MSME development strategy 2007-2010, prepared by the Directorate for Development of Small and Medium Sized Enterprises, is the general document which defines the status of the MSME sector and its development. The document overviews the present state of the MSME sector and provides recommendations for its further development.

The categories for development of small and medium sized enterprises are defined in accordance with the European Charter for small and medium enterprises¹¹, and also the strategies that follow these categories by the following criteria:

Entrepreneurship education and training: In the area of entrepreneurship education and training, although in the formal education system there is no significant presence of entrepreneurship as a discipline, there are some institutions that conduct teaching and training, as follows:

- Directorate For Development of SMEs carried out 83 education cycles in the period from 2003 to 2006, with a total of 2,717 participants¹²;
- Employment Bureau implemented 1,106 programs of employment preparation, with a total of 14,283 participants, in the period of 2003 to 2006, which resulted with unemployment rate decrease from 22.9% in 2003 to 15.50% in 2006;
- Center for Professional Education carried out a number of international programs for establishing entrepreneurship curriculum in schools;
- Chamber of Economy of Montenegro is involved in the development of professional education programs and preparation for master exams;
- Business Start-up Centre (BSC) in Bar organizes training for young (potential) entrepreneurs;
- Center For Entrepreneurship and Economic Development (CEED) carried out 14 training courses for entrepreneurs in the area of business plan writing and business ideas development, in the period from 2003 to 2006;
- Also, some NGOs offer training courses in specific areas that in most cases do not directly involve entrepreneurs.

¹¹ Annex: Survey conducted for this Report

¹² Strategy for development of small and medium enterprises 2007-2010-Directorate for development of small and medium enterprises

Cheaper start-up: The legal grounds for enterprise registration lies in the Law of Business Organization, adopted in 2002 with amendments that took effect on January 1, 2008. The Law requires the submission of 4 documents (Bylaw, Decree on establishment, form and payment slip) for the registration of a Limited Liability Company. The required time for registration in the Commercial Court is 4 days. After that it is necessary to register in the Statistics office, in Tax Administration, in a Bank and to get a Work Permit from the relevant municipality, which takes max 3 days. The law on licensing was prepared during 2005, but it has never been ratified by the Government of Montenegro.

Better legislation and regulatory rules: During 2006, the Parliament of Montenegro adopted 46 laws in total, out of which 9 laws regulate economic areas. Until December 15, 2007, 26 laws were adopted, out of which 8 laws affect the private sector in Montenegro. During 2007, among others, the Law on the CEFTA Agreement Ratification, which enables Montenegrin companies to market their goods in Southeast-European markets without duties and by simplified procedures, the Law on contributions for obligatory social insurance, which reduced taxes and contributions, and the Law on amendments of the Law on VAT—which reduced VAT tax for specific products, which have a positive effect on the economic and business environment in Montenegro, were adopted.

Knowledge-skills availability: *The teaching of entrepreneurship in the Montenegrin education system is limited. There are some specific improvements (number of training attendants and “train the trainer” programs), but a lot of things need to be done to involve entrepreneurship in the education system (include entrepreneurship in primary schools). The implementers of these activities are, above all, the Ministry of Education and Science and the Ministry of Health, Labor and Social Welfare. For the training area those responsible are: The Directorate for Development of SMEs, the Employment Bureau of Montenegro, The Development Fund of Montenegro, and the Chamber of Commerce.*

The Directorate for SME Development: Some of projects, carried out by the Directorate for SME Development, are:

- Institutional support for MSME development, within which 3 regional and 6 local business centers have opened;
- Entrepreneurship clubs in primary schools, in which 16 schools are involved;
- The training of entrepreneurs.

The Employment Bureau: The general training programs of the Employment Bureau are related to providing jobs for people. The measures and activities of the Employment Bureau, with the purpose of enlarging total employment, are conducted in two directions: (i) preparation for employment for some specific unemployed groups, for certain employers needs and (ii) preparation for labor market needs etc. The projects include:

- Craftsman education project, in which 193 persons were trained;
- Education programs to give additional knowledge and skills to the unemployed, which included 1,458 people looking for a job;
- Program of information technology training for people seeking a job, etc.

TAM/BAS project: In the scope of this project, more than 100 companies got assistance in the area of marketing strategies development and its implementation in companies. More than 20 international and local experts took part in the project.

Online access improvement: All relevant state institutions have websites, updated from case to case. The largest website is www.vlada.cg.yu, where you can get all the information about the activities of the Government and its relevant Ministries. The biggest problems are non up-dated sites and the impossibility of getting information-legal acts-regulatory rules in English. The project e-government is in process that should simplify access to information. It is still not possible to register a company online, or fill out a tax report. The E-banking system is functioning well and more and more companies have started to use this service.

Advantage of a unique market: During 2007, Montenegro accepted and ratified the Central European Free Trade Agreement (CEFTA). This Agreement, besides the conditions on visible trade, involve elements such as providing services, public supply, technical rules and standards, intellectual property, competition policy, and the promotion of investment. The aforementioned parts of the Agreement are in tune with World Trade Organization (WTO) rules and with the obligations of the countries in the region, on their way to the EU.

Also, the Parliament of Montenegro has ratified the majority of the conventions that regulate Montenegrin obligations on its way to the European Union, among which are the Agreement regarding visa facilities, the Agreement on readmission, etc.

Tax and Financial Items: During 2007, certain tax and financial legal acts were adopted or changed:

- Law on Value Added Tax (VAT);
- Law on tax on property transfer;
- Law on Social Insurance Contributions.

In the Law on VAT, the tax rate is reduced from 17% to 7% regarding computer equipment and marina services; as well as introducing tax of 0% for certain foods.

From January 1, 2008 the tax rate on real estate transfer instead of 2% is 3%. Also since January 1, 2008 the contribution rate was reduced on an employees' salary so that the total duty on an employees' salary amounted to 72% of net income. A further reduction in contributions is predicted, so that the duties should amount to 52% of net income by 2010.

More about the connection between the MSME sector and the banking system, credit lines to the MSME sector, is contained in the section regarding financial support to the MSME sector.

Strengthening the technological capacities of small enterprises: The situation in the area of research and development of technological capacities of small enterprises in Montenegro shows that Montenegro lags behind in this domain, and that there should be much more effort made to improve the current situation. The Government of Montenegro also finances specific R&D activities. The following table shows the budgetary spending on R&D¹³ activities.

¹³ Source - Government of Montenegro

Year	Education costs (mil €)	Education costs (% GDP)	R&D Costs	R&D Costs (% GDP)
2006	91.05	4.98	0.86	0.04
2007	102.98	5.14	0.67	0.03

As the table shows, the percentage dedicated for research and development is at a very low level. On the other hand, more than 80% of the resources dedicated to research and development come from public sources which is insufficient in relation to EU countries where spending is much higher.

In the area of business incubators, two incubators are in the planning stages:

- Business Start-up Centre (BSC) Bar, financed by the Dutch organization - SPARK and the municipality of Bar;
- "Invention" of Podgorica whose founder is the municipality of Podgorica.

Successful models of electronic operating and support to small business: There are two laws in this domain that are being currently implemented in Montenegro: the Law on e-signature and the Law on e-commerce. To that effect almost all banks offer the possibility of e-commerce. On the other hand, the project e-Government is in process.

The huge problem in this area is the illegal use of software, since it is believed that 80% of software used in companies, have no license, in other words they are illegal. At present, specific campaigns for legalization are taking effect, conducted by Microsoft, the Business Software Alliance and equipment distributors in Montenegro.

Developing stronger and more efficient representation of the interests of small and medium sized enterprises at the public and national level: In Montenegro, the following organizations represent the interests of enterprises and the private sector:

- Chamber of Commerce of Montenegro;
- Montenegro Business Alliance (MBA);
- Union of Employers of Montenegro;
- Various sector organizations.

More about representing the interests of the private sector is explained in more detail in the section "the Institutional environment".

3.2 Legal Environment

The registration procedure of companies in Montenegro can be divided into two parts:

- Registration at the national level;
- Registration at the local level.

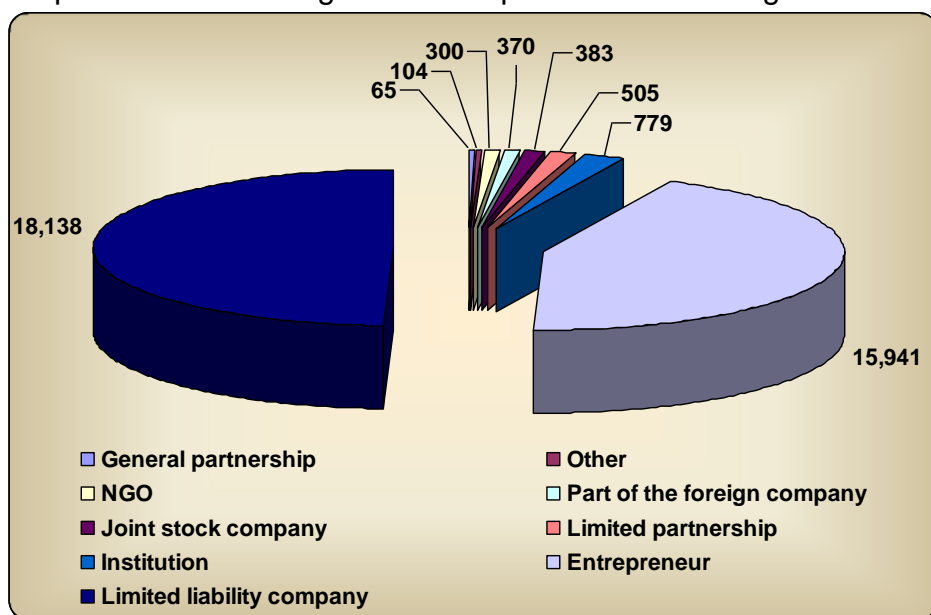
Registration at the National Level

The Business organization law allows the following forms of legal registration:

- Limited Liability Company;
- Joint Stock Company;
- Limited Partnership;
- General Partnership;
- Entrepreneur;
- Part of foreign company.

The highest percentage of registration is for Limited Liability Companies and Entrepreneurs.

Graphic: Number of registered companies in Montenegro of 15th November 2007



Source: Commercial Court

Registration at the Local Level

The process of licensing includes obtaining^{14,15} a work permit from the municipal secretariat for the economy.

¹⁴ Source - Decrease of barriers for doing business in the municipality of Bar - The Center for Entrepreneurship and Economic Development

¹⁵ Source - Secretariat for Economy and Finance-Municipality Bar

The list of the required documents is as follows:

1. request the form in which the list of things to be fulfilled is given;
2. copy of the form from the Commercial court;
3. copy of the form from the Statistic office;
4. decree/decision on the founding of the company;
5. form that states that the applier is not working;
6. proof on right of ownership or right of use of the business space;
7. working permit for the object;
8. sanitary approval issued by the Republic sanitary inspectorate;
9. confirmation of the organ in charge depending of what is the scope of work of the company (i.e. agricultural, traffic, etc.);
10. proof of an electric appliances check;
11. proof of a protection at work application;
12. contract with the Communal company on paying obligations for waste disposal;
13. proof of paid company taxes for the current year;
14. proof of paid taxes for the commission visit;
15. proof of payment of the administrative tax that is in the range of 30-75 € depending on the space.

It is very difficult to gather all the documentation required, and which is different depending on the type of activity. However, here we will attempt to display the general documentation and all required steps in order to obtain it. Here we focus on obtaining the work permit.

Obtaining a Work Permit

The central institution in the license obtaining process is the Secretary of Economy and Finance of the municipality of Bar. There are some necessary documents that must be submitted in order to obtain the Work Permit. In that way, a kind of a labyrinth is created, wherein no entrepreneur can find the easy way out.

The municipal commission is effective. If the request is properly submitted, the commission goes out in the field, makes a record and approves the arrangement within 48 hours.

The possibility of submitting incomplete documentation is also possible. In that case, a submitter gets 7-10 days to complete the documentation. If he does not deliver it in the specified term, the request is regarded as not delivered and the request is rejected.

In the Doing Business report for 2008, Montenegro is ranked in 81st place of 178 countries by the conditions for doing business.¹⁶

Basic problems related to legal regulations for doing business lie, first of all, in the number of procedures at the local level as well as the lack of on-line company registration procedures.¹⁷

¹⁶ Source-Doing business 2008- World Bank

¹⁷ Source-Doing business 2008- World Bank

3.3 Institutional Environment

In Montenegro, the interests of small business and the private sector are represented by the following organizations:

- Chamber of Commerce
- Montenegro Business Alliance (MBA)
- Montenegro Employers Union
- Various sector organizations

Chamber of Commerce

The Chamber of Commerce is a professional, independent, business interest organization which brings together companies, banks and financial institutions, insurance organizations and entrepreneurs in Montenegro. Membership is mandatory. The Chamber of Commerce is a member of ABC (Balkan Chambers Association) and a member of the Chamber of Commerce of the Adriatic - Ionian Region.

Within the Chamber of Commerce there are 11 organizations, including the Organization of Small Enterprise and Entrepreneurs, which is tasked with monitoring and analyzing economic movements, recommending measures for improving work conditions, providing opinions on legal drafts and proposals, performing various other legal acts in the areas of the economic system, economic policies, credit – monetary policies and development according to their impact on work conditions, cooperation in preparing measures of economic policies and development, which refers to activities of association, the merging of corporate entities, developing cooperative relations, and specialization in the country and abroad, monitoring world achievements in the area of technical-technological development in specific sectors of the economy and its appliance in the country, participating in standardization with the relevant state authorities and bodies, the implementation of local and foreign technical standards and regulations, participating in building the mechanisms for the protection of domestic production, making initiatives and proposing measures in order to remove monopolistic situations and participating in preparing and implementing collective contracts for sectors.

According to the opinion of representatives of the Chamber of Commerce, support to the private sector is still not sufficient and adequate, but the constant growth of interest in this sector is encouraging. The current legislative regime is much more liberal and simulative for the private sector than it was before. Still, there is scope for the upgrading of the legal framework for the purpose of the development of entrepreneurship. Regarding legislation,, Montenegro is in nearly the same position in comparison to other surrounding countries, except Slovenia and Croatia, which have made the significant improvements in this area.

The help of independent associations is very significant, especially during a period of control by Government institutions and in consulting in specific professional skills and knowledge areas. The biggest support to the MSME sector can be in the areas of research, encouraging innovation and an entrepreneurial spirit, improving development and modern technology transfer. Synchronization is necessary among the national institutions involved in monitoring private sector performance in order to obtain real data regarding corporate registration. Regarding enterprise registration, the Chamber of

Commerce believes that it is important to have one unique business register that will provide all the necessary information related to enterprise numbers and structure, the main activity, the ownership structure, and other business indicators.

According to the interviewed representative of the Chamber of Economy of Montenegro, training and advisory services, offered in Montenegro, are not adequate for private sector development. They should start from their real needs and in accordance with that organize training and advice. The Chamber of Commerce of Montenegro still enjoys mandatory membership and it needs to be reformed and its services improved.

The Montenegro Business Alliance- MBA

The Montenegro Business Alliance (MBA) is an association of entrepreneurs founded in September 2001 on the firm belief that the quality of life in Montenegro is directly linked to the country's economic health. The MBA is the leading voice of business in Montenegro, articulating the benefits of a private competitive market system.

The Mission of the MBA is to improve the quality of life for all Montenegrin citizens through economic growth and prosperity. The organization aims to partner with the public and private sector as well as international groups and individuals to bring stability and sustainability to the economy of Montenegro. Currently the MBA has more than 500 paying members. Membership includes individual entrepreneurs, companies from Montenegro, 4 Montenegrin associations, banks and insurance companies. MBA members include all major foreign investors in Montenegro (ProMonte, T-Com, Daido Metal etc). In 2006 the members of the MBA paid through taxes and other contributions more than 1/3 of the Montenegrin budget.

The MBA was a winner in the category Market solutions to poverty of the US Atlas foundation. The award was for the MBA initiative, *10% for Montenegro* that aimed that all taxes in Montenegro should be lower than 10%. The award was gained in an international competition of more than 200 competitors.

The objectives of the MBA are to:

- Create a healthy environment for private business owners, as the main pillar of the Montenegrin economy;
- Increase citizen and business owner involvement in the decision making process;
- Ensure larger participation of private business owners in the development of a new legal framework;
- Facilitate implementation of the new reform laws.

Important segments of MBA activity are publications. The MBA has issued several publications such as: National Business Agenda for 2003, 2004, 2005, and 2006, Annual report 2002, 2003, 2004, 2005 and 2006 Contact info for 2003, 2004, 2005, and 2006, My Business, 12 issues of Business Insider, Business Directory 2003, 2004, 2005, 2006 and 2007. All of these publications are targeted to support private sector development.

The MBA is lead by a 15-Member Board of Directors, along with a President, Executive Director, Assembly and Staff. The MBA also has different commissions that work in

specific areas such as: finance, transportation, membership, education/research etc. To achieve its goals in certain areas the MBA formed Special Interest Groups for energy, wood processing, banking and tourism. The MBA has six employees and two offices in Montenegro (Podgorica and Kotor).

The Montenegro Business Alliance is active in the field of creating a better environment in Montenegro through different activities such as:

- Initiative for the introduction of a flat tax rate – MBA managed to convince the Government to introduce the flat Personal income tax at a level of 15% in 2007.
- Corporate tax- MBA has cooperated with the Ministry of Finance to decrease the corporate tax rate to a flat 9%. Montenegro now has the lowest corporate tax rate in Europe.
- B2B conferences - MBA is creating a good basis for cross-border trade within the region through contacts and links that resulted from these events. So far 9 B2B conferences have been organized.
- Business Forums - MBA is enabling businesses to discuss current issues like corporate governance and the importance of advocacy for the business community.
- International contacts - MBA provides international contacts for its members and creates opportunities for future cooperation.
- Tax and Custom laws - MBA is monitoring the implementation of these laws so they can be fairly implemented.
- Energy law - MBA has supported the adoption of this law that provides for private investments in this area. MBA also influenced the adoption of the Energy strategy of Montenegro until 2025.
- Licensing law- MBA is a member of the working group that is dealing with the new licensing law that would provide for a more efficient registration of businesses at the local level.
- Education activities – MBA has organized different types of seminars and workshops that contribute to the training of entrepreneurs.

The Montenegro Union of Employers (UPCG)¹⁸

The Montenegro Union of Employers was established in April 2002 and today represents representative employers' organization which as such is a member of the Economic-social Council. The Union of Employers as a voluntary membership organization has its sector MSME association and in December 2003 the professional service of the Montenegro Union of Employers was formed with a sector offering support to small and medium sized enterprises that provides:

- Free legal advice;
- Free web presentation;
- Mutual MSME association;
- Mutual MSME discounts;
- MSME association with international partners.

The Union of Employers has signed over 20 agreements on partnership and cooperation with national and international institutions and formed the Craft Association of Small and Medium Enterprises and adopted the Declaration of Montenegrin Economic

¹⁸ Source-MSME Strategy Development- Directorate for MSME development

Competitiveness. In the field of legal regulations, the Union Of Employers participates in preparing a Draft of a Law, in workgroups (work groups for creating strategies on cooperation between the NGO sector and the Government of Montenegro) and in the Council (the Statistical System Council), as well as in the implementation of several projects in cooperation with the Government of Montenegro, EAR and the Center for Non Governmental Organizations Development. The Union of Employers also carries out intensive activities on reducing business barriers and improving the environment for MSME development, and in creating a “business friendly” environment. To this end, the Union of Employers is conducting a number of campaigns and professional analyses both of parallel experiences and good practice in the region and abroad.

Local and sector associations

In Montenegro, there are a large number of associations at the local level and also associations which gather together companies from certain sectors or branches.

It is important to mention that in Bar, there is the Business Association of Bar, which represents over 70 companies from Bar, and presents their interests, above all, at the local level. The companies and entrepreneurs in Ulcinj also established local business association (UBA), which is member of the national MBA. However, there is no strong and recognized business association in Budva.

3.4 Financial support to MSME's

The following institutions/organizations are currently providing financial support to MSMEs:

The Government of Montenegro

In 2004, Government of Montenegro concluded an agreement with 6 banks: NLB Montenegro Bank, Crnogorska Komercijalna Banka (CKB), Atlasmont Banka, Podgoricka Banka, Pljevaljska Banka and Niksicka Banka, to launch 14 new credit lines. The value of these credit lines was near €13.2 million.

These credit lines can be divided into two groups. In the first group there are five credit lines whose main purpose is the stimulation of employment:

- Credit line for increasing employment;
- Credit line for stimulating the employment of those made redundant;
- Credit line for stimulating the employment *and entrepreneurship of individual agriculture producers*;
- Credit line for stimulating successful entrepreneurs and new employment;
- Credit line for stimulating the successful *young enterprises and new employment*;

The second group includes credit lines for tourism development:

- Credit line aimed at country tourism development;
- Credit lines for the development of other tourist activity consumption;
- Credit line for building higher quality accommodation capacities;
- Credit line for the building of small hotels;

5 credit lines are intended for financing projects in the field of agriculture:

- Credit lines for family farms for cattle raising;
- Credit lines for herb production;
- Credit lines for blue fish fishing;
- Credit lines for poultry meat production and mini farms for chicken fattening;
- Credit lines for the modernization of current capacities and building new ones for the processing of agricultural products.

The Development fund of Montenegro

The following table shows credit lines approved by the Development Fund by municipality in the period 2005-2007. It is noticeable that most of the loans were approved in the Budva municipality, which still can not be compared to the situation in Podgorica, where most loans were approved in 2006 because in Podgorica lives the highest number of inhabitants, the highest number of companies are registered in Podgorica, while Budva is the most attractive tourist place with highest investments.

No	Municipalities	Development fund – number of realized loans		
		2005	2006	2007
1	Podgorica	8	27	4
2	Bar	2	4	
3	Budva	1	7	3
4	Ulcinj		3	
5	Southern Region – Total	4	25	6
6	Montenegro – Total	37	167	41

Employment Bureau

The Employment Bureau of Montenegro is providing financial support for MSMEs through the following programs: “The Employment Program” and “14 credit lines”. In total, 8,413 projects have been implemented through those two programs and most of the projects were in agriculture¹⁹.

The Employment Bureau’s Self-employment Program, which has operated since February 1999, is aimed at stimulating continual employment and entrepreneurship in Montenegro. This Program enables credit approval under much more favorable conditions than those on the market. A loan of €3,068 was approved for a single working place creation scheme. An employer could obtain financing to create up to five new working places, totaling €15,340. The nominal interest rate, which burdens the beneficiaries of this program, amounted to 3% per year. Repayments were completed on a semi-annual level, a grace-period lasted 12 months, while individuals had three years of repayment and legal entities two.

¹⁹ www.zzz.cg.yu

This program implementation added additional individual and collective motivation for new employment, establishing new companies, and growth incentives for existing companies, an increase in competitiveness for domestic companies, an export increase, less imports and other positive effects that influenced the development of entrepreneurship.

The following table shows the credit structure provided by the Employment Bureau, by municipality for the period 2005-2007:

Municipality	2005			2006			2007 (until July 07)		
	# project	# employed	Loan €	# project	# employed	Loan €	# project	# employed	Loan €
Podgorica	98	286	870,920	226	551	1,679,008	38	92	282,164
Bar	5	19	57,474	87	172	524,223	17	32	99,548
Budva	55	128	388,959	78	151	458,186	1	1	3,067
Ulcinj	1	3	9,000	39	72	218,408	1	2	6,134
Southern Region – Total	71	175	531,583	382	723	2,201,012	29	56	172,958
Montenegro – Total	635	1180	3,572,858	2043	3354	10,201,572	346	545	1,656,171

Banking sector

The greatest part of MSME financing programs is provided by the **banking sector**.

The banking sector in Montenegro consists of 11 banks, as follows: Crnogorska Komercijalna Banka, Hipotekarna Banka, Podgoricka Banka – Societe General Group, Invest Bank Montenegro, Prva Banka Crne Gore, Opportunity Bank, Atlasmont Banka, NLB Montenegro Banka, Komercijalna Banka Budva, Hypo Alpe Adria Banka and First Financial Bank.

The banking system is characterized by diversified activities and its constant growth. In the Montenegrin banking sector, almost all is in private ownership (98% of capital of the entire banking sector), while foreign ownership is also predominant (80% of the banking system). There is constant growth in deposits, savings and in the total balance in the banks. Savings increased thirteen fold in the period 2000-2006, while the total assets of banks increased almost 20 times in the same period²⁰.

The total assets of the banking sectors at the end of September 2007 amounted to €2,529 million. The total assets of banks increased by 76.7% in comparison to the end of 2006 and increased by 129.5% in comparison to September 2006²¹.

According to data from the Central Bank of Montenegro, total deposits at the end of September 2007 amounted to €1,822 million. In the first 9 months of 2007, total deposits increased by 69.4%, while its annual growth rate amounted to 125.2%.

²⁰ The Government of Montenegro, the Ministry of Finance – Economic and fiscal program for Montenegro 2007-2010

²¹ Central Bank of Montenegro – Monthly Bulletin: October, 2007

Total approved loans at the end of September 2007 amounted to €1,810 million. An average monthly growth rate of approved loans in the first 9 months of 2007 amounted to 8.8%. In comparison to the end of 2006, the level of approved loans was higher by 113.7%, while at the annual level it was 177.3% higher.

The average weighted interest rate for the loans approved to legal entities amounted to 7.46% nominal and 8.17% effective and for the same period decreased significantly by 2.21% and 2.03%, respectively²².

The new Law on Banks is currently in the adoption process and it would, among other things, enable foreign banks' affiliates to open in Montenegro. Further development of the Montenegrin banking sector is to be expected in the future.

Besides the banking sector in Montenegro, there are a certain number of leasing companies offering their services to MSME.

There are also 4 micro-credit institutions, which offer their services to MSME in Montenegro, as follows: Agro Invest, Alter Modus, Ozmont and Montenegro Investment Credit.

Directorate for SME Development

The following table shows the loans structure provided by the Directorate for SME Development in the period 2005-2007 by municipality.

<i>Municipalities</i>	<i>Directorate for MSME Development – loans total</i>		
	<i># of loans</i>	<i>Amount (€)</i>	<i># new jobs</i>
Podgorica	78	1,722,000	203
Bar	10	561,400	33
Budva	4	70,000	8
Ulcinj	7	180,300	41
Southern region	35	1,057,100	111
Montenegro	396	8,680,200	838

3.5 Non financial support for MSME

Non financial support for MSME is conducted through the following institutions and programs:

- Directorate for SME Development, which through its network of regional and local business centers provides advising and consulting services;

²² The Government of Montenegro, the Ministry of Finance – Economic and fiscal program for Montenegro 2007-2010

- Euro Info Correspondent Center (EICC), which provides services related to business information, looking for business partners, representation in Montenegro and abroad, etc.;
- TAM program aims to provide assistance for companies in the restructuring process, to enable companies to do business on the open market and to support efforts directed towards total privatization;
- The Center for Entrepreneurship and Economic Development (CEED) is providing consulting services for companies, business plan preparation, market research, training for employees, employers and entrepreneurs, and many other *tailor made* services upon the clients' request;
- BSC Bar, which provides training services for companies starting business and provides information for future entrepreneurs.

Non financial support for MSMEs has recently become very important. It is expected that an additional business incubator in Podgorica is to be established as is the expansion of the existing supporting network for MSME.

Part III: Review of MSME development barriers

The MSME sector faces numerous barriers that affect business operations and procedures in Montenegro. Barriers are considered at both the republic and local level:

1. Legislative barriers
1. Financial barriers
2. Economic barriers
3. Cultural and political barriers
4. Other barriers

1. Legislation Obstacles²³

Montenegro has made some progress in reducing barriers to business at the republic and local level. New regulations have eliminated some barriers or made them less influential. The first regulation which all entrepreneurs face is the Business Organization Law which defines the procedure for founding a company and its registration. The process of registration and founding has been significantly simplified since 2002. For founding a Limited Liability Company only €1 of founding capital is required. The company must register in The Central Register of the Commercial Court; the process of registration lasts four days according to the Law. Afterward, the company must obtain a seal, registered in Monstat, the Statistical Office of the Republic of Montenegro. Finally, the company must open a bank account and register in the Tax Authority Office, where it receives its Tax Identification Number.

Depending on its activity, a company can be registered in the VAT system and be given its customs number as well. Even though the registration procedure is simplified, there is more than enough space for its further simplification. It is necessary and very important to enable online registration which could reduce both the expenses and time needed for

²³ Annex: Survey conducted for this Report

registration. Research that has been conducted in Bar, Ulcinj and Budva points to some of the problems which companies from the aforementioned municipalities are faced with, for example, it is necessary to come in Podgorica at least four times in order to finish the registration process. The research also indicates cost level differences, and some differences in the duration of the registration procedure in the three municipalities.

After the first step is made, (after finishing registration in the Central Register of Commercial Court) it is necessary to get the **work permit**. The Local self-government - economy department is in charge of issuing this kind of permission. Due to the fact that a common procedure for getting the work permit does not exist, the procedure differs from municipality to municipality, but also from one business activity to another when duration and costs are considered. Research conducted in Bar, Ulcinj and Budva shows that the costs, procedures, and steps for getting the work permit for the same activity are different in each of these three municipalities.

According to the World Bank's "Doing Business Report 2008," obtaining a work permit in Montenegro ranks 113th out of 178 countries. Compared with 2007, Montenegro is one spot lower, due to the lack of regulation at the republic level to standardize all procedures and activities across all municipalities. Defining precise terms, authorities, costs and responsibilities would significantly improve the licensing procedures. When comparing Montenegro with other countries of the former Yugoslav Republic, it is rated higher than Croatia, Serbia and Bosnia and Herzegovina, but lower than Macedonia and Slovenia.

Research in Bar, Ulcinj and Budva indicates differences in costs and process duration concerning **construction permission**. The situation is the same when some other kinds of licenses are concerned (real estate registration permission). The 'Doing business 2008' report claims that getting construction permission takes 185 days and consists of 19 steps that you have to go through. This barrier in the recent past, in addition to the non-existence of a Detailed Urban Plan has proved to be the main inducement for illegal building in Montenegro in general as well as in these three municipalities. Speeding up the procedure for getting the construction permission is necessary as well as a cost reduction can begin to overcome this kind of barrier.

Registry of real estate rights is regulated by the Law on State Cadastre. During the registration process, the private sector has to cope with the complicated procedures before registration as well as high costs.

1. Getting a certificate of paid tax obligations takes 15 days and costs €15;
2. Property transfer tax (fee) estimation lasts from 10 to 30 days and it has to be paid by the buyer. During this period the Tax Authority compares its own property estimation with the price in the purchase contract and also evaluates the property transfer tax that has to be paid (3 % of property value);
3. Registration procedure of the new owner lasts from 30 to 60 days and the costs are: €5 for the request form plus €13 for registration.

The lack of an exact, valid and updated cadastre and property right register makes the procedure of ownership proclaiming harder in cases where the situation seems to be suspicious. The total cost of administrative procedure leads to a widespread contempt of the rules with the aim of avoiding taxes.

The current and valid Law on Labour presents a serious barrier for entrepreneurs. The Law presumes an economy with a high number of stable workplaces and focuses on maintaining the existing employment rate and labor rights. The Law makes rigid conditions for employers on the labor market at a time when market flexibility is desirable. The situation in Montenegro from the aspect of the short and middle term requires solutions adjusted to its economic plans and realities.

Entrepreneurs point to the fact that the Labor Law speaks mainly about employee rights and employer obligations. 60 out of 157 articles refer to employee rights and protection. Labor market flexibility is not provided and the Law is not adjusted to the new-made market flows. All this take us to the one and only conclusion: The Law on Labour must be modified and supplemented.

A special barrier that entrepreneurs point to is the **high amount of local taxes, contributions and other kinds of rates**. In accordance with the Law on Local Self-Government financing sources and their methods of raising income. From the very beginning of its implementation, the constant growth of various fees has negatively effected business operations. There is one good example: the Rapex Company, which is located in Bar, has its own 5,000 square meters production hall which was bought for €110,000. The company pays €130,000 communal costs. High communal costs present a significant business barrier and have to be reduced (especially in the sphere of production) as an incentive for developing production. There also are some taxes, invisible at first sight because they are not specified, which appear during business operations or during some other occasion.

When duration and costs of various kinds of licenses are considered, companies in Bar in the survey have the most problems with obtaining the construction permission (average process duration is 22 days and average expenses are €372).

	Time required for obtaining the licenses (days)			Amount of money necessary for obtaining the licenses (€)		
	Min	Max	Average	Min	Max	Average
Real-estate Registration	1	20	10	50	300	259
Issuing of Technical Admission Permission	1	30	17	100	500	300
Issuing of Construction Permission	1	50	33	200	500	372

2. Financial Obstacles²⁴

The financial sector in Montenegro is completely privatized; the situation of finance has been considerably improved by the entry and subsequent competition of foreign banks. However, interest rates and collateral requirements remain high for the market. Furthermore, start-up enterprises are rarely eligible for credit because they are generally not able to meet the necessary conditions.

The current and potential financial barriers for business development in the three municipalities include

²⁴ Annex: Survey conducted for this Report

- In terms of **making the investment elaborate**, as a potential obstacle, in the municipality of Budva, 62% of informants consider that the creation of investment elaboration presents an obstacle to getting a loan, while 38% said otherwise. In Ulcinj, 84% of informants believe that forming a business plan is an obstacle, while 66% of all respondents agreed. It should be considered that the base in Budva consists of 86.9% of informants, 86.0% in Ulcinj and 80.9% of informants in Bar.
- Concerning the **lack of collateral**, in Budva, 77% of informants (entrepreneurs) consider that the lack of collateral is a financial barrier for getting any credit or loan, 55% in Ulcinj have an identical attitude referring to the lack of collateral as a potential and existing financial barrier, while in Bar that percentage was 53%.
- Considering **short term repayment**, 86.9% of informants in Budva think that the term for repayment is too short, that percentage equals 66% in Ulcinj and 74% in Bar.
- Regarding the **level of interest rate**, as a potential financial obstacle during credit approval, the survey conducted shows the following situation: 80% of informants in Budva believe that interest rate is high and therefore it is an obstacle to potential entrepreneurs to get a loan, 83% of informants consider that the interest rate is high while that indicator in Bar equals 86%.
- One of the financial barriers is a **lack of credit history**, which is confirmed in the survey conducted for municipalities Ulcinj and Bar, where the majority of informants have the opinion that the lack of a credit history is a financial barrier for loan approval. Only 24% of informants in general share that attitude.
- In Budva, there is a highest percentage of entrepreneurs who consider that **conditions for credit approval** present a barrier for getting a loan for business foundation, which means that 69% of informants in Budva consider the conditions for credit approval are a financial obstacle for business development, 58% informants in Ulcinj and 49% in Bar agree.
- The **lack of ownership capital** - 51% in Budva considers that the lack of ownership capital is a financial barrier for getting a loan, 61% of informants in Ulcinj the same, while 68% of informants in Bar have the same opinion.
- **Provision of bank guarantee** - 72% of examined entrepreneurs consider that the provision of bank guarantees is an obstacle for getting loan, 53% of informants in Ulcinj has the same opinion while 54% of questioned entrepreneurs concur.

3. Economic barriers²⁵

CEFTA: Montenegro joined the CEFTA agreement for the purpose of further opening up the economic system, whose implementation started in 2007. Montenegro works on the elimination of barriers, which hinder the free flow of goods, money and capital in the process of joining the WTO as well as the EU. The economic structure of Montenegro, on its own, imposes specific economic barriers, because some sectors are developed while others are not. Also, these type of barriers differ from one municipality to another. Earlier political-economic events caused an increase in the level of the grey economy that at one moment was equal to 50% of GDP. The situation is significantly more favorable today. An official evaluation of the grey economy level does not exist, but evaluations of numerous

²⁵ Annex: Survey conducted for this Report

institutions shows that it moves from 15% to 20% which is considerable progress. On the other hand this percentage has a negative impact on the businesses of companies in the legal sector that is shown by data gained from research wherein 70% of informants indicate the negative impact of illegal competition. A specific problem of the grey economy in the municipalities of Bar, Ulcinj and Budva occurs during the tourist season when unregistered accommodation and unregistered laborers are emphasized.

Quality Standards & Certification: In the domain of standards and certificate procurement, the majority of companies that are export oriented are not able to fulfill the required international standards. The high costs of the introduction of such standards and their maintenance are one of the reasons why the majority of Montenegrin companies have not yet adopted international standards (ISO, HACCP...)

Export Barriers: Companies face barriers in countries they export goods to. Different inspections, controls, border crossing restraints are only some of the non-tariff barriers that Montenegrin exporters encounter, in the municipalities involved in the research. Problems during the export of beverages are especially emphasized because the laboratory controls of samples were more expensive than the entire delivery. These barriers make access by Montenegrin companies on other markets meaningless as long as they are facing them.

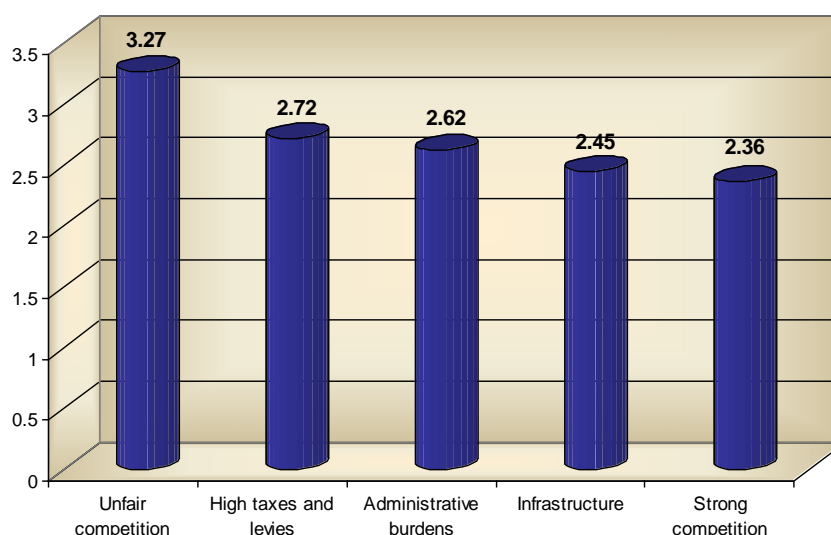
Entrepreneurs who are operating in the municipalities of Bar, Budva and Ulcinj are encountering various barriers in the above mentioned categories and they evaluated their level²⁶. Starting with a value of indicators, informants evaluated unfair competition as the component that causes numerous problems (evaluation indicator 3.27). On the other hand, inflation produces minimum problems to businesses (evaluation indicator 1.26). Higher indicators means larger problems (Indicators are ranked from 1-5).

Indicator	Value
1 High taxes and duties	2.72
2 Administrative barriers	2.62
3 Often changes in legal and regulatory environment	1.99
4 Strong competition	2.36
5 Unfair competition	3.27
6 Inaccessibility to external financial resources	1.70
7 Lack of manpower	1.89
8 Corruption	1.90
9 Unsuitable and insufficient capacities	1.55
10 Lack of suitable management skills	1.34
11 Training level of employees	1.55
12 Access to mechanization, equipment and material	1.52
13 Lack of orders	1.73
14 Payment delay	1.72
15 Political situation	1.51
16 Inflation	1.26
17 Payment negotiations with other companies	1.55

²⁶ Business Development Barriers in Montenegro, Center for Entrepreneurship and Economic Development (CEED), 2007

18	Trading barriers for export/import	1.75
19	Lack of business information	1.29
20	Labour legislation	1.42
21	Infrastructure (electric power, water, roads, phone/internet)	2.45
22	Inspections	1.89

Graphic: Five most significant barriers for business development – Bar, Budva, Ulcinj (cumulative)



4. Cultural and political barriers²⁷

The cultural diversity of Montenegro, especially of the municipalities Bar, Ulcinj and Budva had only positive effects on business development in the recent period and serious barriers were not noticed there. The good connection of local businesses with immigrants from this region is emphasized, which has contributed to an increase in investment in these maritime municipalities, including participation in privatization processes as well as to the transfer of know-how.

In the domain of political barriers and they are not highly emphasized, with the exception of the municipality of Ulcinj where there are concerns about the inefficiency of local self-government and its insufficient dedication to solving the accumulated problems. A leading coalition is at the head of these three municipalities as at the republic level therefore there is a significant correspondence of attitudes and activities between the republic and municipal authorities.

5. Other barriers²⁸

Even though a considerable amount of assets have been recently invested in new infrastructure reconstruction and building, companies are facing barriers in this field too. The road infrastructure cannot satisfy business demand in Montenegro. This problem is

²⁷ Interviews with representatives of the local self-government

²⁸ Interviews with representatives of the local self-government

especially stressed in connecting the north with the central and south regions. High quality and modern road infrastructure is a precondition for faster business development and improvement in Montenegro.

Also, **rail infrastructure** and its level are not at the point that is necessary in order to meet business demands especially of companies from municipalities that are next to the railroad. Although business demands for a higher quality and faster rail transport are emphasized in the municipality of Bar, its services and infrastructure are still not at that level.

The port infrastructure in Bar, precisely the sea wall have been revitalized. Other infrastructure is about to be modernized. Because of the fact that container transport of cargo has taken over primacy in international transport, the current small capacities in the Port of Bar are a barrier that has to be eliminated through modernization processes and the construction of new capacities for container handling.

In the field of **energy**, business encounters an undeveloped electro-distribution infrastructure, an old network as well as the high price of electric power, which is three times higher than for households. Network failure during the tourist season presents considerable problems in the municipalities of Bar, Ulcinj and Budva. Also, investors are obliged to provide assets for electro infrastructure construction during the building of any new structure, which additionally increases the costs to entrepreneurs and of course represents one of the barriers.

Water supply is also one of the barriers that companies are facing in the municipalities of Bar, Ulcinj and Budva. This problem is especially severe in summer. Local sources do not have enough capacities to supply the increased demand, the deficit of water piping are up to 50% of delivered water in some municipalities, and illegal adapters make this problem one of the bigger problems for a company especially in the domain of tourism and the catering industry.

Besides external barriers companies are facing internal problems. Namely, a problem of **providing highly qualified personnel, a lack of management skills and knowledge** and **organizational problems** are visible. There are 1,620 unemployed individuals in Bar, 1200 in Ulcinj and 448 in Budva on December 31, 2007 according to data from the Employment Bureau of Montenegro. The structure of unemployed people illustrates that it refers to individuals with lower level of technical qualifications. The deficit of qualified personnel is visible in these three bureaus, while the problem is especially stressed in the fields of tourism, hospitality, construction and the maritime industry. Due to all the aforementioned, companies are forced to supply missing personnel from neighboring countries which additionally increases their costs and disturbs business operations. Considering companies structure in these three coastal municipalities, the lack of management skills and knowledge of the people who are running businesses is visible. In the majority of cases, the same person is the owner, director and the person who makes and enforces plans. Organizational problems are derived from this and altogether badly affect business results.

Also, companies are faced with problems of presenting at, not only local but also at **international fairs** due to the lack of assets, the inadequate level of information and a lack

of staff that can perform this work. There is inadequate investment in employees' specialization, but it should be kept in mind that there is significant resistance by employees to adopt new knowledge and skills.

The connections between companies in Montenegro and companies in the region are not developed enough. That is a good way of improving business. Some of these services are provided by business organizations such as the Montenegro Business Alliance, but private companies have still not taken advantage of the offered advantages.

Part IV: Conclusions and recommendations

After completing the survey "MSME Sector report- Status of and Obstacles Faced by the Local MSME Sector" in the Municipalities of Bar, Budva and Ulcinj" we may conclude that the MSME sector is taking a more important role in developing the Montenegrin economy and the three targeted municipalities.

Apart from almost identical starting points and development potential, all of the three municipalities have different ways and priorities for development. Therefore, Bar has a variety of sectors and a good cadre base, Budva has high income and Ulcinj a total orientation on tourism.

According to the path that each city develops within the strategic development plans and goals of Montenegro, there are large number of institutions, both at a national and local level, that provide support to the development of the MSME sector, since this sector has been identified as the bearer of overall economic development.

This survey was conducted with the aim of identifying the status of the MSME sector, as well as the barriers which the MSME sector is facing in the municipalities of Bar, Budva and Ulcinj, and to provide basic recommendations for overcoming the identified barriers. The results of the survey show that the barriers are numerous and that they have significant influence on work of the entrepreneurs. One part of the barriers can be removed very quickly since they are not systematic in nature, while the other part requires time and the engagement of all actors. It is of course important that the first and second steps, the registration of the company and getting the necessary licenses needs to be simplified by clearly defining and decreasing both time and costs, in order to make it easier for all new entrepreneurs and that their success depends on the market and not on the bureaucracy. In the area of finance it is necessary that the banking sector gives additional support to start-up businesses. Companies that are export oriented need to pay special attention to the introduction of international standards and adjust to a larger market and strong competition. Solving problems in the area of infrastructure requires more time and capital, and it is necessary that the state and local authorities jointly work on solving these problems in order to create the preconditions for further and faster economic development. It is necessary that we include in the process of removing barriers, representatives of business in order to enhance the business environment and help the private sector.

Considering the barriers that are identified by implementing the methodology of the World Bank – Doing Business Report, we can say that in the area of business registration the

municipality of Budva has been more advanced in comparison to other observed municipalities even though this did not provoke a significant increase in the number of registered companies. The basic identified barriers for the property registration process are related to weak organization and the lack of interest by younger people to do this kind of work. During the process of obtaining licenses, the identified barriers are related first of all to a lack of urban plans and the complicated procedures, while the most important barriers for enforcing contracts are related to low level of efficiency of the organs of the court.

With the goal of supporting MSME development, the Business Support Centre Bar (BSC) was founded.

In accordance with the reviewed material recommendations given to the BSC Bar partners in the majority of cases they are already active in these areas.

Recommendations for the municipality of Bar

The municipality of Bar should:

- Initiate education programs for future entrepreneurs with the aim of creating a better economic climate in the municipality of Bar;
- Develop education programs for its employees in different areas in order to work better and make administration more efficient;
- Establish *One-Stop-Shop* in order to meet citizens' and companies' requests faster and at one place;
- Work on the removal of barriers in the municipality and make Bar the most competitive municipality for Business;
- Decrease the number of licenses needed to get a working permit (license);
- Jointly with the local Association of entrepreneurs of Bar and the Montenegro Business Alliance work on changing the regulations that negatively effects business;
- Improve online access to its activities through regular updates of the website and download all necessary documents;
- Work on decreasing local taxes and fees;
- Provide tax credits (full and partial), for companies that are introducing new technologies and invest in R&D;
- Sign an Agreement that provides for the active participation of the business sector through its representatives, in the adoption of important regulations that can improve its business.

Recommendations for the Employment bureau

The Employment bureau as key institution and intermediary between the unemployed and employers should:

- Develop new programs that would provide the gaining of the specific knowledge that is needed on market, especially on marketing in tourism, tourism administration and management;

- Stress the problems in employment procedures and work on decreasing the barriers for the employment local and foreign citizens;
- Further develop the portal that currently exists, and ensure that it is related to obtaining information for employment;
- Cooperate with the private sector in defining the type of staff needed and providing future training of the unemployed;
- Further improve programs needed to satisfy market needs (foreign languages, usage of the special programs related to tourism, communication and others)
- To create specific educational programs (e.g. on entrepreneurship, management, tourism) for employed in state owned companies for the case of their firing in the privatization process.

Recommendations for the Faculty for Tourism and the Hotel Industry

Within its curriculum the Faculty for Tourism and the Hotel Industry should:

- Adjust its curriculum to the needs of the private sector;
- Work closely with the representatives of the private sector;
- Within its programs introduce the practice of using case studies first of all from the Municipality of Bar;
- To focus more on practical knowledge and skills;
- To cooperate with tourist capacities and to arrange students' part-time engagement for practice.

Recommendations for the Montenegro Business Alliance and the Association of Entrepreneurs of Bar and Ulcinj

As representatives of the private sector MBA and UPB:

- Exchange information related to the activity of each organization;
- Jointly work in the Municipality of Bar on questions that are of interest to the private sector;
- Cooperate with the representatives of the Municipalities and the Employment bureau in order to prepare the most adequate cadre;
- Work together on changing the regulations that are barriers for doing business;
- Regularly organize seminars and training for its members related to new regulations and trends;
- Regularly update and develop web sites in order to provide as much information as possible;
- Further develop its publishing activities.

Recommendations for other partners

Recommendations for the Bar Culture Center, the Association of Olive Growers of Bar, the Agriculture Association of Mrkojevici and the Secondary Economic School are related to:

- Improving its own capacities within the BSC Bar project and other active programs;
- Usage of the resources that are available in the municipality of Bar and are related to the financing of certain programs;

-
- Be involved in different programs and organizations in order to protect their own interests and enhance these activities;
 - Work on creating and updating their web sites;
 - Participation in different training programs and programs related to the overall enhancement of current and widen into other activities.

All these recommendations are given with the aim of improving the activities of the organizations that are partners in the BSC Bar project. The key for the implementation of these recommendations is mutual cooperation and the exchange of information among partners.

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Annex

STARTING BUSINESS				
CITY	PODGORICA	BAR	ULCINJ	BUDVA
Procedure 1: Obtain application form and reserve the company name	Comment: The comments from Bar are that the data of a Company's name announced on the website of the Central Registry of the Commercial Court are unreliable because the website is not up-dated on time. The other comment (from Budva) is that this procedure can be done only in Podgorica, and because of that companies from other cities usually hire lawyers or agencies to do this procedure for them. This also brings additional costs.			
Time	1 day	1 day	1 day	1 day
Costs	€ 10 to 20	€ 10 to 20	€ 10 to 20	€ 10 to 20
Procedure 2: Certify the company's founding agreements	Comment: The comments from Bar: By a new administration change which implies that the authorization which the company assigns to the lawyer (to do these procedures in the Central Registry of Commercial Court on their behalf) also have to be certified by another lawyer. This has negative effects, because it corrupts lawyers in carrying out their professional activities and also slows down all these procedures before a company starts to work.			
Time	1 day	1 day	1 day	1 day
Costs	€ 30 to 100	€ 30 to 100	€ 30 to 100	€ 30 to 100
Procedure 3: Register with the Company Registry	Comment: The comments for this procedure are from the Bar Municipality: <ul style="list-style-type: none"> - Clients who came from other cities have additional costs because of the travel and accommodation costs in Podgorica. - Until now, when you give in the register application to the Central Registry of Commercial Court, you don't get the information about the time when you can expect registration confirmation. In order to get this information you have to come again directly to the Commercial Court (sometimes not just once). You can not get this information by phone. It would be much better if the client could get this information on the spot, when he applies for registration. - It is often very crowded in the Court and clients waste a lot of time, just waiting in line. The time for „picking up“ the registration confirmation is also inappropriate (from 11 – 13h) and it should be longer. - It is necessarily to open a department of the Commercial Court, for the Northern and Southern Regions of Montenegro, which is easy to do because new technologies can provide cohesion of data and records. - There were no particular changes in this procedure last year. 			
Time	2 days	2 days	2 days	2 days
Costs	€ 10 (registration fee) + € 10-15 (publication fee)	Around €30	€ 10 (registration fee) + € 10-15 (publication fee)	€ 10 (registration fee) + € 10-15 (publication fee)
Procedure 4: Make a company seal	Comment: /			
Time	1 day	1 day	1 day	1 day
Costs	€ 30 to 40	€ 30 to 40	€ 30 to 40	€ 30 to 40
Procedure 5: Obtain statistical number of the company	Comment: To obtain the statistical number of the company, it is necessary to come to Podgorica, at least once more after registration of the company, which brings additional costs and waste of time. It would be better if this procedure lasts no longer than 1 hour.			
Time	6 days	6 days	6 days	6 days
Costs	€ 5	€ 30	€ 5	€ 5
Procedure 6: Open a bank	Comment: All banks, or most of them, require that the signatures of the authorized persons			

account	representing the company should be verified by the Court. This verification is unnecessary and it should be performed by the Bank.			
Time	1 day	1 day	1 day	1 day
Costs	no charge	no charge	no charge	no charge
Procedure 7: Obtain municipal license	<p>Comment: For the Bar municipality this procedure is different and the costs are significantly higher (500-1000, depending on the activity). In order to register, the company must submit a signed contract with the relevant Public Utility for Waste Management which will not be concluded if the company doesn't pay the fee for public utility services for all of the following year in advance. Another condition is that the company director, household member or landlord must repay their debts if they have any. For a company director whose head office is not in the Bar Municipality, on the occasion of opening a local business unit in Bar, there is a charge of € 20. It is requested that evidence be provided of tax paid in advance for the current year. Special problems occur in the cases with a company whose founder is a foreigner, or the executive director has appointed the foreigner as well as or when both the founder and the director are foreigners. Issuing the registration for starting business is dependant on gaining a working license for the company director and the working license can not be gained without getting the residential permit. The residential permit (on the basis of residence in favor of performing the activities) can not be given without the Municipality decision. I consider that this procedure should be clearly regulated. I would like to the question are these evidences necessary for getting a municipal license for starting a business?</p>			
Time	12 days	12 days	12 days	12 days
Costs	€ 50	€ 500-1000	€ 100	€ 50
Procedure 8: Receive municipal inspection	<p>Comment: In the Bar municipality, receiving a municipal inspection costs from € 20-200, depending on the type of activity. This payment should not be required.</p>			
Time	7 days (included in previous procedure)	7 days (included in previous procedure)	7 days (included in previous procedure)	7 days (included in previous procedure)
Costs	no charge	€ 20-200	no charge	no charge
Procedure 9: Register with the Pension Fund	Comment: /			
Time	2 days (simultaneous with procedure 6)	2 days (simultaneous with procedure 6)	2 days (simultaneous with procedure 6)	2 days (simultaneous with procedure 6)
Costs	no charge	no charge	no charge	no charge
Procedure 10: Register with the Employment Bureau	Comment: /			
Time	2 days (simultaneous with previous procedure)	2 days (simultaneous with previous procedure)	2 days (simultaneous with previous procedure)	2 days (simultaneous with previous procedure)
Costs	no charge	no charge	no charge	no charge
Procedure 11: Register with Health Fund	Comment: /			
Time	2 days (simultaneous with previous procedure)	2 days (simultaneous with previous procedure)	2 days (simultaneous with previous procedure)	2 days (simultaneous with previous procedure)
Costs	no charge	no charge	no charge	no charge

Procedure 12: Register for income tax	Comment: The procedure is different in part from the general company registration that is, getting the tax identification number. The evidence that the company handed in the request for a working license to the municipality, is not needed which I consider that is still in accordance with the Law on Tax administration.			
Time	2-3 days (simultaneous with previous procedure)	2-3 days (simultaneous with previous procedure)	2-3 days (simultaneous with previous procedure)	2-3 days (simultaneous with previous procedure)
Costs	no charge	no charge	no charge	no charge
Procedure 13: Register for VAT	Comment: In the Bar municipality, registration for VAT costs €10			
Time	2-3 days (simultaneous with previous procedure)	2-3 days (simultaneous with previous procedure)	2-3 days (simultaneous with previous procedure)	2-3 days (simultaneous with previous procedure)
Costs	no charge	no charge	no charge	€ 10
Procedure 14: Register employees for Social Security	Comment: /			
Time	2 days	2 days	2 days	2 days
Costs	no charge	no charge	no charge	no charge
Procedure 15: Register company with Chamber of Commerce	Comment: /			
Time	1 day	1 day	1 day	1 day
Costs	no charge	no charge	no charge	no charge

Apart from these 15, additional procedures are requested only in Bar: In order to start a business it is necessary to provide sanitary approval from the sanitary inspectorate for a business office. Sanitary approval must be provided before getting a working license that is in turn determined by the municipal sanitary commission. For sanitary approval, the fee amounts from € 36-120, or more, depending on the square footage of the facility. The average time for this procedure is 3 days.

It is necessary to provide an expert report on the applicable prescribed measures and work safety standards issued by the authorized work safety organization. The costs for this approval are € 100, and more depending on the square footage of the facility and its equipment. The average time for this procedure is 3 days.

In the last few years, in the Budva Municipality some other administrative and legal changes have been introduced: Less than one year ago a € 10 fee was introduced on the occasion of handing in the application form for the Tax identification number and VAT registration. This registration used to be free of charge. This change did not significantly influence any improvement in the registration process and the "client-tax administration body" relationship.

REGISTERING PROPERTY				
CITY	PODGORICA	BAR	ULCINJ	BUDVA
Procedure 1: Obtain property excerpt from the Agency for Real Estate	Comment: The same procedure for all four municipalities.			
Time	1 day (simultaneous with procedure 2)	1 day (simultaneous with procedure 2)	1 day (simultaneous with procedure 2)	1 day (simultaneous with procedure 2)
Costs	€ 5 (Republic Administrative Tax) + € 3 (to Agency for Real Estate)	€ 5 (Republic Administrative Tax) + € 3 (to Agency for Real Estate)	€ 5 (Republic Administrative Tax) + € 3 (to Agency for Real Estate)	€ 5 (Republic Administrative Tax) + € 3 (to Agency for Real Estate)
Procedure 2: Check boundaries and limitations of the property against the excerpt	Comment: The procedure is the same, except in the Budva Municipality where this check is not always carried out by lawyers. It is not rare that in some cases the property excerpt is incorrectly interpreted by some non-qualified persons and because of that sometimes the sale-purchase agreement contains incomplete data.			
Time	1 day (simultaneous with procedure 1)	1 day (simultaneous with procedure 1)	1 day (simultaneous with procedure 1)	1 day (simultaneous with procedure 1)
Costs	included in procedure 3	included in procedure 3	included in procedure 3	included in procedure 3
Procedure 3: Lawyer drafts sale-purchase agreement	Comment: The same procedure except in Budva where the lawyer's fee for composing the sale-purchase agreement goes from the already mentioned amount to 1.5% of the sale-purchase price on the agreement.			
Time	1 day	1 day	1 day	1 day
Costs	€ 200-300	€ 200-300	€ 200-300	€ 200-300
Procedure 4: Sign and notarize the sale-purchase agreement at the Municipal Court	Comment: Since there is no Municipal Court in the Budva Municipality, all legal procedures are carried out by the Municipal Court in the Cetinje Municipality (they are very satisfied with the services of that Court).			
Time	1 day	1 day	1 day	1 day
Costs	€ 30 for any agreement over €5000 + 0.25% of the amount exceeding € 5000, not to exceed €300. The total in this case is € 300.	€ 30 for any agreement over €5000 + 0.25% of the amount exceeding € 5000, not to exceed €300. The total in this case is € 300.	€ 30 for any agreement over €5000 + 0.25% of the amount exceeding € 5000, not to exceed €300. The total in this case is € 300.	€ 30 for any agreement over €5000 + 0.25% of the amount exceeding € 5000, not to exceed €300. The total in this case is € 300.
Procedure 5: Obtain tax clearance from tax authorities	Comment: The same procedure for all four municipalities, except some small differences in costs.			
Time	15 days	15 days	15 days	15 days
Costs	€ 15	€ 15	€ 55	€ 15
Procedure 6: Tax Authorities assess the	Comment: In the Bar municipality this procedure is not the same, and it can take sometimes up to 6 months. The costs are € 55. The Tax Authority doesn't expect a "real			

amount of transfer tax to be paid by the buyer	estate' price from sale-purchase agreement, and always employs experts to assess the real estate value. For expert services, the buyer pays a € 15 fee, in advance, and with the tax application submits proof of this payment to the Tax Authority. For this facility and land value assessments, three experts are employed. The Total fee for the experts is € 45. The buyer pays an additional €10 to the Tax Authority account, a so-called letter of credit (credence). It is rare that the experts accept the original price from the agreement and may increase the price several times over. The Tax Authority decides the amount of tax to be paid.			
Time	10 - 30 days	Sometimes it takes even 6 months	10 - 30 days	10 - 30 days
Costs	no cost	€ 55	no cost	no cost
Procedure 7: Buyer pays transfer tax at a commercial bank	Comment: The same procedure for all four municipalities.			
Time	1 day	1 day	1 day	1 day
Costs	2% property value	2% property value	2% property value	2% property value
Procedure 8: Request inscription of the new owner at the Agency for Real Estate	Comment: In Bar and Budva this procedure for request also takes 1 day but for the inscription it last much longer, sometimes as much as 6 months.			
Time	1 day (request) + 30-60 days (inscription)	1 day (request) + sometimes takes even 6 months (inscription)	1 day (request) + 30-60 days (inscription)	1 day (request) + sometimes takes even 6 months (inscription)
Costs	€ 5 (request) + €13 (inscription)	€ 5 (request) + €13 (inscription)	€ 5 (request) + €13 (inscription)	€ 5 (request) + €13 (inscription)

Recommendation for improving the operations of the Real Estate Administration:

- better work process organization;
- put a request into process without delay;
- resolve the application according to the order of submission (to treat clients equally)
- respect legal term of 30 days for registering the property;
- to encourage the employment of younger, professional and creative personnel;
- to encourage personnel to devote themselves to their working duties and to reward such work, or to discipline, as appropriate);
- to increase the number of employees and to update the existing personnel.

Another recommendation is to hire more staff on verification requests in the Primary Court. Regarding the real estate registration process, the Tax Authorities are not the cause of delay, since tax payment is not a precondition for the registration procedure. There have been no significant changes in administrative and legal procedure from April 2006 until now except that the registration procedure in cadastre is shorter (because of the new Law on state survey and cadastre --Official Gazette No 29/07). There were no significant changes in the costs in the procedure of property registration since April 2006. The time needed for this procedure is usually the same or even longer due to inefficient working practices in the relevant institutions.

The major barriers for the security of ownership rights are:

- Non functioning cadastre;
- Earlier property expropriation by the Government and the inefficiently conducted property registration;
- Non delivering of an Inheritance Decree to the cadastre in order to update data;
- Untimely start of property disputes;
- Speculative purchases of former state property before a thorough process of returning that property to its real owners;
- Lack of urban plans.

DEALING WITH LICENCES				
CITY	PODGORICA	BAR	ULCINJ	BUDVA
Procedure 1: Obtain proof of ownership	Comment: /			
Time	1 day	1 day	60 days	n/a
Costs	€ 5	€ 8 (€ 5 administration fee + € 3 fee)	n/a	n/a
Procedure 2: Obtain copy of site map	Comment: /			
Time	2 days	5 days	1 days	n/a
Costs	€ 10	€ 15 (€5 administration fee + €10 fee)	€ 15	n/a
Procedure 3: Obtain land use permit	Comment: /			
Time	30 days	10 days	60 days	n/a
Costs	€ 150	€ 35	€ 40/m2	n/a
Procedure 4: Geotechnical Examination	Comment: /			
Time	7 days	7-10 days	60 days	n/a
Costs	no charge	€ 600	n/a	n/a
Procedure 5: Obtain approval of geotechnical examination from Ministry of Economy	Comment: Depending on sample numbers (Bar municipality).			
Time	10 days	10 days	n/a	n/a
Costs	€ 150	€ 1200	n/a	n/a
Procedure 6: Revision of technical control of the report of geotechnical condition	Comment: /			
Time	10 days	10 days	no procedure	n/a
Costs	no charge	€ 600	no procedure	n/a
Procedure 7: Obtain clearance to connect to the electricity network	Comment: 4% or 2.75% of the facility investment value. Services are slow, expensive and unprofessional (Bar municipality).			
Time	20 days	90 days	n/a	n/a
Costs	€ 300	€ 8000	n/a	n/a
Procedure 8: Obtain clearance to connect to water and sewerage network	Comment: This service is slow (Bar municipality).			
Time	16 days	60 days	15 days	n/a
Costs	€ 11055	€ 1000	n/a	n/a
Procedure 9: Obtain clearance to connect to telecommunications network	Comment: We are of the opinion that this approval is not necessary (Bar municipality).			
Time	15 days	8 days	5 days	n/a
Costs	€ 300	€ 500	around € 100	n/a

Procedure 10: Obtain urban consent from Ministry of Economic Development	Comment: 0.20% of the facility investment value (Bar municipality).			
Time	30 days	90 days	60 days	n/a
Costs	€ 500	€ 700	n/a	n/a
Procedure 11: Obtain ecological consent from Ministry for Tourism and Environmental Protection	Comment: 0.1% on getting the approval + 0.9% before getting a working permit (It is necessary to make an additional environment protection elaborate - Bar municipality).			
Time	10 days	30 days	60 days	n/a
Costs	€ 3500	€ 3500	n/a	n/a
Procedure 12: Obtain traffic consent	Comment:			
Time	10 days	5 days	30 days	n/a
Costs	€ 3	€ 100	n/a	n/a
Procedure 13: Obtain fire prevention consent	Comment: An overly complex procedure, it is recommended (preferable) that the local district unit of the Ministry of Internal Affairs issues this approval, and that the procedure lasts 7 days in practice.			
Time	15 days	30 days	n/a	n/a
Costs	€ 500	€ 500	n/a	n/a
Procedure 14: Obtain building permit	Comment: Relevant republic bodies are in charge of obtaining the building permit. We are of the opinion that the construction of this type of facility should be under the local authority. (0.1% of the facility investment value - (Bar municipality).			
Time	30 days	90 days	30 days	n/a
Costs	€ 350	€ 350	n/a	n/a
Procedure 15: Obtain power connection	Comment: This service is slow and unprofessional.			
Time	20 days	60 days	7 days	n/a
Costs	€ 300	€ 150	n/a	n/a
Procedure 16: Obtain water and sewerage connection	Comment: This service is slow.			
Time	10 days	15 days	7 days	n/a
Costs	€ 200	€ 300	n/a	n/a
Procedure 17: Obtain phone connection	Comment: This service is under Telecom control, which is private monopoly enterprise (Bar municipality).			
Time	7 days	8 days	1 days	n/a
Costs	€ 80	€ 500	n/a	n/a
Procedure 18: Receive technical control of building	Comment: /			
Time	1 day	30 days	n/a	n/a
Costs	€ 350	€ 1000	n/a	n/a
Procedure 19: Obtain use permit	Comment: /			
Time	50 days	15 days	n/a	n/a
Costs	€ 700	n/a	n/a	n/a

There were no significant administrative or legal changes which affected the general process of issuing licenses (from April 2006 till now) except for a small fee increase. The general recommendations to the Government regarding the reforms of construction regulations and administration are:

- Deliver urban plans as soon as possible (the lack of urban plans slows down investments and general development);
- Transfer the administration to the local self-government level (the local self-government should be the local development supervisor with Ministry supervision),
- Accelerate the process of getting the approval;
- In potential earthquake risk areas limit the floor area of facilities (Construction of multi-storey buildings endangers safety because of potential earthquakes);
- Limit the potential suppliers to specialized construction companies which possess all the relevant certificates (facilities are built without adequate quality control of the completed construction work);
- Less administrative barriers, lower fees and completing the procedures in one step.

ENFORCING CONTRACTS				
NATURE OF PROCEDURE	PODGORICA	BAR	ULCINJ	BUDVA
Procedures (number)	49	49	49	n/a
Duration (days)	545	545	More than 545	n/a
Filing and service	60	60	60	n/a
Trial and judgment	365	365	More than 365 days, sometimes even 2-3 years because of overwork	n/a
Enforcement of judgment	120	120	120 and more	n/a
Cost (% of claim)*	25.7	26.0	n/a	n/a
Attorney cost (% of claim)	11.3	11.4	n/a	n/a
Court cost (% of claim)	6.9	7.2	n/a	n/a
Enforcement Cost (% of claim)	7.5	7.4	n/a	n/a
* Claim assumed to be equivalent to 200% of income per capita.				

In solving commercial disputes the main emphasis should be:

- To increase the efficiency of court procedures (Bar);
- To increase the efficiency of the enforcement of judgments (Bar);
- To increase the living standards of judges and the judicial administration (Bar);
- To increase justice in judicial decision making (to reduce corruption in the judicial system) (Ulcinj);
- To decrease the costs of claiming (Ulcinj).

The Commercial Court in Podgorica is in charge of enforcing contracts, since there is not specialized Commercial Court in the Bar and Ulcinj municipalities.

The Bar and Ulcinj municipalities have a Primary Court thus, it is possible that some services can be performed there. But all other courts are in Podgorica, and due to that the costs are higher. It will be much more practical and useful to organize special units of the Commercial Court for the Southern Region of Montenegro.

There are not many differences in the level Court efficiency in these municipalities, and all of them should be much more effective and efficient.

**QUESTIONNAIRE ON STATUS OF SMALL AND MEDIUM ENTERPRIZES AND OBSTACLES IN THEIR
DEVELOPMENT IN MONTENEGRO**

1. General Data	
Enterprise name:	
Contact person:	
ID Number:	
Year of Establishment	
Owner below 35 years of age:	YES NO
Town:	
Street:	
Phone:	
E-mail:	
Fax:	
www:	
Legal Form:	Annual Income
<input type="checkbox"/> Joint Stock Company <input type="checkbox"/> Limited Liability Company <input type="checkbox"/> Limited Partnership <input type="checkbox"/> Part of foreign company <input type="checkbox"/> General Partnership <input type="checkbox"/> NGO <input type="checkbox"/> Institution <input type="checkbox"/> Investment Funds <input type="checkbox"/> Cooperative <input type="checkbox"/> Other	<input type="checkbox"/> < 50,000.00 € <input type="checkbox"/> 50,000.00 -100,000.00 € <input type="checkbox"/> 100,000.00 – 250,000.00€ <input type="checkbox"/> 250,000.00 - 500,000.00 € <input type="checkbox"/> 500,000.00 - 1,000,000.00€ <input type="checkbox"/> >1,000,000.00 €
Number of Employees:	
4. Branch	
<input type="checkbox"/> Trade _____ <input type="checkbox"/> Services _____ <input type="checkbox"/> Tourism and catering _____ <input type="checkbox"/> Financial service and insurance _____ <input type="checkbox"/> Shipping _____ <input type="checkbox"/> Pharmacy _____	<input type="checkbox"/> Production _____ Construction <input type="checkbox"/> Sea-business _____ <input type="checkbox"/> industry _____ Nutrition <input type="checkbox"/> Trans Shipment _____ <input type="checkbox"/> Health care _____

Legal Obstacles

	Enterprise Establishment	Days	€
1	Collecting Registration Documentation		
2	Court Enterprise Registration		
3	Statistical Number Issuing		
4	VAT Number Issuing		
5	ID Number Issuing		
6	Tariff Number Issuing		
7	Company seal making		
8	Cost of Registering the Enterprise (in total)		

	Allowances Issuing	Days	€
1	Construction Allowance Issuing (urbanity, construction etc.)		
2	Business Space(s) Technical Allowance Issuing (electrical/water installation, noise protection etc.)		
3	Telephone, Power, Water etc.		
4	Real Estate Registration		

	Employment	Yes	No
1	Can you find needed employees on labor force market?		
2	Do you have enough capacity to make your best employees stay in company?		
3	Are there any needs for additional education and/or change of qualifications of your employees?		
4	Do the educational institutions make them available for you?		
5	Does the subvention of youth employment need to be implemented on continuous basis?		

	Ownership Protection	Days	€
1	Ownership Statement on Real Estate Issuing		
2	Legal Entity's Register Statement Issuing		
3	Inspection Estimates on Real Estate Worth		
4	Ownership Registration		

	Taxes	Yes	No
1	Do you consider the salary related taxes to high?		
2	Does the salary related cost limit your intentions in labor force enlargements?		
3	Income tax should be: <input type="checkbox"/> < 15 % with no re-investment modality		

4	<input type="checkbox"/> >15% with re-investment modality Do you consider process of income tax levy complicated? <i>If Yes state the improvement suggestions!</i> _____ _____ _____		
	5 Does the VAT return satisfy your expectations? <i>If No state the improvement suggestions!</i> _____ _____ _____		

	Trade Exchange (Export/Import)	Days	€
1	Issuing registration sheet on listing in the Custom Administration register		
2	Preparatory work on exporting documentation		
3	Duty allowances and technical controls - export		
4	Preparatory work on importing documentation		
5	Duty allowances and technical controls - import		

	Court Protection	Days
1	Time required in setting the initial elaboration?	
2	Time required between initial elaboration and final decision?	
3	Time line by the execution of the final decision?	

FINANCIAL OBSTACLES

	Credits	Yes	No
1	Business plan completion?		
2	Lack of collateral?		
3	Lack of credit history?		
4	Lack of equity?		
5	Interest rates level?		
6	Repayment period too short?		
7	To meet loan conditions?		
8	Procedures on approving the credit request?		

BUSINESS ENVIRONMENT

		Yes	No
1	<p>Do you need the certification of your products/services?</p> <p><i>If Yes state the art of certification</i></p> <p>_____</p> <p>_____</p>		
2	<p>Are you granted the possibility to have your products/services certified in Montenegro?</p> <p><i>If No state the reason</i></p> <p>_____</p> <p>_____</p>		
3	Does the gray market negatively influence your development?		
4	Does the Cefta Agreement influence your business?		
5	Does the competition negatively influence your business?		
6	Does the Government appropriately subvention your branch?		
7	<p>Does the Government do the adequate protection of your production (duties, taxes etc.)?</p> <p><i>If No state the improvement suggestions</i></p> <p>_____</p> <p>_____</p> <p>_____</p>		

OTHER OBSTACLES

		Yes	No
1	<p>Did you acquire some business consultancy?</p> <p><i>If Yes mark appropriate</i></p> <p>A. SME Management Training(s)</p> <p>B. Legal Advisory</p> <p>C. Financial and/or Tax Advisory</p> <p>D. Promotion E.</p> <p>Business Planning F. Human</p> <p>Resources Management Training(s)</p> <p>E. Miscellaneous _____</p>		

2	Are those services available to you?		
3	Do you have possibility of cheap and fast start-up in your business?		
4	Do you have successful access to informatics technologies in your business?		
5	Do you consider business incubator as a good instrument in entrepreneurship development?		
6	State your suggestion on entrepreneurship development measure(s).		

List of companies and institutions interviewed

Institutions

Montenegrin Secretary for Development - **Branislav Ratković**

Rimski trg 46
Tel: 241 405, 248 097
Fax: 241 405
Email: borkor@mn.yu
Web site: www.rsr.cg.yu

Directorate for Development of Small and Medium Size Enterprise - **Ratka Stijepović**

Novaka Milkoševa 42 Podgorica
tel. ++382-81-406-302, 406-303
fax: ++382-81-406-326, 406-323
e-mail: direkcija@nasme.cg.yu
web site: www.nasme.cg.yu

Development Fund of the Republic of Montenegro - **Nemanja Nikolić**

Bulevar revolucije 9, Podgorica
Tel: +382 (0)81 224 570
Fax: +382 (0)81 224 998
E-mail: nemanja.nikolic@fzrcg.cg.yu
Web site: www.fzrcg.cg.yu

GTZ (German organization for technical support) - **Benjamin Klinger**

Hercegovačka 10 Podgorica
Tel: +382 69 388 302
Fax: +382 81 665 147
Email: benjamin.klinger@gtz.de
Web site: www.gtz.de

Security Commission - **Zoran Djikanović,**

Kralja Nikole 27 A/3, Business Centre "Čelebić" Podgorica
Tel: +382 81 442 800 fax: +381 81 442 810
Email: zdjikanovic@scmn.cg.yu
web site: www.scmn.cg.yu

Montenegro Business Alliance - **Darko Konjević**

Kralja Nikole 27A/4, Business Centre "Čelebić" Podgorica
Tel: + 382 (0) 69319141
Fax: + 382 81 622 728
Email: mba@cg.yu
www.visit-mba.org

Ministry for Economic Development - **Dragan Kujović**

Rimski trg 46 Podgorica
+382 81 482 157
Email: industrija@mn.yu
Web site: www.vlada.cg.yu

Chamber of Commerce - Vesko Dragičević

Novaka Miloševa 29 - II Podgorica

tel: +382 81 230 423
fax: +382 81 230 493
e-mail: vdragicevicpkcg@cq.yu
www.pkcg.org

Montenegrin Agency for Employment - **Goran Bubanja**
Bulevar Revolucije 3 Podgorica
Tel: +382 67 652 617
Fax: +382 81 243 398
e-mail: bubanjaq@mn.yu
web site: www.zzz.cq.yu

Utility Association of Municipality of Bar - **Anita Krković**
Tel: +382 85 312 290

Entrepreneurships and enterprises

Dragan Žinić „Adria-Invest“ Budva
P.FAX 4 Budva
Tel: +382 86 457 742 +382 69 030 344
Fax: +382 86 457 742
Email: adriainvest@cq.yu

Anita Mitrović „Mitrović &Co“ Budva
Mitrovic & Co Sv. Stefan
Tel: +382 86 468 246, 468 503
Email: anita@cq.yu

„**Knjaz Miloš** „ – Budva
Lastva Grbaljska bb Budva
Tel/fax: 086 463 557

Predrag Popović „Otrant komerc“ Ulcinj
26 novembar no number Ulcinj
Tel/fax: + 381 85 412 468
Email: otrantkomerc@cq.yu

Familiy Marniković (Seasonal trade in Ulcinj) Nikola Marnikovic
Tel: +382 69 060598 Ulcinj

Familiy Mehmed Restaurant „Hollegro „ Ulcinj
Mala plaža Ulcinj
Tel: +381 85 423 483
+381 85 423 215
Email: hollegro@cq.yu
Web site: www.hollegro.com

Nikola Pejović Restaurant “Grbalj“ Budva
Trg Sunca no number Budva
Tel: +381(0)86 452 300
Fax: +381 69 420 181
E-mail: info@hotelgrbalj.com

Nenad Rabrenović (start-up in construction business)
Tel: +382 67 830 227 Podgorica

Companies Surveyed

Rent Car – 'Mar car'	Budva
Hotel - 'Pinki'	Budva
Dry cleaning - 'Bis'	Budva
Wear Store- "Esperance"	Budva
'Bambolo II'	Budva
'Kangaro'	Budva
Hotel- restaurant 'Palma' Kaludjerovic Nikola	Budva
Restaurant - 'Oaza'	Budva
Hotel - 'Šajo'	Budva
Wear Store 'Sorbino '	Budva
'Navigare'	Budva
'Fitex'	Budva
The Old Fisherman's Pub	Budva
GP' Lipa'	Budva
Wear Shop 'Converse'	Budva
Perfumery 'Angel'	Budva
Beauty Saloon 'Figaro'	Budva
'Aqua marina'	Budva
Koprivica	Budva
Bakery 'Orbis'	Budva
Pizzeria 'Lukas'	Budva
Jewelry 'Leandr'	Budva
Bakery 'Orex'	Budva
Wear Store 'Legend'	Budva
'Mega sport'	Budva
Wear Store 'Prego'	Budva
Wear Store 'Beba kids'	Budva
Restaurant 'Stari Ribar'	Budva
Restaurant 'Kod Nikole'	Budva
Tavern 'Stari grad'	Budva
'Max Prestiz'	Budva
Restaurant 'Prama'	Budva
Restaurant 'Masa'	Budva
'Gratom'	Budva
'Gugi'	Budva
Gp Budva	Budva
Souvenir Store 'Amfora'	Budva
'Una Sipa'	Budva
Market 'Bengal'	Budva
Restaurant 'Park'	Budva
Beauty saloon 'Sanja'	Budva
Restaurant 'Orange'	Budva
Restaurant 'Stara Budva'	Budva
Hotel 'Anita'	Budva
'Talas Turs'	Budva
'Izgradnja'	Budva
'Naf Naf'	Budva
'Nike com'	Budva
Upholsterer 'MM Dulovic'	Budva

'IN salon'	Budva
Saloon 'Kika'	Budva
Cafe Bar 'Royal'	Budva
'Panto market'	Budva
Fitness Club- 'DID Gim'	Budva
Hair Dresser Shop'Black White'	Budva
'Congu'	Budva
'Sole Mio'	Budva
'Ansa'	Budva
Market 'Stela'	Budva
'Boni'	Budva
'Duga 2'	Budva
Market 'Shestan'	Budva
Butcher 'Big Bul'	Budva
'T.O. Tourist Agency	Budva
Watch Shop	Budva
Hair Dresser Shop" F & N"	Budva
'Top' trade	Budva
Hair Dresser Shop 'Valentino'	Budva
Market 'Maxi'	Budva
Cafe Bar 'Basta'	Budva
Cafe 'Baron'	Budva
Hair Dresser Shop 'Jovana'	Budva
Cafe Bar 'Lotos'	Budva
Hair Dresser Shop 'Revlon studio'	Budva
PP 'Njegos'	Budva
Cafe Bar 'Rio'	Budva
'Kapa'	Budva
Car Wash 'Royal'	Budva
Restaurant 'Rea'	Budva
Cafe Bar 'Rabelo'	Budva
Cafe 'Stari Hrast'	Budva
'Opal shop'	Budva
'Vidus'	Budva
'Montri'	Budva
'Lanex'	Budva
'RG Market'	Budva
Hair Dresser Saloon 'Letni'	Budva
Wear rStore'Tanja'	Budva
Optics 'Jabučanin'	Budva
'Niktrade'	Budva
'Lumenlux'	Budva
Market 'Mars'	Budva
'Mega market'	Budva
Saloon 'Image'	Budva
'Tera' Taxi	Budva
Car Wash	Budva
Fashion Studio 'DD'	Budva
Car Wash 'Top Spid'	Budva
Grill Bar '011'	Budva
'BLU'	Ulcinj
Aluminum Locksmith	Ulcinj
STR "Latkovic"	Ulcinj

'Montenegro'	Ulcinj
Wear Store Bench	Ulcinj
'Concordia Commerc'	Ulcinj
Sausage Store 'AUDO'	Ulcinj
Wear Store Bench	Ulcinj
Bench num.5	Ulcinj
'Ljuse compa'	Ulcinj
Bench num.18	Ulcinj
'SIPA'	Ulcinj
Café 'PARIS'	Ulcinj
'COLARI&CO'	Ulcinj
Café 'MERAJA'	Ulcinj
Wear Store bench	Ulcinj
Wear Store bench	Ulcinj
'Dubrovnik'	Ulcinj
Craft Workshop	Ulcinj
Café 'ROZAFI'	Ulcinj
Wear Store bench	Ulcinj
Wear Store bench	Ulcinj
Wear Store bench	Ulcinj
Wear Store bench	Ulcinj
Wear Store bench	Ulcinj
'L&L' company	Ulcinj
'LALY comerc'	Ulcinj
'MODERN 2000'	Ulcinj
Hair Dresser Shop 'BENI'	Ulcinj
'SMA'	Ulcinj
STR'INTERIO'	Ulcinj
'Tanja Impex'	Ulcinj
Wear Store bench	Ulcinj
Bakery 'Jadran'	Ulcinj
Tapacir 'Kurti'	Ulcinj
'BAROK'	Ulcinj
O.O.'ONION'	Ulcinj
Car Wash 'SAMPI'	Ulcinj
'BECIC TRADE'	Ulcinj
'VEKTOR'	Ulcinj
'LAMPADARI'	Ulcinj
'Bega' press	Ulcinj
Wear Store Bench	Ulcinj
'LUKIC' TRADE	Ulcinj
'Smajlaj trans trade'	Ulcinj
'Chevron'	Ulcinj
Wear Store Bench	Ulcinj
Wear Store Bench	Ulcinj
Wear Store Bench	Ulcinj
'Seki comerc'	Ulcinj
'Edeca comerc'	Ulcinj
'BAR COD s'	Ulcinj
'Liman com'	Ulcinj
Bench	Ulcinj
Video games 'SHTRIGA'	Ulcinj
Cafe bar 'MONTEN'	Ulcinj

Ulcinj

Auto moto drustvo	Ulcinj
'VENUS'	Ulcinj
Sport café 'AVANT'	Ulcinj
'Gradja comerc'	Ulcinj
Restaurant 'EVROP'	Ulcinj
'GABS TOUR'	Ulcinj
'PIZZA AMORE'	Ulcinj
Restaurant 'Sur Nora'	Ulcinj
'MEKI-COM'	Ulcinj
'Paradisso'	Ulcinj
Taxi service	Ulcinj
'Sidro Gadina'	Ulcinj
'PICCO'	Ulcinj
Wear Store Bench	Ulcinj
'Celja'	Ulcinj
Coffee Roaster STR 'DO'	Ulcinj
Restaurant 'Ardi'	Ulcinj
CD Shop 'LAUD'	Ulcinj
STR'STIL'	Ulcinj
'FORTUNELA'	Ulcinj
Wear Store Bench	Ulcinj
Sport 'RILI'	Ulcinj
'AUTO-TIME'	Ulcinj
Taxi service	Ulcinj
'Fici coppany'	Ulcinj
'Fishworld'	Ulcinj
Bench on the beach	Ulcinj
Taxi service	Ulcinj
Taxi service	Ulcinj
Bench on the beach	Ulcinj
'Valentino'	Ulcinj
Internet 'Mimi'	Ulcinj
Milk Restaurant 'Esp'	Ulcinj
Taxi service	Ulcinj
Restaurant 'Bellini'	Ulcinj
Toys Bench	Ulcinj
Taxi service	Ulcinj
Taxi service	Ulcinj
Taxi service	Ulcinj
'Marsel'	Ulcinj
'Zeleni val'	Ulcinj
'Speed limit'	Ulcinj
Carrier 'Kroma'	Ulcinj
Athletic Club 'Maro'	Ulcinj
'JASMIN'	Bar
'MARMIL'	Bar
PROMET MESA	Bar
'ELEKTRO-SHOP'	Bar
'ELEKTRO SAVICEVIC'	Bar
'TROPIKANA MS'	Bar
'SASKA'	Bar
'STORM'	Bar
Gallery 'Stojanovic ART'	Bar

'AGROTURS'	Bar
'KEKA'	Bar
'Car Body'	Bar
'COTTON'	Bar
'STEMPEL'	Bar
'UNIVERZAL'	Bar
'MAJLINDA'	Bar
'YOMIL'	Bar
'GEORGE'	Bar
'TARA'	Bar
'MILOŠ'	Bar
'KRIKS'	Bar
'ZABAC'	Bar
'Elida'	Bar
Market 'Pedja'	Bar
'Jelena'	Bar
'Husgvarna'	Bar
'Rapex'	Bar
Carrier 'Nikola'	Bar
Bootmaker 'Edin'	Bar
Restaurant 'Sidro'	Bar
'Elektro Lekić'	Bar
Wear Store	Bar
Wear Store	Bar
Wear Store	Bar
Wear Store	Bar
Wear Store	Bar
Wear Store	Bar
Wears Store	Bar
Wear Store	Bar
'Centrobiro'	Bar
'Senja'	Bar
Hotel 'Pedja'	Bar
Agency 'MONTENEGRO'	Bar
Pharmacy 'Menta'	Bar
Bookstore	Bar
'Laki'	Bar
Taxi service	Bar

Survey results:

1. Municipality

Base n=246 (100.0%)

	%	Absolute
Budva	40.2	99
Ulcinj	40.7	100
Bar	19.1	47
	100.0	246

2. Year of foundation

Budva

Base n=96 (97.0%)

	%
1976	2.1
1977	2.1
1980	1.0
1986	1.0
1987	1.0
1988	1.0
1990	1.0
1991	1.0
1992	1.0
1994	1.0
1995	3.1
1996	4.2
1997	6.3
1998	8.3
1999	11.5
2000	15.6
2001	9.4
2002	7.3
2003	6.3
2004	8.3
2005	6.3
2006	1.0
	100.0

Ulcinj

Base n=77 (77.0%)

	%
1948	1.3
1976	1.3
1979	1.3
1987	2.6
1988	1.3
1990	2.6
1992	2.6
1993	2.6

1994	2.6
1995	7.8
1996	5.2
1997	2.6
1998	2.6
1999	5.2
2000	5.2
2001	10.4
2002	7.8
2003	3.9
2004	1.3
2005	9.1
2006	7.8
2007	13.0
	100.0

Bar

Base n=41 (87.2%)

	%
1976	2.4
1984	2.4
1990	2.4
1991	4.9
1992	2.4
1994	2.4
1995	2.4
1996	2.4
1997	2.4
1998	7.3
1999	4.9
2000	4.9
2001	4.9
2002	7.3
2003	4.9
2004	2.4
2005	7.3
2006	17.1
2007	14.6
	100.0

3. Owner younger than 35 year

	Budva Base n=91 (91.9%)	Ulcinj Base n=93 (93.0%)	Bar Base n=47 (100.0%)
Yes	37.4	33.3	29.8
No	62.6	66.7	70.2
	100.0	100.0	100.0

4. Form of enterprise organization

	Budva	Ulcinj	Bar
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	Base n=74 (74.7%)	Base n=40 (40.0%)	Base n=45 (95.7%)
AD	4.1	-	-
DOO	91.9	60.0	53.3
OD	1.4	-	8.9
Preduzetnik	2.7	27.5	37.8
NVO	-	2.5	-
Zadruga	-	10.0	-
	100.0	100.0	100.0

5. Annually revenue

	Budva Base n=95 (96.0%)	Ulcinj Base n=92 (92.0%)	Bar Base n=46 (97.9%)
To 50.000€	82.1	72.8	84.8
50.000-100.000€	15.8	18.5	10.9
100.000-250.000€	2.1	4.3	4.3
250.000-500.000€	-	-	-
500.000-1.000.000€	-	2.2	-
More than 1.000.000€	-	2.2	-
	100.0	100.0	100.0

6. Number of employees

Budva

Base n=81 (81.8%)

Minimum	1.0
Maximum	200
Average	15.3

Ulcinj

Base n=54 (54.0%)

Minimum	1
Maximum	46
Average	6.1

Bar

Base n=38 (80.9%)

Minimum	1
Maximum	75
Average	6.2

7. Activity

	Budva Base n=98 (99.0%)	Ulcinj Base n=97 (97.0%)	Bar Base n=46 (97.9%)
Trade	34.7	50.5	67.4
Services	33.7	27.8	17.4
Tourism and catering	20.4	12.4	6.5
Transportation	-	1.0	2.2
Pharmacy	-	-	2.2
Production	6.1	6.2	4.3
Construction	5.1	2.1	-
	100.0	100.0	100.0

LEGAL OBSTACLES

8. Start-up business

8.1 Collecting Registration Documentation

Budva

	Day Base n=93 (93.9%)	€ Base n=91 (91.9%)
Minimum	se	7
Maximum	700	1350
Average number of days/€	20.5	371.6

Ulcinj

	Day Base n=36 (36.0%)	€ Base n=26 (26.0%)
Minimum	1	15
Maximum	30	800
Average number of days/€	11.0	149.4

Bar

	Day Base n=32 (68.1%)	€ Base n=33 (70.2%)
Minimum	1	100
Maximum	30	1000
Average number of days/€	14.9	550.0

8.2 Court Enterprise Registration

Budva

	Day Base n=65 (65.7%)	€ Base n=62 (62.6%)
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Minimum	1	7
Maximum	70	400
Average number of days/€	4.9	52.4

Ulcinj

	Day Base n=25 (25.0%)	€ Base n=20 (20.0%)
Minimum	1	5
Maximum	30	400
Average number of days/€	4.04	99.25

Bar

	Day Base n=31 (66.0%)	€ Base n=31 (66.0%)
Minimum	1	30
Maximum	30	500
Average number of days/€	7.6	207.4

8.3 Statistical Number Issuing

Budva

	Day Base n=17 (17.2%)	€ Base n=17 (17.2%)
Minimum	1	4
Maximum	8	70
Average number of days/€	2.4	24.6

Ulcinj

	Day Base n=12 (12.0%)	€ Base n=4 (4.0%)
Minimum	1	15
Maximum	30	300
Average number of days/€	5.3	95.0

Bar

	Day Base n=31 (66.0%)	€ Base n=31 (66.0%)
Minimum	1	20

Maximum	30	400
Average number of days/€	5.2	135.2

8.4 VAT Number Issuing

Budva

	Day Base n=77 (77.8%)	€ Base n=74 (74.7%)
Minimum	1	3
Maximum	80	120
Average number of days/€	3.4	30.2

Ulcinj

	Day Base n=29 (29.0%)	€ Base n=14 (14.0%)
Minimum	1	5
Maximum	30	145
Average number of days/€	3.8	21.4

Bar

	Day Base n=31 (66.0%)	€ Base n=31 (66.0%)
Minimum	1	20
Maximum	30	300
Average number of days/€	4.6	99.7

8.5 ID Number Issuing

Budva

	Day Base n=75 (75.8%)	€ Base n=71 (74.1%)
Minimum	1	10
Maximum	25	50
Average number of days/€	2.2	23.7

Ulcinj

	Day Base n=28 (28.0%)	€ Base n=14 (14.0%)
Minimum	1	5
Maximum	30	30
Average number of days/€	3.6	13.9

Bar

	Day Base n=31 (66.0%)	€ Base n=31 (66.0%)
Minimum	1	20
Maximum	60	300
Average number of days/€	5.5	93.5

8.6 Tariff Number Issuing

Budva

	Day Base n=8 (8.1%)	€ Base n=8 (8.1%)
Minimum	1	2
Maximum	4	100
Average number of days/€	2.3	38.4

Ulcinj

	Day Base n=8 (8.0%)	€ Base n=1 (1.0%)
Minimum	1	30
Maximum	30	30
Average number of days/€	7.6	30.0

Bar

	Dan Base n=31 (66.0%)	€ Base n=31 (66.0%)
Minimum	1	20
Maximum	30	250
Average number of days/€	4.5	87.7

8.7 Company Seal Making

Budva

	Day Base n=79 (79.8%)	€ Base n=76 (76.8%)
Minimum	1	5
Maximum	20	40
Average number of days/€	1.9	18.7

Ulcinj

	Day Base n=28 (28.0%)	€ Base n=20 (20.0%)
Minimum	1	1
Maximum	30	350
Average number of days/€	3.5	36.9

Bar

	Day Base n=31 (66.0%)	€ Base n=31 (66.0%)
Minimum	1	20
Maximum	30	200
Average number of days/€	3.9	85.8

8.7 Cost of Registering the Enterprise (in total)

Budva

	Day Base n=47 (47.5%)	€ Base n=79 (79.8%)
Minimum	3	250
Maximum	893	16000
Average number of days/€	42.8	929.3

Ulcinj

	Day Base n=76 (76.0%)	€ Base n=85 (85.0%)
Minimum	1	10
Maximum	505	100000
Average number of days/€	31.4	2033.7

Bar

	Day Base n=33 (70.2%)	€ Base n=33 (70.2%)
Minimum	1	500
Maximum	60	2000
Average number of days/€	31.5	1225.8

9. Allowances Issuing

9.1 Construction Allowance Issuing (ubanity, construction etc.)r

Budva

	Day Base n=6 (6.1%)	€ Base n=2 (2.0%)
Minimum	1	200
Maximum	80	400
Average number of days/€	25.2	300.0

Ulcinj

	Day Base n=11 (11.0%)	€ Base n=7 (7.0%)
Minimum	1	1
Maximum	200	46000
Average number of days/€	38.4	6918.0

Bar

	Day Base n=19 (40.4%)	€ Base n=16 (34.0%)
Minimum	1	200
Maximum	50	500
Average number of days/€	22.1	371.9

9.2 Technical Allowance Issuing (electrical/water installation, noise protection etc.)

Budva

	Day Base n=4 (4.0%)	€ Base n=1(1.0%)
Minimum	5	200
Maximum	17	200
Average number of days/€	10.5	200.0

Ulcinj

	Day Base n=18 (18.0%)	€ Base n=16 (16.0%)
Minimum	1	25
Maximum	30	500
Average number of days/€	12.4	127.2

Bar

	Day Base n=19 (40.4%)	€ Base n=16 (34.0%)
Minimum	1	100
Maximum	30	500
Average number of days/€	17.3	300.0

9.3 Real Estate Registration

Budva

	Day Base n=3 (3.0%)	€ Base n=2 (2.0%)
Minimum	1	50
Maximum	7	50
Average number of days/€	4.3	50.0

Ulcinj

	Dan Base n=3 (3.0%)	€ Base n=1 (1.0%)
Minimum	1	700
Maximum	10	700
Average number of days/€	4.3	700.0

Bar

	Dan Base n=18 (38.3%)	€ Base n=17 (36.2%)
Minimum	2	50
Maximum	20	300
Average number of days/€	10.2	158.8

10. Employment

10.1 Can you find needed employees on labor force market?

	Budva Base n=94 (94.9%)	Ulcinj Base n=85 (85.0%)	Bar Base n=43 (91.5%)
Yes	91.5	87.1	79.1
No	8.5	12.9	20.9
	100.0	100.0	100.0

10.2 Do you have enough capacity to make your best employees stay in company?

	Budva Base n=93 (93.9%)	Ulcinj Base n=80 (80.0%)	Bar Base n=43 (91.5%)
Yes	93.5	93.8	81.4
No	6.5	6.3	18.6
	100.0	100.0	100.0

10.3 Are there any needs for additional education and/or change of qualifications of your employees?

	Budva Base n=93 (93.9%)	Ulcinj Base n=83 (83.0%)	Bar Base n=41 (87.2%)
Yes	65.6	12.0	61.0
No	34.4	88.0	39.0
	100.0	100.0	100.0

10.4 Do the educational institutions make them available for you?

	Budva Base n=94 (94.9%)	Ulcinj Base n=67 (67.0%)	Bar Base n=40 (85.1%)
Yes	47.9	52.2	75.0
No	52.1	47.8	25.0
	100.0	100.0	100.0

10.5 Does the subvention of youth employment need to be implemented on continuous basis?

	Budva Base n=94 (94.9%)	Ulcinj Base n=80 (80.0%)	Bar Base n=40 (85.1%)
Yes	97.9	91.3	95.0
No	2.1	8.8	5.0
	100.0	100.0	100.0

11. Ownership Protection

11.1 Ownership Statement on Real Estate Issuing

Budva

	Day Base n=9 (9.1%)	€ Base n=7 (7.1%)

Minimum	1	3
Maximum	2	20
Average number of days/€	1.1	11.9

Ulcinj

	Dan Base n=32 (32.0%)	€ Base n=10 (10.0%)
Minimum	1	1
Maximum	30	50
Average number of days/€	3.5	21.4

Bar

	Day Base n=29 (61.7%)	€ Base n=29 (61.7%)
Minimum	1	10
Maximum	7	100
Average number of days/€	3.4	50.0

11.2 Legal Entity's Register Statement Issuing

Budva

	Day Base n=3 (3.0%)	€ Base n=1 (1.0%)
Minimum	1	6
Maximum	2	6
Average number of days/€	1.3	6.0

Ulcinj

	Dan Base n=29 (29.0%)	€ Base n=14 (14.0%)
Minimum	1	20
Maximum	30	150
Average number of days/€	6.0	30.4

Bar

	Day Base n=29 (61.7%)	€ Base n=29 (61.7%)
Minimum	1	20

Maximum	7	150
Average number of days/€	3.0	50.7

11.3 Inspection Estimates on Real Estate Worth

Budva

	Day Base n=2 (2.0%)	€ Base n=0
Minimum	1	
Maximum	1	
Average number of days/€	1.0	

Ulcinj

	Day Base n=10 (10.0%)	€ Base n=1 (1.0%)
Minimum	1	80
Maximum	30	80
Average number of days/€	10.9	80.0

Bar

	Day Base n=29 (61.7%)	€ Base n=29 (61.7%)
Minimum	1	20
Maximum	6	100
Average number of days/€	2.9	45.2

11.4 Ownership Registration

Budva

	Day Base n=4 (4.0%)	€ Base n=1 (1.0%)
Minimum	1	10
Maximum	10	10
Average number of days/€	3.25	10

Ulcinj

	Day Base n=52 (52.0%)	€ Base n=48 (48.0%)
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Minimum	1	1
Maximum	30	3000
Average number of days/€	7.8	227.2

Bar

	Day Base n=30 (63.8%)	€ Base n=29 (61.7%)
Minimum	1	15
Maximum	6	100
Average number of days/€	2.8	43.1

12. Taxes

12.1 Do you consider the salary related taxes to high?

	Budva Base n=96 (97.9%)	Ulcinj Base n=89 (89.0%)	Bar Base n=46 (97.9%)
Yes	67.7	88.8	91.3
No	31.3	21.2	8.7
Don't know	1.0		
	100.0	110.0	100.0

12.2 Does the salary related cost limit your intentions in labor force enlargements?

	Budva Base n=92 (92.9%)	Ulcinj Base n=80 (80.0%)	Bar Base n=43 (91.5%)
Yes	80.4	70.0	83.7
No	19.6	30.0	16.3
	100.0	100.0	100.0

12.3.1 Income tax should be <15% with no re-investment modality?

	Budva Base n=99 (100.0%)	Ulcinj Base n=100 (83.0%)	Bar Base n=41 (87.2%)
Yes	41.4	67.0	19.1
No	57.6	33.0	80.9
Don't know	1.0	-	-
	100.0	100.0	100.0

12.3.2 Income tax should be > 15% with re-investment modality?

	Budva Base n=99 (100.0%)	Ulcinj Base n=100 (83.0%)	Bar Base n=41 (87.2%)
Yes	49.5		76.6
No	49.5	80.0	23.4
Don't know	1.0	-	-

	100.0	80.0	100.0
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12.4 Do you consider process of income tax levy complicated?

	Budva Base n=90 (90.9%)	Ulcinj Base n=87 (87.0%)	Bar Base n=43 (91.5%)
Yes	31.1	10.3	20.9
No	68.9	89.7	79.1
	100.0	100.0	100.0

12.5 Does the VAT return satisfy your expectations?

	Budva Base n=94 (94.9%)	Ulcinj Base n=87 (87.0%)	Bar Base n=47 (100.0%)
Yes	81.9	69.0	76.6
No	18.1	31.0	21.3
	100.0	100.0	100.0

13. Trade Exchange (Export/Import)

13.1 Issuing registration sheet on listing in the Custom Administration register

Budva

	Dan Base n=25 (25.3%)	€ Base n=26 (26.3%)
Minimum	10	7
Maximum	10	300
Average number of days/€	10.0	140.0

Ulcinj

	Dan Base n=8 (8.0%)	€ Base n=1 (1.0%)
Minimum	1	120
Maximum	30	120
Average number of days/€	8.8	120.0

Bar

	Day Base n=25 (53.2%)	€ Base n=25 (53.2%)
Minimum	1	15
Maximum	5	200
Average number of days/€	2.88	58.4

13.2 Preparatory work on exporting documentation

Budva

	Day Base n=26 (26.3%)	€ Base n=26 (26.3%)
Minimum	7	7
Maximum	17	300
Average number of days/€	8.2	142.2

Ulcinj

	Day Base n=3 (1.0%)	€ Base n=1 (1.0%)
Minimum	1	1
Maximum	30	1
Average number of days	20.3	1.0

Bar

	Day Base n=25 (53.2%)	€ Base n=25 (53.2%)
Minimum	1	25
Maximum	5	300
Average number of days/€	2.8	58.6

13.3 Duty allowances and technical controls - export

Budva

	Day Base n=26 (26.3%)	€ Base n=26 (26.3%)
Minimum	7	7
Maximum	20	300
Average number of days/€	8.3	140.3

Ulcinj

	Day Base n=3 (8.0%)	€ Base n=0
Minimum	1	
Maximum	30	
Average number of days/€	20.3	

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Bar

	Day Base n=25 (53.2%)	€ Base n=25 (53.2%)
Minimum	1	20
Maximum	5	150
Average number of days/€	2.7	54.0

13.4 Preparatory work on importing documentation

Budva

	Day Base n=26 (26.3%)	€ Base n=26 (26.3%)
Minimum	7	7
Maximum	20	300
Average number of days/€	8.2	140.3

Ulcinj

	Day Base n=4 (4.0%)	€ Base n=1 (1.0%)
Minimum	1	60
Maximum	30	60
Average number of days/€	15.8	60.0

Bar

	Day Base n=25 (53.2%)	€ Base n=25 (53.2%)
Minimum	1	20
Maximum	5	100
Average number of days/€	2.6	48.0

13.5 Duty allowances and technical controls - import

Budva

	Day Base n=26 (26.3%)	€ Base n=26 (26.3%)
Minimum	7	7
Maximum	20	300
Average number of	8.192307692	142.1923077

days/€		
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Ulcinj

	Day Base n=5 (5.0%)	€ Base n=2 (2.0%)
Minimum	1	280
Maximum	30	500
Average number of days/€	13.4	390.0

Bar

	Day Base n=26 (55.3%)	€ Base n=25 (53.2%)
Minimum	1	20
Maximum	4	100
Average number of days/€	2.7	48.6

14. Court Protection

14.1 Time required in setting the initial elaboration?

Budva

	Day Base n=32 (32.3%)
Minimum	1
Maximum	10
Average number of days/€	8.1

Ulcinj

	Day Base n=3 (3.0%)
Minimum	60
Maximum	90
Average number of days/€	73.3

Bar

	Day Base n=14 (29.8%)
Minimum	2
Maximum	5

Average number of days/€	3.2
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14.2 Time required between initial elaboration and final decision?

Budva

	Day Base n=32 (32.3%)
Minimum	5
Maximum	50
Average number of days/€	11.9

Ulcinj

	Day Base n=3 (3.0%)
Minimum	90
Maximum	300
Average number of days/€	183.3

Bar

	Day Base n=14 (29.8%)
Minimum	20
Maximum	60
Average number of days/€	34.6

14.3 Time line by the execution of the final decision?

Budva

	Day Base n=29 (29.3%)
Minimum	7
Maximum	100
Average number of days/€	13.2

Ulcinj

	Day Base n=3 (3.0%)
--	------------------------

Minimum	180
Maximum	360
Average number of days/€	300

Bar

	Day Base n=15 (31.9%)
Minimum	1
Maximum	730
Average number of days/€	217.2

15. Financial obstacles

15.1 Credits

	Budva Base n=86 (86.9%)	Ulcinj Base n=86 (86.0%)	Bar Base n=38 (80.9%)
Yes	61.6	83.7	65.8
No	38.4	16.3	34.2
	100.0	100.0	100.0

15.2 Lack of collateral

	Budva Base n=86 (86.9%)	Ulcinj Base n=83 (83.0%)	Bar Base n=38 (80.9%)
Yes	76.7	55.4	52.6
No	23.3	44.6	47.4
	100.0	100.0	100.0

15.3 Short repayment period

	Budva Base n=86 (86.9%)	Ulcinj Base n=89 (89.0%)	Bar Base n=39 (83.0%)
Yes	84.9	66.3	74.4
No	15.1	33.7	25.6
	100.0	100.0	100.0

15.4 Interest rate level

	Budva Base n=86 (86.9%)	Ulcinj Base n=95 (95.0%)	Bar Basen=43 (91.5%)
Yes	80.2	83.2	86.0
No	17.4	16.8	14.0
Don't know	2.3	-	-
	100.0	100.0	100.0

15.5 Lack of credit history

	Budva Base n=85 (85.9%)	Ulcinj Base n=87 (87.0%)	Bar Base n=38 (80.9%)
Yes	23.5	58.6	50.0
No	76.5	41.4	50.0
	100.0	100.0	100.0

15.6 Meeting loan condition

	Budva Base n=86 (86.9%)	Ulcinj Base n=83 (83.0%)	Bar Base n=39 (83.0%)
Yes	68.6	57.8	48.7
No	31.4	42.2	51.3
	100.0	100.0	100.0

15.7 Lack of equity

	Budva Base n=86 (86.9%)	Ulcinj Base n=87 (87.0%)	Bar Base n=41 (87.2%)
Yes	51.2	60.9	68.3
No	48.8	39.1	29.3
Don't know	-	-	2.4
	100.0	100.0	100.0

15.8 Providing bank guarantees

	Budva Base n=86 (86.9%)	Ulcinj Base n=86 (86.0%)	Bar Base n=39 (83.0%)
Yes	72.1	53.5	53.8
No	27.9	46.5	46.2
	100.0	100.0	100.0

16. Business environment

16.1 Do you need the certification of your products/services?

	Budva Base n=97 (98.0%)	Ulcinj Base n=81 (81.0%)	Bar Base n=46 (97.9%)
Yes	47.4	14.8	47.8
No	52.6	85.2	52.2
	100.0	100.0	100.0

16.2 Are you granted the possibility to have your products/services certified in Montenegro?

	Budva Base n=89 (89.9%)	Ulcinj Base n=28 (28.0%)	Bar Base n=35 (74.5%)
Yes	29.2	89.3	68.6
No	70.8	10.7	31.4
	29.2	100.0	100.0

16.3 Does the gray market negatively influence your development?

	Budva Base n=98 (99.0%)	Ulcinj Base n=84 (84.0%)	Bar Base n=46 (97.9%)
Yes	79.6	33.3	80.4
No	19.4	66.7	19.6
Don't know	1.0	-	-
	100.0	100.0	100.0

16.4 Does the CEFTA Agreement influence your business?

	Budva Base n=91 (91.9%)	Ulcinj Base n=69 (69.0%)	Bar Base n=41 (87.2%)
Yes	71.4	20.3	46.3
No	27.5	79.7	53.7
Don't know	1.1	-	-
	100.0	100.0	100.0

16.5 Does the competition negatively influence your business?

	Budva Base n=98 (99.0%)	Ulcinj Base n=88 (88.0%)	Bar Base n=45 (95.7%)
Yes	78.6	76.1	57.8
No	21.4	23.9	42.2
	100.0	100.0	100.0

16.6 Does the Government appropriately subvention your branch?

	Budva Base n=90 (90.9%)	Ulcinj Base n=71 (71.0%)	Bar Base n=44 (93.6%)
Yes	35.6	71.8	52.3
No	62.2	28.2	47.7
Don't know	2.2	-	-
	100.0	100.0	100.0

16.7 Does the Government do the adequate protection of your production (duties, taxes etc.)?

	Budva Base n=85 (85.9%)	Ulcinj Base n=23 (23.0%)	Bar Base n=41 (87.2%)
Yes	42.4	47.8	56.1
No	57.6	52.2	43.9
	100.0	100.0	100.0

17. Other obstacles

17.1 Did you acquire some business consultancy?

	Budva Base n=94 (94.9%)	Ulcinj Base n=30 (30.0%)	Bar Base n=44 (93.6%)
Yes	4.3	25.0	72.7

No	95.7	75.0	27.3
	100.0	100.0	100.0

17.1.1 What sort of business consultancy - Budva

Base n=1 (25.0%)

	%
Legal Advisory	100.0
	100.0

17.1.1 What sort of business consultancy - Ulcinj

Base n=7(63.6%)

	%
Legal Advisory	8.3
Financial and/or Tax Advisory	16.7
Promotion	33.3
Business Planning	25.0
Human Resources Management Training	16.7
	100.0

17.1.1 What sort of business consultancy - Bar

Base n=32 (100.0%)

	%
SME Management Training	4.8
Legal Advisory	23.8
Financial and/or Tax Advisory	71.4
	100.0

17.2 Are those services available to you?

	Budva Base n=92 (92.9%)	Ulcinj Base n=80 (80.0%)	Bar Base n=44 (93.6%)
Yes	52.2	70.0	79.5
No	47.8	30.0	20.5
	100.0	100.0	100.0

17.3 Do you have possibility of cheap and fast start-up in your business?

	Budva Base n=91 (91.9%)	Ulcinj Base n=48 (48.0%)	Bar Base n=40 (85.1%)
Yes	33.0	72.9	50.0
No	67.0	27.1	50.0
	100.0	100.0	100.0

17.4 Do you have successful access to informatics technologies in your business?

	Budva Base n=91 (91.9%)	Ulcinj Base n=58 (580.0%)	Bar Base n=45 (95.7%)
Yes	64.8	10.3	28.9
No	35.2	89.7	71.1
	100.0	100.0	100.0

17.5 Do you consider business incubator as a good instrument in entrepreneurship development?

	Budva Base n=91 (91.9%)	Ulcinj Base n=68 (68.0%)	Bar Base n=42 (89.4%)
Yes	63.7	98.5	33.3
No	36.3	1.5	66.7
	100.0	100.0	100.0