

MONTENEGRO

The small Adriatic republic of Montenegro, now forming a loose union with its neighbor, Serbia, is nevertheless today asserting its own identity

"We managed to remain an oasis of multi-ethnic democracy when ethnic wars were raging across our borders," says Prime Minister Milo Djukanovic. "Now we have to address the economic empowerment and modernisation of Montenegrin society with equal enthusiasm."

This drive is already under way, aided by mass privatization and strategic partnerships. Economically speaking, Montenegro already acts independently of Belgrade, limiting any potential impact on businesses of the referendum on independence to be held in 2006. The state also enjoys a separate and strong currency – the euro.



Milo Djukanovic,
Prime Minister

Full economic and political integration with Europe is the Government's main objective, and to achieve this it has embarked on an aggressive four-year reform program. The aim is to lower inflation from 9.4% in 2002 to 2% by 2006 and to increase foreign direct investment from €75 million to €200 million over the same period.



Ivar Sliper
CEO,
ProMonte

Crnogorska komercijalna banka (CKB) is one of the main facilitators of this investment and one of 10 banks currently operating in this state of just 650,000 people. The bank, almost 50% of which is owned by German DEG and Dutch FMO, has around 6,300 corporate clients, with 20 branches in Montenegro. It is also looking to expand its activities rapidly in the less developed north. The bank now has around a 70% market share of Montenegrin SMEs, which make up the bulk of the private sector. "Our advantage is the fact that this



"Long Beach" – 12 kilometers of uninterrupted sandy coastline

is our homeland and our team really wants to see Montenegro prosper," explains CKB's General Director Milka Ljumovic. "We make our profit here and we invest it here too. That's our philosophy."

"For Montenegro, tourism is definitely the future," says Minister of Tourism Predrag Nenezic. "There is potential to develop sustainable tourism for the middle to high-end market to discover our rich culture, history, beautiful beaches, mountains and lakes. Montenegro showcases incredible diversity within a tiny area."

Although tourist numbers remain one-third down on the heyday of 1989, the last three years have seen annual visitor increases of 8%. The aim is to significantly boost the proportion of overseas visitors, currently one-third, and to create 100,000 new hotel beds in the next 20 years.

To help raise the necessary US\$1.2 billion, a one-stop-shop to assist foreign investors to quickly establish an enterprise or tender a bid is being established, says Mr Nenezic, also stressing Montenegro's low labour costs.



CKB
Montenegrin
Commercial Bank

Phone: +381 81 404360 Fax: +381 81 404277 <http://www.ckb.cg.yu> Serbia & Montenegro

The Government has put out a tender to sell 10 hotels and the country's largest tourism companies are following suit. Ivo Armenko, Managing Director of HTP Budva Riviera, which boasts the luxury medieval island resort of Sveti Stefan among its 11-hotel portfolio, plans to privatize the remaining 70% of its stock in 2004. Meanwhile, HTP Ulcinj Riviera's General Director Rolovic Zeljko has



Sveti Stefan – luxury accommodation on the Adriatic coast

begun issuing tenders for its hotels and says that all but one of his establishments, totalling 2,600 beds, will be privatized from next year.

The state-owned Port of Bar, founded in 1906, is another of Montenegro's largest and most attractive targets for foreign direct investment. Bar now wishes to return to its pre-war status as a regional port for the Balkans. "The shortest link between land and maritime routes for the countries of the Balkans is through Bar and we are striving to be the dominant port for the Balkan region," says Miodrag Gvozdenovic, the port's Executive Manager.

Business is creeping back – last year the port handled 1.4 million tonnes and this year 2 million tonnes is expected. A doubling of capacity from 5 million to 10 million tonnes annually is planned alongside US\$100 million-worth of improvements.

Mr Gvozdenovic is courting strategic partners and issuing new concessions, one of which will see Panamanian company Eberhart take over the container terminal, investing US\$30 million to make it one of the most modern in the Adriatic. Mr Gvozdenovic also wishes to develop the port's currently neglected, 600 hectare free zone. "Using specific tax and customs advantages, there are already constructed facilities that can be offered under favorable leasing conditions," he says.

According to the latest figures, leading mobile operator ProMonte GSM has almost 300,000 subscribers – a market share of 61.5%. Montenegro mobile operators enjoy a penetration of over 69%, which, according to ProMonte CEO Ivar Sliper is "extremely high, given the country's economical situation and buying power".

For this reason, Mr Sliper sees growth in introducing new services, based on what users need, not simply because the technology exists. ProMonte will build on its main strength – defined by Mr Sliper as being "the quality network".

To potential investors, particularly in tourism, Mr Sliper says: "They should definitely do it. The potential is high. We took the risk as early as 1996, and I don't think that anybody regrets this today."

One of Montenegro's star performers is also one of its first privately-owned companies. Vektra was founded in 1990 as a representative of Peugeot in Montenegro. The company grew through acquisitions and in 2000 purchased a business unit of the state-owned aluminium plant, KAP. Vektra recently invested in a US\$25 million upgrade of this plant. With 500 employees, Vektra is now one of the most highly-diversified companies in the region offering logistics, consulting and passenger ferry services, as well as a construction arm, which built the republic's biggest and most modern office space. "In the past 10 years, we have brought more than



Vektra – one of Montenegro's best performing companies with ambitions to attain even greater heights

half a billion dollars of investment into Montenegro," explains Dragan Brkovic, Vektra's General Manager. "Our priority has always been the development of Montenegro through privatization. We enjoy credibility overseas with many international partnerships, in Italy, the U.S. and Switzerland, and use this advantage to promote investment here."



Dragan Brkovic,
GM, Vektra

Business Outlook
www.businessoutlook.co.uk
Fax: +44 (0)20 7486 7162

BALKAN DISTRIBUTION CENTER

PORT OF BAR

Port of Bar
Obala 13 Jula bb
85000 Bar
Montenegro
Phone: +381 85 312 000
www.lukabar.org.yu