

PUBLIC

**DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

STRATEGY FOR MONTENEGRO

**REPORT ON THE INVITATION
TO THE PUBLIC TO COMMENT**

PUBLIC

1. INTRODUCTION

In accordance with the EBRD Public Information Policy (PIP), the draft Strategy for Montenegro was posted on the EBRD website in English and Montenegrin for 45 calendar days, starting from 7 March 2017. The public was invited to submit comments on the draft Strategy no later than 20 April 2017. For information, the previous Strategy was also made available on the website in English and Montenegrin at <http://www.ebrd.com/downloads/country/strategy/montenegro.pdf>.

Information about the public consultation process was posted on the EBRD's dedicated webpage "Have your say", which highlights the latest opportunities for the public to comment on the Bank's policies and strategies under review.

In addition, targeted notifications of the consultation process were sent to local and international civil society organisations (CSOs) that have expressed interest in the Bank's work in the country. The start of the review process was also advertised through social media platforms (e.g. Facebook and Twitter).

In line with the Bank's increased efforts to involve civil society at an early stage of country strategy development, the EBRD organised a consultative meeting with CSOs on 10 June 2016 in Podgorica to gather civil society's feedback during the preparatory phase leading to the draft Strategy. The consultation provided a platform for dialogue between civil society representatives and EBRD staff involved in the Strategy preparation process.

The consultative meeting was chaired by the Head of the EBRD Resident Office in Montenegro. The workshop attracted civil society representatives from five local civil society organisations. A summary of the meeting and list of participating organisations are provided in the Annex to this report.

During the consultation period no comments were received by the Bank in written format.

Summary of EBRD meeting with civil society – 10 June 2016, Podgorica

On 10 June 2016, the EBRD Resident Office in Montenegro hosted a workshop with civil society representatives in Podgorica. The event was attended by five participants from local civil society organisations, including the Center for Development of Non-Governmental Organizations, the Centre for Democracy and Human Rights, the Association of Business Women of Montenegro, the Montenegrin Employers Federation, and the Network for the Affirmation of the NGO Sector.

Following a presentation on the Bank's activities and key operational priorities in the forthcoming EBRD strategy, the floor was opened for a roundtable discussion on a wide range of topics, including the challenges faced by Montenegro in terms of transparency and governance, gender issues and human rights. Participants also debated ways to improve the business climate and create sustainable economic development during the forthcoming strategy period.

Participants welcomed the Bank's approach in consulting civil society at an early stage of the country strategy process and encouraged the Bank to pursue dialogue with civil society as part of institutional decision-making processes. CSO representatives furthermore broadly endorsed the main operational priorities set forth in the upcoming country strategy for Montenegro.

Business climate and economic development

Civil society organisations expressed concern about the business climate and private sector competitiveness in Montenegro. According to CSOs, there are several factors constraining the development of the SME sector in the country, including the poor business climate, improper procurement procedures, and the shortage of business skills in some regions of the country. Moreover, CSOs claimed that access to finance remains limited for SMEs, in particular for companies located outside the more advanced regions of the country. Although Montenegro has had some success in creating a favourable business climate and attracting foreign direct investments, civil society stakeholders claim that significant challenges remain in lowering the barriers to business creation, especially in the area of licenses, obtaining construction permits and tax payment procedures. SOE restructuring remains slow and additional improvements to corporate governance and business conduct are required in most enterprises. CSOs also raised issues regarding the access to loans of social enterprises and young entrepreneurs, who are facing particular difficulties in accessing credit due to lack of collateral.

EBRD representatives informed participants that, building on the Bank's efforts to promote SMEs growth, improve the business climate and expand the economic base, the EBRD will work to further enhance Montenegro's competitiveness by leveraging the country's comparative advantages. The EBRD will thus seek to support local companies in fostering innovation and adopting best operational skills and managerial practices, including by

developing agribusiness value chains and promoting linkages to the dominant tourism sector through a combination of investment and small business advisory. Improving access to finance to SMEs and underserved segments will also remain a priority for the EBRD. In this regard, the Bank will provide its partner local banks and microfinance institutions with medium- and long-term credit lines to support MSMEs, housing finance, tourism and agribusiness projects.

Transparency and good governance

Transparency and corruption are main concerns for civil society in Montenegro. Although public authorities are perceived to have made progress over the last years in tackling the problem, corruption remains a serious issue of concern and is regarded by citizens as a widespread phenomenon. CSO representatives claimed that corruption affects both the central and local levels of government, with public resources being spent in a preferential manner, including through opaque public procurement procedures. Civil sector stakeholders also pointed to pervasive issues such as the lack of legal protection for persons who report corruption in the state administration, and transparency of party funding. CSOs representatives suggested that the EBRD should maintain the highest standards of transparency and accountability in the selection of business partners for its projects, and promote good governance and transparency in the private sector.

EBRD representatives informed CSOs that, as a member of the Foreign Investors Council the Bank will continue to actively participate in the improvement of the investment climate in the country and promote business development opportunities to foreign investors. The EBRD will also promote sound financial management and corporate governance standards to help small businesses access finance and become more attractive for investors. Subject to genuine interest from credible potential investors, the Bank will assist them in tackling regulatory bottlenecks to their acquiring NPL portfolios. The Bank will also consider ways to support the authorities, subject to their commitment, in redressing weaknesses in the restructuring and enforcement of NPL-related procedures. The EBRD will moreover encourage transparent privatisation and the resolution of unresolved issues on existing assets. Restructuring of public sector companies and providing concessions for private participation in infrastructure and tourism will help to further the EU accession process.

Inclusion, gender issues and human rights

Civil society organisations consider that women are disproportionately affected by unemployment, concentrated in low-paid jobs, often on fixed-term contracts which can be easily terminated in case of maternity, and underrepresented in high-level positions in the public and private sectors. The exclusion of Roma, Ashkali and Egyptian women from the formal labour market also represents a matter of concern. In this regard, CSOs have published several reports on the issue of employment opportunities for women. Civil society stakeholders also point to stereotypes and discriminatory practices which particularly affect displaced women and women belonging to non-majority communities. Furthermore, violence against women and children, including trafficking for the purposes of sexual exploitation and child begging, are prominent issues raised by CSOs. Other weaknesses concerning the enforcement of human and civil rights include the inadequate economic and social inclusion of people with disabilities, and the continuing stigmatisation of the LGBT community.

In response, EBRD officials stressed that the Bank will help strengthen incentives to work for vulnerable groups, by promoting formalisation of informal jobs and improved facilitation services for job seekers, as well as enforcing labour standards and levelling the playing field between local and migrant workers, also leveraging with the World Bank Group and other international financial institutions on the ground. To this end, the Bank has also conducted a study to assess the development of social entrepreneurship in the Western Balkans, including Montenegro, with the objective to explore how it could support the ecosystem of social enterprises as a vehicle to promote economic and social inclusion of vulnerable groups. The Bank's Women in Business (WiB) programme was also launched in the current strategy period. Under the WiB, the Bank currently provides technical assistance to women-led enterprises and searches for partner financial institutions to support access to finance for these companies, as well as for training in financial management and mentoring. Between 2014 and 2016 a total of 27 women-led projects were started.

List of participating organisations to the consultation meeting in Podgorica on 10 June 2017

1. Center for Development of Non-Governmental Organizations (CRNVO)
2. Centre for Democracy and Human Rights (CEDEM)
3. Association of Business Women of Montenegro (BWA)
4. Montenegrin Employers Federation (MEF)
5. The Network for Affirmation of NGO Sector (MANS)