

**RECOMMENDATIONS TO THE GOVERNMENT OF
MONTENEGRO
FOR
2017 ECONOMIC POLICY**

Podgorica, November 2016

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INTRODUCTION

Pursuant to its legal obligation, the Central Bank of Montenegro (CBCG) hereby proposes a set of recommendations to the Government of Montenegro for Economic Policy.

The 2017 Recommendations support the long-term objectives of Montenegro's economic development set in the "Montenegro Development Directions 2015-2018", which include the continual development of Montenegro's legal and institutional structure, based on the following assumptions:

- The economic growth conditioned by the private sector development, with special emphasis on the development of micro, small and medium enterprises, development of entrepreneurship and innovation;
- Development and implementation of the legal framework in line with EU legislation, increasing the business environment competitiveness, taking into account Montenegro's specifics;
- Valuation of the country's potential in priority areas;
- Environment protection;
- Reducing external macroeconomic imbalances, and achieving financial and fiscal stability, with particular emphasis on structural reforms;
- Reducing unemployment;
- Bringing informal sector into legal flows (reduction of informal economy).

Achieving of the 2017 Economic Policy objectives will be implemented through the following anticipated values of macroeconomic indicators:

- GDP growth of 4%;
- Inflation rate per annum to 1%;
- Increased employment;
- Budget deficit reduction.

These recommendations aim at treating the vulnerabilities of Montenegro's economic system of Montenegro, and they are grouped into the following areas:

- Recommendations concerning fiscal policy;
- Recommendations concerning financial system;
- Recommendations concerning the real sector;
- Recommendations concerning statistics.

1. RECOMMENDATIONS CONCERNING FISCAL POLICY

The overall objective of the recommendations in this area is increasing budgetary discipline and adopting the credible plan for the rehabilitation of the budget deficit and public debt, resulting from exceeding of the limits defined by the Law on Budget and Fiscal Responsibility¹. Moreover, the expenditures' structure should reflect the country's development priorities and monitor the pace of revenues' collection.

1.1. Public Revenues Policy

With a view to stabilising revenues and strengthening the revenues collection system, the Government should:

- To increase the regularity in settling and efficiency in collection of all public revenues, and particularly of social security contributions, which make up the largest item in the tax debt and have strong growth dynamics. With a view to achieving greater discipline in this area, amending the Criminal Code of Montenegro by defining the appropriate criminal offense elements should be considered;
- Improve the system of tax debt calculation and collection systems with their constant improvement. Encourage debt restructuring and rescheduling in accordance with good banking practice for solvent companies, obeying state aid rules. Create the means for preventing further debt increase. Strengthen the Tax Administration's technical and administrative capacity, whereby it is of crucial importance to adopt less complicated and more transparent administrative procedures, training and education of personnel responsible for tax revenues collection (intensifying the implementation of the Decision on the procedure of collection of tax claims using the taxpayer's assets in accordance with the assessed needs of the state administration), including training on the analysis of the financial statements of taxpayers - legal entities (in terms of knowing the International financial reporting standards (IFRS)), and create a simple and effective system of administrative penalties that could be determined quickly and automatically;
- Continue activities on combatting the informal economy. Conduct regular reporting of all relevant institutions and activities of the informal economy implemented following the non-selectivity, zero tolerance and full transparency principles. In this regard, it would be necessary to strengthen the capacities and responsibilities of inspection services;

¹ OGM 20/2014.

- Improve control over the implementation of concession obligations and establish transparent registry and pricing in this area;
- Increase the excise duties on mineral oils, with a view to creating additional budget revenues, a part of which would be used for the construction of the highway;
- Adopt a special Law on Auditing, which would further strengthen the reporting obligations and raise the quality of financial statements.

1.2. Public expenditures policy

With a view to quality budget consolidation, the Government should:

- Align the level of funds foreseen for gross earnings in the Budget so that the level of salaries and employment in the public sector can be planned and implemented in accordance with the realization of current income and the principle of fiscal sustainability, according to the Law on Salaries of Public Sector Employees and to the Budget Law. Only the surplus in the current consumption allows maintaining profits at the same level and/or increasing to the level of balance in the current budget. When the budget runs current spending deficit over a certain limit, it is proposed to reduce consumption, particularly of funds allocated for non-productive consumption, as well as harmonization of salaries in the public sector with a deficit. With a view to preserving the living standard and the quality level of provided services, salaries reduction is neither recommended in the areas of health and education, nor is it recommended to reduce the lowest wages in the public sector. In addition, if the restrictive fiscal policy is required, it is necessary to determine the level of earnings and the number of employees accurately so that the process of structural reforms, EU integration and the quality of public sector services would not be jeopardized.
- Reduce non-productive spending in the budget, particularly emphasising the following positions:
 - Re-examine the public procurement plan and regulatory framework for the public procurement. The control of the public procurement in this regard is mostly directed towards respecting legal procedure, while feasibility is not often reviewed;
 - Business travel expenses should be reduced to a justified level, i.e. prioritise business travels in accordance with international obligations;
 - Reduce communication services' expenses by limiting IT expenses, telephone expenses and other service expenses per spending units;
 - Reduce consultant services' expenses – with their prior analysis and the assessment of their necessity;

- Reduce expenses for attorney's fees by using internal resources, assistance from other spending units or Secretariat for Legislation;
- Reduce stationery expenses by instructing spending units to optimise the consumption of stationery, spare parts, small inventory, fuel expenses and electricity expenses.
- Review social laws to ensure fiscal sustainability, i.e. adjust regulation to provide social support only to those in real social need. Prevent deactivation of labour force and the possibility of the transfer of pension and disability insurance users to the social assistance system in the following period;
- Pass the Public-Private Partnership Law which would provide optimisation in public sector, in particular, in the area of support services, i.e. services following the execution of public sector units;
- Undertake, to the extent possible, all activities to pass laws after thorough fiscal impact analysis, which is aimed at not jeopardizing established sustainable policy;
- Streamline capital budget in the part that does not affect the development projects.

1.3. Budget Planning, Execution and Control

With a view to adequate budget planning, execution and control, the Government should:

- Plan fiscal deficit exclusively in the function of removing bottlenecks in the economy, i.e. which is aimed at investing in development projects, as the main precondition for the economic growth;
- Establish Fiscal Council, which would involve the participation of the representatives from the Ministry of Finance, the CBCG, the State Audit Institution and independent experts;
- Enhance the internal audit system through full implementation of the Law on Public Internal Financial Control System, with regard to the organisation and job position scheme for anticipated job positions at the level of all budget units;
- Create single software in the information system for the budget execution control according to the programme structure at the level of individual budget unit, which would improve and automatize the system of control of expenses;
- Determine procedures for budget payments to prevent accumulation of outstanding liabilities and current budget pay-outs for social contributions or taxes.

1.4. Deficit Financing and Public Debt Policy

The problem of public/government debt is an important issue that should be prioritised in the following period. Public debt is expected to range in the following four years outside the limits stipulated in the Law on Budget and Fiscal Responsibility (60% of GDP), thus, there is a legal obligation to take measures and prepare rehabilitation plan.

The Government should:

- Pass a comprehensive strategy for public debt management that would be harmonised with the future Rehabilitation Plan for Fiscal Deficit and Public Debt. With a view to improving the quality and optimising funds and finding the best solution in the market, the level of knowledge of employees in the respective job positions should be improved and/or find expert assistance in this area;
- Review the possibility of extending deadlines for the implementation of the future Rehabilitation Plan for Fiscal Deficit and Public Debt through amendments and/or additions to the Law on Budget and Fiscal Responsibility;
- With a view to reducing obligations based on foreign debt, it is recommended to use funds from the privatisation of state property to reduce principal with the least favourable interest rates.

2. RECOMMENDATIONS CONCERNING FINANCIAL SYSTEM²

General objective of the recommendations concerning this area is the preservation of the financial system stability. With a view to achieving undisturbed and stable functioning of the financial system, as well as efficient intermediation, the Government should:

- Cooperate with banks, the CBCG, the Chamber of Commerce, solvent debtors in order to mitigate vulnerabilities in the economy, primarily through the implementation and promotion of Podgorica Approach for voluntary out-of-court financial restructuring of debts of economically sustainable companies with financial institutions, and implement activities on further reduction of interest rates and non-performing loans. This would create conditions for relaxing financial debtors and creditors, boost

² Recommendations did not include competences of the CBCG defined in the Policy of the CBCG and Guidelines for its implementation.

economic activity, reduce operating costs and ultimately, reduce the level of interest rates which would, overall, contribute to creating stable and encouraging business environment. The realisation of this recommendation would require extending the deadline for the implementation of and other necessary amendments to the Law on Voluntary Financial Restructuring of Debts towards Financial Institutions³;

- Continue reforms concerning the tax policies, corporate governance and rule of law in order to continue the creation of competitive, stable and predictable business environment and strengthen investment climate to boost lending activity of banks under more favourable conditions, thereby facilitating the access to sources of finances to competitive, innovative and export-oriented companies;
- Encourage Investment Development Fund (IDF) to continue its engagement in the development of entrepreneurship, micro, small and medium business, infrastructure and other areas of public interest by, *inter alia*, providing faster and less expensive sources of financing for private and public companies, promoting healthy competition in the financial sector, and providing access to domestic and international capital markets by issuing financial guarantees in situations when there are no other available sources of financing. In addition, the IDF is recommended to provide direct support to companies in line with the application of sound banking practice. The IDF activities need to be directed toward the function of developing competitive economy, uniform regional development, strengthening of exports and reducing external imbalances. Special support should be directed towards start-up companies and young entrepreneurs;
- With a view to improving transparency and regulation of the financial system, it is necessary to regulate business and supervision of specific financial institutions. Considering that in the new Banking Law, which is planned to be adopted by the end of 2017, only the banks will be regulated in compliance with the *acquis communautaire*; within the same time frame, it will be necessary to adopt a separate law which will regulate legal status and supervision of financial institutions the operation of which is already regulated by the applicable Banking Law⁴ (microcredit financial institutions, and credit-guarantee funds), as well as financial institutions engaged in the lease and factoring operations;
- Continue activities aimed at implementing and harmonising the insurance and capital markets regulatory framework with the *acquis communautaire* and international standards;

³ OGM 020/15. The implementation of this law expires two years following the day of its entry into force (2 May 2017).

⁴ OGM 17/08 and 44/10

- With a view to improving the quality and strengthening the independence of regulatory and supervisory institutions it is necessary to reinforce and develop overall administration capacities for conducting and applying the Acquis Communautaire in the area of financial services, taking into consideration that the responsibilities of all the institutions will increase upon its application;
- Enhance the development of the capital market and improve the protection of minority shareholder rights, as well as the observance of core principles of corporate governance. Invest efforts in achieving greater transparency, especially in regard to corporate financial reporting (regular publication of accurate financial statements of issuers, but also the information on the businesses of all other market participants: exchange market, brokers, etc.). In that sense, the Government should insist on the consistent implementation of solutions provided in the new Law on Accounting⁵, and the adoption of the new Law on Auditing;
- Recognise the importance of financial institutions and investors in promotion of sustainable development concept by encouraging the allocation of capital in companies that operate on the principles of sustainability, i.e. companies that accommodate their business objectives to the long-term goals of sustainable development;
- The exchange market can have a significant role in the process of transition to the markets which integrate the environmental issues by promoting transparency in regard of environmental performances of listed companies, thus encouraging a responsible, long-term and sustainable approach to investing. Therefore, the exchange market should be encouraged to promote the concept of responsible investing and corporate sustainability;
- Promote education of the population, particularly managers and entrepreneurs, in the area of insurance, capital market and investment services;
- Reinforce statistical capacities in institutional terms, with a view to creating higher quality statistical database. To that end, invest further efforts in harmonising the existing regulations in the field of statistics for financial accounts with the EU regulations (ESA 2010) and its implementation. Continuously strengthen cooperation and communication among the CBCG, MONSTAT and the Ministry of Finance, in order to define legal solutions that will provide data harmonised with the EU regulations, which cover the area of statistics for financial accounts.

⁵ OGM 52/16

3. RECOMMENDATIONS CONCERNING THE REAL SECTOR

The main goal of recommendations concerning the real sector is to increase competitiveness, improve institutional environment and foster development in the key sectors of the economy. The recommendations are given with a view to bolstering the recovery of the economy and widening the tax base in order to preserve the stability of the system.

3.1. Recommendations concerning competitiveness:

The Government should:

- Boost the development of competitiveness, entrepreneurship, incentivise investors, especially those the activities of which require creation of new jobs, all in the aim of widening the tax base and exerting a beneficial impact on the fiscal, macroeconomic and balance of payment parameters;
- Steer Montenegro's economic growth model away from the spending-based model towards a model based on the growth of productivity, innovation and competitiveness of the economy;
- Provide a favourable environment for the growth of productivity of the economy by enhancing the connections of Montenegro's economy with the international markets (trade, infrastructure (physical and information), knowledge exchange), as well as its regulatory and institutional flexibility, all in the aim of narrowing the foreign trade deficit and ensuring long-term economic growth;
- Develop infrastructure needed for research and innovation (such as science and technology parks and individual laboratories) and encourage connecting the corporate sector with centres of innovation in the country and abroad;
- Pay special attention to the areas recognised by relevant international institutions as limiting factors for the growth of competitiveness of Montenegro's economy: inadequate (insufficient) access to financing (particularly for small and medium-sized companies), public administration efficiency, quality of infrastructure, capacities for the creation and implementation of innovation, employee education. Poor access to financing refers to the investment climate issues such as the protection of investors' and other creditor's rights (including the efficiency of the judiciary, quality and efficiency of implementation of the legal framework for the resolution of disputes in the corporate sector, mostly regarding the collection of receivables and carrying out the liquidation proceedings), audit quality, application of standards of financial reporting and its transparency;
- Enhance areas, which are, in addition to the abovementioned, recognised by domestic economy as limiting factors for its growth: tax and contribution

rates on wages and salaries (the manner of tax calculation from gross to net), the efficiency of tax administration, shadow economy and unfair competition;

- Carry out an in-depth analysis of all parafiscal charges and propose their abolishment or reduction with a view to relieve the burden from the corporate sector;
- Raise the entrepreneurial awareness in population;
- Promote education and protection of consumer at all levels with a view to improving competition on the supply side of economic entities.
- Upgrade coordination, which, along with the centralisation of activities and responsibilities of government bodies, leads to the improvement of competitiveness.

3.2. Recommendations concerning institutional environment

The Government should:

- Perform a detailed analysis of the causes of long-term insolvency of the economy, create a program to overcome these causes and propose a solution to the problem of illiquidity;
- Continue the fight against the shadow economy by strengthening the capacity of institutions dealing with these activities;
- Increase the efficiency of public administration, especially at the local level;
- Accelerate activities on the adoption of the Draft Law on Spatial Development and Construction of Structures;
- Intensify the inspection of companies in order to prevent illegal employment;
- Enhance the coordination and coherence of different inspection services in order to speed up the response and address problems that are present in the economy (shadow economy, corruption, interweaving jurisdiction of inspection services, and the like);
- Revise the penalty policy in terms of a progressive punishment of multiple offenders, as well as those in the “shadow” zone;
- Carry out activities on shifting private persons working in the “shadow zone” in the legal area, and strengthening public campaign about the negative consequences of the shadow economy;

- Strengthen financial support for the creation of new and development of existing small and medium-sized companies, through the Investment and Development Fund;
- Strengthen non-financial support to entrepreneurs, small and medium-sized companies, especially to start-ups;
- Work on further simplifying of procedures and shortening deadlines for various business needs;
- Encourage local governments to create local incentives programs in order to attract investors;
- Work on the efficient implementation of antimonopoly policy in all segments where competition is limited, encourage investment in this area and the creation of favourable conditions for investments;
- Work on efficient implementation of competition policy in all segments where competition is limited, encourage investments in this area and the create favourable conditions for investments;
- Continue implementation of RIA methodology in passing new regulations and determine the duty to apply when adopting new regulations, regardless of who performs the role of proposer of new regulations;
- Improve land policy (the mechanism of restitution, expropriation and temporary use of state land);
- Impose measures against all investors who violate their contractual obligations from the privatization process;
- Increase the efficiency of the Real Estate Administration and enhance the work of local cadastres;
- Conduct a campaign with the aim of getting more information by entrepreneurs on the process of arbitration and the benefits of using these opportunities to resolve disputes;
- Review the standards referred to in the Law on the Terms of Settlement of Financial Obligations aimed at ensuring its implementation⁶;
- Intensify the process of adoption of the Public-Private Partnerships Law.

3.3. Recommendations concerning the development in priority sectors

With a view to intensifying the recovery and the creation of adequate level of servicing obligations and growth of the tax base, sectoral incentives according to the branches of a high level of finalization should be continued. Development priority should be concentrated in the following sectors:

⁶ OGM 28/14

3.3.1. Tourism

With a view to strengthening this sector, the following is proposed:

- Improve the structure and quality of accommodation facilities, to encourage investment in the construction of new high category hotels and improve the quality of existing ones, to encourage the arrival of large hotel chains with the developed network of hotels recognized at the world tourism market, which will contribute to the image and positioning of Montenegro;
- Implement measures for better exploitation of natural resources in all regions, in order to diversify the tourist offer and extend the season, to solve the problem of short-season tourism offer of Montenegro;
- Work on the construction, improvement and promotion of the capacity of MICE tourism i.e. quality tourist offer in the pre- and post-season, not only in existing and new hotels of high category, but the offer should be extended to ships specially adapted for this purpose, numerous cultural and other facilities and locations which infrastructure can meet the needs of this type of tourism;
- Encourage mechanisms for the inclusion of the shadow economy in registered tourist offer, such as the quality control of services and employment and improvement of the records of accommodation and catering capacities;
- Work to find arrangements with the airline companies in order to increase accessibility of Montenegro as a tourist destination;
- Work on opening and certification of “green” (eco) hotels which will operate on an environmentally sound manner, with a minimum endangering of natural resources, which would provide significant savings in energy costs, better positioning and recognition of these hotels at the international tourism market, given that a growing number of tourists takes into account the ecological categories when choosing accommodation;
- Encourage the revitalization of rural areas and thereby develop rural, agricultural, environmental and other types of tourism that strengthens the connection of agriculture and tourism and have impact on reducing migration and improves the demographic structure in rural areas;
- Work on the improvement of road and accompanying infrastructure (water supply, electricity, waste water, solid waste, parking);
- Work on improving of the so-called tourism infrastructure (planning and creation of new beaches, ski-lifts, cable cars);

- Increase quality of tourism through education and training of the existing staff that are an important element in tourism development, precisely because, to what extent and in what way the overall tourist offer will be presented, depends on them. Cooperation of the tourism industry with the education system, through the definition of educational programs for experts in the area of tourism through the organization of professional schools, practices and training, should be implemented in order to create a skilled labour force which will meet all the specific qualitative and quantitative requirements of this industry.

3.3.2. Energy

The Government should:

- Starting from underutilized resources in this area (hydro, thermal, alternative sources, and the like), and taking into account the costs for the end user, support the construction of new energy capacities in cooperation with reputable strategic partners. Also, carry out activities in attracting reputable investors to projects such as the construction of large hydro power and thermal power plants, followed by activities on the establishment of electricity market and/or consider a model for linking with regional markets and continue with the implementation of Trans-Balkan electricity corridor;
- Modernize and revitalize the existing and the construction of new infrastructure for the transmission and distribution of energy on the principles of international technical standards in order to minimize losses and facilitate sustainable development;
- Improve utilization of overall energy potential of Montenegro which meets the principles of sustainable development and has no negative impact on the environment and the living standard of citizens;
- Continue with the valorisation of the country's hydro potential, improvement of the distribution network at locations envisaged for the construction of small hydro power plants and wind farms, thereby taking into account that the final price achieved through these projects does not jeopardize the citizens' standard. Streamline the preparation and adoption of spatial planning documentation for all proposed power plants and cut red tape for obtaining construction permits (both at the national and local levels) aimed at faster project implementation;
- Continue with modernization and development of the distribution network, obliging the concessionaires to repair and maintain the facilities on a regular basis; continue with the programmes of subsidising loans for the use of

renewable energy sources aimed at increasing energy efficiency, primarily in industry, services, transport, and households;

- Promote new technologies and standardization in the construction of residential buildings, as well as in heating and/or cooling systems: substitution of direct transformation of electrical energy into heat and using new environmentally friendly technologies;
- Continue activities on the implementation of project of strategic stocks of petroleum products in accordance with EU energy policy. In this regard, consider higher premiums for the planned petroleum fund in order to (in case of oil and gas finding) gradually adapted the budget to the new revenue – without any major imbalances and with a view to achieving greater fiscal discipline. This fund should not be used for current expenditure but for investment, to provide benefits for future generations. In establishing such a fund, it is extremely important that the process is completely transparent. Also, it is necessary to take the best practices of countries that have established the so-called “sovereign wealth funds”, whether base on revenues from oil and gas or other stock exchange goods;
- Continue with the international cooperation on the implementation of the Adriatic-Ionic gas pipeline project.

3.3.3. Agriculture

The Government should:

- Carry out activities on the implementation of the sustainable development concept, increasing the agricultural production volume with a particular focus on organic production, products with designation of origin, geographic indication, with the promotion of local products and improvement of competition;
- Support investments in rural infrastructure improvement and connectivity with towns in order to improve conditions for further development of agricultural production and stimulate employment of young people in rural areas;
- Encourage the production of high-quality products, crops that can potentially earn higher profit such as early cultivation of fruits and vegetables, and increase the production in greenhouses;
- Stimulate olive growing as a branch which has great development prospects owing to the natural resources;
- Encourage the connection of tourism and agriculture with a view to expanding the tourist offer with gastronomic offer of the Montenegrin national cuisine;

- Continue with activities to reach the EU food safety, phytosanitary and other standards so that local products would reach such quality to make them competitive in the EU market;
- Increase the level of forest wealth usage, thereby adhering to the sustainable development concept;
- Using all available assistance from international institutions, it is necessary to continue to work on the strengthening of human resources in forestry, as well as on the protection of forests from illegal logging, plant diseases, pests and fire. In order to ensure better protection of the environment, as many centres as possible that will be specialized in the cultivation of seedlings to be used for afforestation, as well as rehabilitation of poor soil and degraded land.

3.3.4. Manufacturing industry

The Government should:

- Strengthen competition and productivity of small and medium enterprises in manufacturing industry by encouraging the introduction of innovation and knowledge transfer by establishing links with scientific and research institutions, centres of excellence, scientific and technological parks, entrepreneurial innovation centres, and business incubators;
- Increase the share of manufacturing industry in GDP through continuous reindustrialisation;
- Encourage the appearance of small and local producers in the form of a consortium with recognizable products in the market, as well as the development of horizontal and vertical clusters;
- Encourage the establishment and increase attractiveness of free zones;
- Encourage the implementation of international quality standards;
- Encourage the connecting of manufacturing industry with the service sector and construction industry;
- Use the potential of the forestry sector to strengthen wood processing and increase the participation of this activity in manufacturing industry. In this regard, work should be done on directing the reserves of wood raw material to companies engaged in wood processing in order to increase the export of products of a higher level of processing and increase the share of the forestry sector, wood industry and other forestry-related industries in total GDP;
- Intensify activities to replace the existing technologies in manufacturing companies with the modern ones.

3.4. Recommendations concerning structural reforms

The overall objective of the recommendations in the area of structural reforms relating to the creation of greater labour market flexibility, increasing the sustainability of the pension system and the system of social welfare benefits and the harmonization of education with the needs of the real sector and/or the labour market.

3.4.1. Labour market

The following is proposed:

- Develop cooperation between educational and labour market institutions;
- Intensify employers` involvement in programmes of active employment measures;
- Address the problem of illiquidity in the economy in order to prevent the loss of existing and facilitate the creation of new jobs;
- Intensify activities on the realization of state aid in creating new jobs and removing business barriers;
- Increase the amount of funds required for the implementation of active employment measures in the labour market carried out by the Employment Agency of Montenegro;
- Develop programs of training, retraining and additional education of the unemployed;
- Develop programmes and measures of active employment policy that will give advantage to the employment in the northern part of the country;
- Promote lifelong learning programmes;
- Encourage substitution of foreign labour with domestic, while ensuring continuity in the supply of quality workforce, in accordance with the law;
- Conduct a campaign to raise awareness of employers in respect of employment of hard-to-employ persons in the labour market;
- Encourage inclusion and socialization of hard-to-employ persons.

3.4.2. Pensions system

The Government should:

- Tighten the conditions for early retirement in order to prevent early exit from the labour market in the wake of the anticipated aging of the

Montenegrin society and jeopardizing the sustainability of the pension system;

- Consider the possibility of reducing the number of occupations and jobs that are entitled to reduced service years for retirement in cases where there is no justified need, in order to prevent early exit from the labour market;
- Take all measures to ensure the sustainability of the Pension and Disability Fund while maintaining pensioners' standard of living.

3.4.3. Social benefits

The Government should:

- Continue monitoring and analysing beneficiaries of social benefits in order to improve control of expenditure for social benefits while ensuring that they are given to the persons who really are in need;
- Continue to improve the system of social protection through the implementation of Phase II of the project "Social Card - Social Welfare Information System", in order to enable easier access to the labour market for persons with disabilities and RAE (Roma, Ashkali, and Egyptians) persons;
- Continue the development of social protection services in order to eliminate existing obstacles in the area of children protection, protection of adults, the elderly and persons with disabilities, as well as other vulnerable categories;
- Continue to implement the project "Integrated Social Welfare Information System (IISSS)" in order to create further preconditions for fostering social inclusion of persons, aimed at active participation in the labour market as well as in the society;
- Continue to support projects of vocational training, social inclusion programmes and projects for employment of persons with disabilities through contracts and grants;
- Stop the deactivation of active population through the replacement of pension rights with the right to social protection.

3.4.4. Education and health system

In the area of education, the Government should:

- Restore the social significance of education and stop the negative selection from teachers to full professors, and not only through wages and salaries, but also through all other activities;

- Support knowledge development projects for children from an early age;
- Continue to adjust secondary, vocational and higher education to labour market needs, primarily the private sector, by creating educational programs that would fill the gap between qualifications that are required and offered in the labour market;
- Prevent duplication of private and social costs of education that occurs during retraining from uncompetitive occupations to the ones that are in demand in the labour market;
- Continue to modernize and adapt higher education to better prepare students for employment by encouraging the learning of practical skills, professional knowledge, including the promotion of a system of dual education and professional diplomas;
- Encourage greater use of ICT and related skills for a digital and internet based economy;
- Continue to establish an adequate institutional framework that will promote innovations and facilitate the absorption of technology by fostering scientific excellence in the areas where Montenegro has the largest scientific and economic potential as well as the implementation of innovation based entrepreneurial potentials which can directly affect the competitiveness of the economy;
- Introduce financial education in elementary schools;
- Effectuate the potentials of a Science and technological park in Montenegro;
- Encourage applied and development research through cooperation with foreign partners as well as partners from the business sector, aimed at creating commercial innovations;
- Adopt and implement a strategy for innovative activities.

In the area of health protection, the Government should:

- Enhance the development of preventive medicine, aimed at improving the general level of health and raising the level of health culture;
- Encourage ongoing education of doctors;
- Reduce non-medical staff through outsourcing of non-medical services (food service, laundry, hygiene, etc.);
- Salaries of doctors and the most vulnerable categories of employees should be excluded from the restrictive measures of fiscal policy.

4. RECOMMENDATIONS CONCERNING STATISTICS

Aimed at achieving complete harmonization of official statistics with the EU acquis, the Government should:

- Continue to strengthen inter-institutional cooperation of all producers of official statistics in the system, without prejudice to the accomplishment of the objectives, responsibilities and independence of the producers;
- Find a regulatory solution to the issue of creating a Database of traded real estate in Montenegro;
- With respect to the existing inter-institutional agreements/memoranda of understanding between producers of official statistics, continue activities on the implementation of the Agreement on cooperation in the area of national accounts statistics of the general government sector and related statistics between MONSTAT, Central Bank and the Ministry of Finance. In doing so, the priority should be to:
 - promptly complete activities related to the establishment of a register of institutional units by sectors in line with ESA 2010 methodology, which is vital because it represents a basis for further development of other statistics, and
 - continue aligning the system of public finance with ESA 2010 methodology.
- Strengthen the existing personnel capacities of producers of official statistics through the development of knowledge and skills, as well as to strengthen work motivation (primarily through the use of all forms of support and technical assistance programs). Also, strengthen human resource capacities by increasing the number of employees in the system of official statistics (primarily MONSTAT), together with additional financial capacities and premises, in order to ensure the sustainability of the official statistics.