

MONTENEGRO

Statement of the Alternate Governor from Montenegro

Mr. Katarina Živković, head of the Division for Debt Management, Analysis of the Indebtedness and International Cooperation

Dear President,

Please, allow me to give my greeting to all participants and congratulate to EBRD employees for putting strong efforts in organizing Annual Meeting in virtual format.

This is the second time that this annual meeting is organized in this virtual way, which learned us that we need to be more flexible and to adapt to the newly occurred situations quickly. Thanks to development of technology we are able to meet in this way and continue with our obligations, even though I believe that all of us share opinion that nothing can replace meeting in person. However, this situation has shown us how digitalization is important and that we all should focus on this aspect of development in order keep pace with technological progress and implement our activities timely and efficiently.

Montenegro, like the other countries faced with sharp economy decrease last year with increase of budget deficit and debt, which show us what are the weakness of the economy and in which direction we should direct our future development. Additionally, half a year ago Montenegro got the new Government which put in front of itself new priorities which, to the large extent, meet the development priorities of the EBRD priorities defined in draft Montenegro Strategy 2021-2026, but also Strategic and Capital Framework 2021-2025 of EBRD.

Last year emphasized importance of diversification economy, having in mind that Montenegro is mainly service oriented economy, significantly dependent on tourism. That's why one our priorities is strengthening competitiveness by enhancing private sector capacity and improving the business environment. Namely, the economy needs to be diversified and to reduce reliance on 'sun, sea and sand' tourism. In that sense, productivity of SMEs needs to be improved by ensuring better access to finance. In terms of diversification of economy and enhancement of SMEs sector, Montenegro, in cooperation with the EBRD, implements technical assistance project for development and establishment of Montenegro Credit Guarantee Fund. We believe that this will enable SMEs to easily come to the financing sources for their development. Additional, the aim is to further develop business environment by improvement of the regulatory framework, enhance public-private dialogue and reduce informality in the economy.

One of our focuses is also energy sector by integrating networks with the region and EU. Further liberalise the energy market focusing on increasing renewable generation (Renewable Energy Source Action Plan) and market trading arrangements.

Accession to the European union stays one of the top priorities of the new Government. Intention is to close outstanding chapters, implement the Economic Reform Plan and follow up on the Joint Conclusions and prepare projects under the Economic Investment Plan and the Instrument for Pre-Accession.

Supporting further to connectivity and integration by expanding cross-border transport, energy and digital links will stay one of the development goals of our Government.

All previous priorities need to be implemented in the atmosphere of continuous fiscal adjustment in particular in the terms of further decrease of deficit and reducing of the high level of public debt. In

that sense the new Government will implement fiscal consolidation measures, comprised in the Fiscal Strategy 2021-2024 which preparation is ongoing.

As could be seen, our priorities are almost completely aligned with the EBRD priorities, which shows that we established strong partnership, which we believe will be continued in the same manner.

The total value of EBRD projects, both through the public and private sectors, since its establishment in Montenegro, is 735 million euros, and refers to 75 projects. The total portfolio currently amounts to 434 million euros, which is being implemented through 44 active projects. The most of the projects are related to the energy and infrastructure sector, about 71%. Projects intended for financial institutions account for 16%, while 13% relate to projects in the field of industry, trade and agribusiness. With newly defined priorities we see more space for diversifying our cooperation aiming to achieve better results for both EBRD and Montenegro.

Sincerely yours,

Alternate Governor from Montenegro

Katarina Živković