



# Competitiveness in South East Europe: A Policy Outlook 2024

**Fact-finding meeting**

**Podgorica, Montenegro**

6 July 2023

**OECD South East Europe** Regional Programme



# The OECD SEE Competitiveness Outlook: A tool for building competitive economies

## ABOUT

The Competitiveness Outlook (CO) assesses reform progress across multiple **policy areas crucial to competitiveness** in the six Western Balkan economies: Albania, Bosnia and Herzegovina, Kosovo\*, Montenegro, North Macedonia, and Serbia.

Competitiveness Outlook 2024 is the 4<sup>th</sup> edition of this assessment, following the publication of the [Competitiveness Outlook 2021](#).



**The Competitiveness Outlook supports the Western Balkan governments' EU integration efforts** by providing analytical contributions supporting the Economic Reform Programmes and the EU progress reports and recommendations.

## APPLICATION

- **Guiding policy reform** and acting as a change management tool through government self-evaluation methodology
- **Benchmarking performance** between peer economies using internationally comparable databases
- **Providing a source of information** on international standards, databases and other tools across several policy areas
- **Enabling gradual adherence** to the OECD standards
- Supporting monitoring of **Sustainable Development Goals'** implementation.



\* This designation is without prejudice to positions on status, and is in line with United Nations Security Council Resolution 1244/99 and the Advisory Opinion of the International Court of Justice on Kosovo's declaration of independence

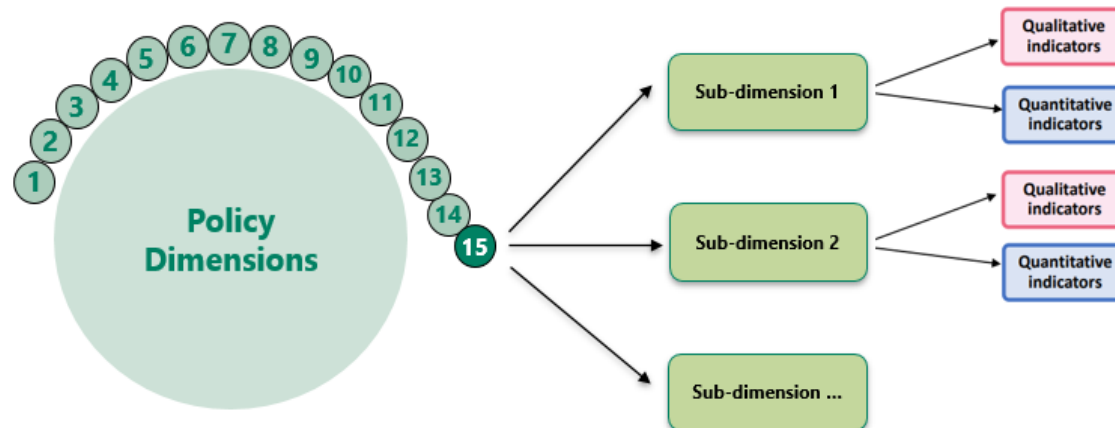


# Assessment Approach and Methodology

The CO 2024 methodology is designed to provide an evidence-based assessment of progress in the design, implementation and monitoring across **15 policy dimensions** key to economic competitiveness.

Each of the 15 policy dimensions is split up into **several sub-dimensions**, reflecting the key areas of that policy dimension

Sub-dimensions are composed of both **qualitative** and **quantitative indicators**





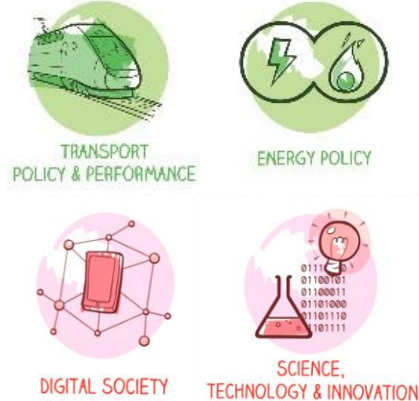
# Regional assessment **Five distinct clusters**

The CO 2024 will introduce an **enhanced regional profile methodology**, built around **five distinct clusters**, to effectively encompass and show the policy landscape of the Western Balkans.

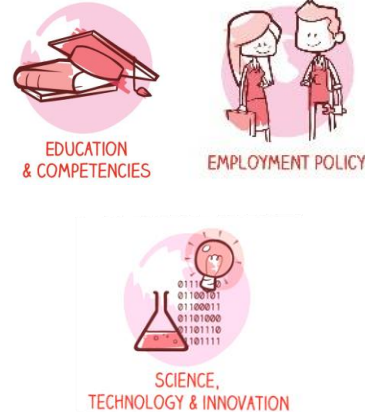
## Business Environment



## Connectivity & infrastructure



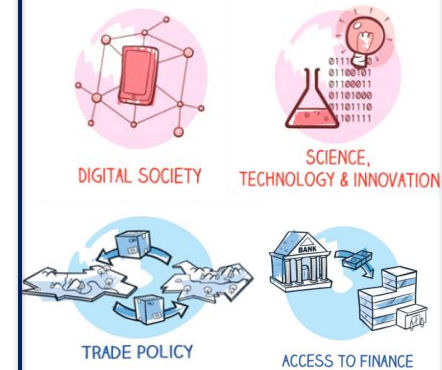
## Skills system



## Greening



## Digitalisation and tech



# Competitiveness Outlook 2024 Useful components



## Datahub

Complement the publication with the underlying **wealth of qualitative and quantitative data** in a visual and easily accessible way

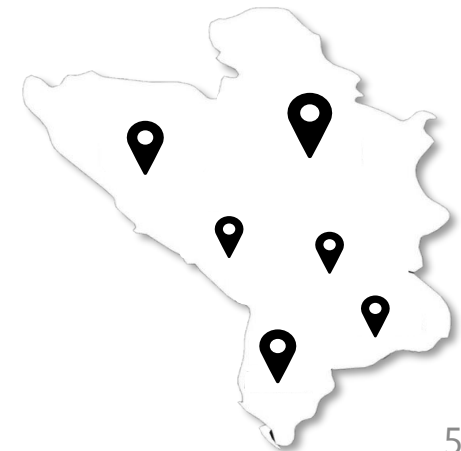


## Economy-specific profiles

Access an **economy-specific set of policy recommendations** and source of information on international standards, databases and other tools across several policy areas



\*The image shown is for illustration purposes only and will not be the exact representation of the final product.



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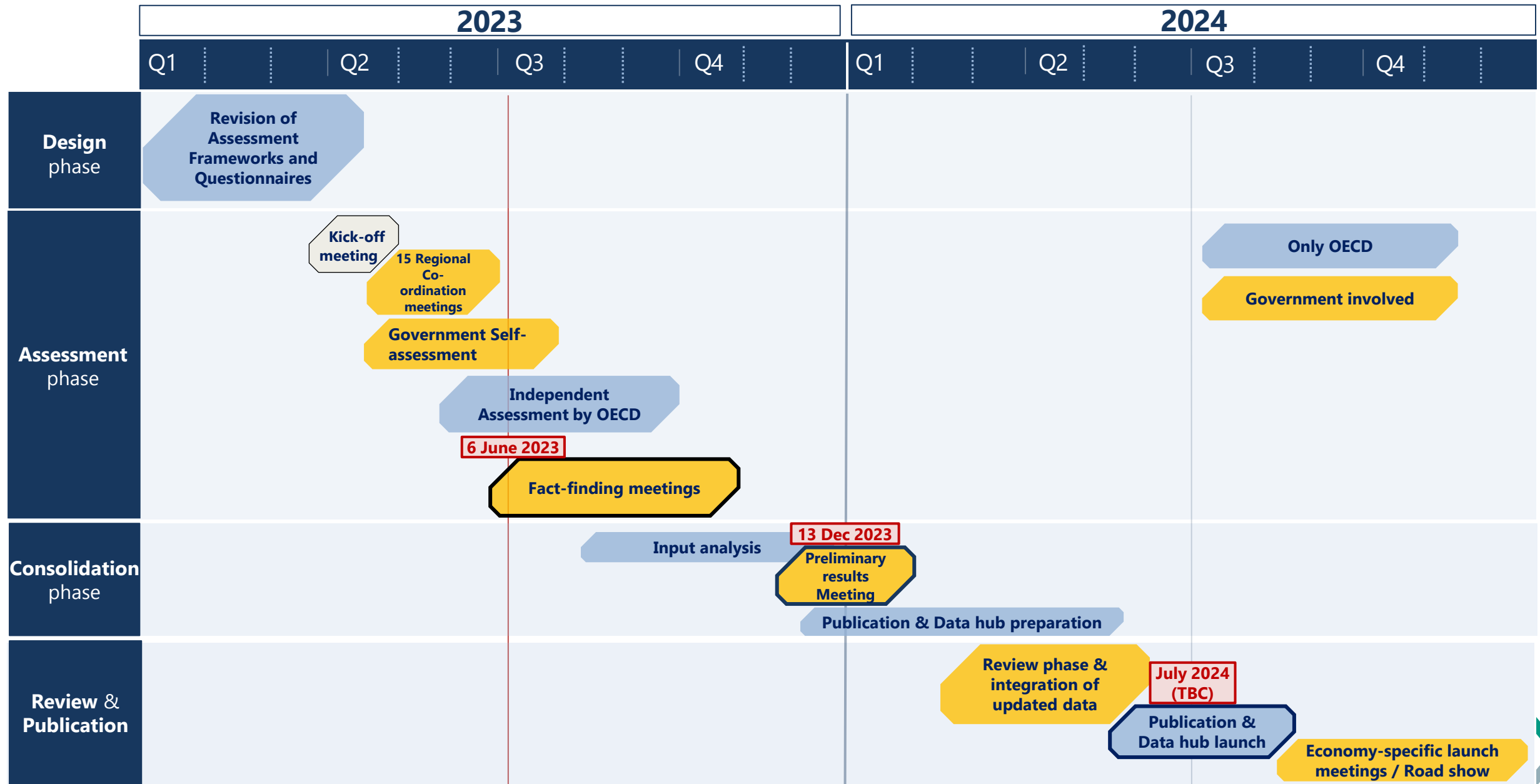
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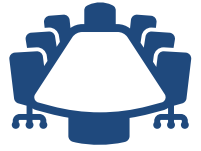
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# Competitiveness Outlook 2024 Timeline



# Competitiveness Outlook 2024 **Next Steps**



**6 July 2023**

Fact-finding meeting



**14 July 2023**

Second round of  
input collection



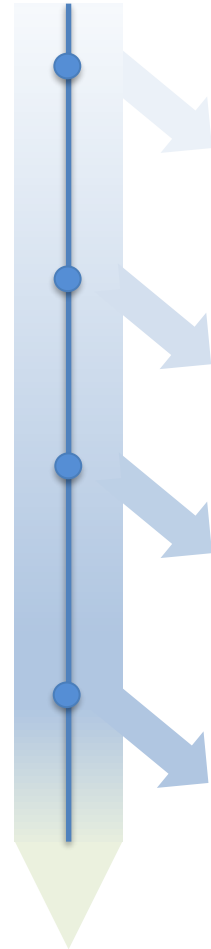
**13 December 2023**

Presentation of  
preliminary findings



**March 2024**

Draft publication  
shared



- ☐ Contribute to **closing information gaps** in business environment dimensions by sharing additional information

- ☐ **Identify** achievements, challenges, and policy priorities

- ☐ **Respond** to OECD comments and update the demanded information

- ☐ **Send** the final qualitative and quantitative questionnaire

- ☐ Contribute to **discussion and validation** of the preliminary results

- ☐ Provide **updated data** if available

- ☐ **Comment** on initial OECD policy recommendations

- ☐ Provide **updated data** if available

- ☐ Provide **final comments** on the draft outputs

**Publication & Datahub release in July 2024 (TBC)**

**&**

**Economy-specific launch meetings in Q3 2024**





# Competitiveness in South East Europe: A Policy Outlook 2024

## BUSINESS ENVIRONMENT IN MONTENEGRO DATA GAPS

**Podgorica, Montenegro**  
6 July 2023

**OECD South East Europe** Regional Programme



# Data gaps across 15 assessed policy dimensions as of TBD 2023

Dimension	Questionnaire	Statistical sheet	Remarks
Investment Policy and Promotion	Partial gaps	Partial gaps	Some indicators are missing, sources and self-assessments missing
Trade Policy	Partial gaps	Not received	Many unanswered questions, scores missing
Access to Finance	Partial gaps	Major gaps	Missing indicators and unanswered questions
Tax Policy	Partial gaps		Some missing indicators
Environment Policy	Partial gaps	Partial gaps	No rationale given for answers, some indicators missing
Agriculture Policy	Partial gaps	Major gaps	Sources missing, data incomplete
Tourism Policy	Minor gaps	Minor gaps	Some questions unanswered
State-owned Enterprises	Major gaps	Major gaps	Indicators missing, unanswered questions, missing self-assessment scores
Education Policy	Partial gaps	Partial gaps	Some indicators are missing, self-assessed scores missing
Employment Policy	Not received	Minor gaps	-
Science, Technology and Innovation	Partial gaps	Not received	Parts missing.
Digital Society	Major gaps	Not received	Some indicators are missing, self-assessed scores missing
Transport Policy	Not received	Not received	-
Energy Policy	Minor gaps	Minor gaps	Some sources missing, a few indicators missing, pre-filled answers unconfirmed
Anti-Corruption	Minor gaps	Major gaps	Data gaps, some questions unanswered

# Business environment - Data gaps

	Minor information gaps	Partial information gaps	Largely incomplete
<b>Investment Policy &amp; Promotion</b>			
<i>Sub-dimension 1: Investment Policy Framework</i>			
<i>Sub-dimension 2: Investment Promotion and Facilitation</i>			
<i>Sub-dimension 2: Mobilising Sustainable Investment</i>			
<b>Trade Policy</b>			
<i>Sub-dimension 1: Trade Policy Framework</i>			
<i>Sub-dimension 2: Digital Trade</i>			
<i>Sub-dimension 3: Export Promotion</i>			
<b>Access to Finance</b>			
<i>Sub-dimension 1: Bank Financing Framework</i>			
<i>Sub-dimension 2: Access to Alternative Financing Sources</i>			
<i>Sub-dimension 3: Digital Finance</i>			
<b>Tax Policy</b>			
<i>Sub-dimension 1: Tax Policy Framework</i>			
<i>Sub-dimension 2: Features of Tax Administration</i>			
<i>Sub-dimension 3: International Cooperation</i>			
<b>SOEs</b>			
<i>Sub-dimension 1: Efficiency and Performance Through Improved Governance</i>			
<i>Sub-dimension 2: Transparency and Accountability</i>			
<i>Sub-dimension 3: Ensuring a Level Playing Field</i>			

# Horizontal policy areas affecting business environment

## Digital transformation of the private sector



- How does the government plan to further incentivise the digital transformation of the private sector?
- Are there any new measures implemented since 2021 which aim to facilitate the digital transition for businesses?

## Strategy for the Development of Women's Entrepreneurship



- The strategy was adopted for the period 2021- 2024. After almost 2 years, how is the implementation progressing?
- What are the main achievements of the strategy to date?

# Business environment - Data gaps

## Investment Policy and Promotion

- New investment promotion strategy
- Improvements in company registration process
- Investment screening mechanism

## Trade Policy

- Role of the Council for Trade Facilitation
- New Strategy for Digital Transformation
- Upgrading the customs information system
- Programme for Improving Competitiveness 2022 vs 2023

## Access to finance

- Microfinance institutions
- Alternative equity-based finance
- Digital assets regulation

## Tax Policy

- Europe Now reform package
- Plans to introduce tax incentives to stimulate innovation
- Micro-simulation models for CIT
- Managing tax unit's compliance with tax regulations

## State-owned enterprises

- Working group on SOE governance framework
- Update on Liquidation of *Montenegro Works*
- Division of ownership responsibilities between government, line ministries and state funds



# Investment Policy and Promotion

## **New investment promotion strategy**

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- What will the new investment promotion strategy cover and what are the main objectives? Will the strategy tap into Montenegro's nearshoring potential?
- Have there been any improvements in investment promotion and facilitation?

## **Improvements in company registration process**

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- Has the government introduced any improvements to facilitate and digitalise the company registration process?

## **Investment screening mechanism**

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- Could you elaborate on the investment screening mechanism under preparation?
- What is the timeline of implementation?

## Council for Trade Facilitation

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- What will be the role of the Council?
- Are there any changes to the mandate in comparison to one of the National Committee for Trade Facilitation?

## Programme for Improving Competitiveness

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- Which new trade related aspects are going to be covered in the 2023 Programme for Improving Competitiveness?
- Are there any new trade targets established?

## Upgrading the customs information system

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- What is the timeline for implementation?

## Strategy for Digital Transformation

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- Will it include any digital trade facilitation measures?
- Which trade aspects will be covered under the strategy?

## Microfinance institutions

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- Could you specify the competencies of the Central Bank of Montenegro in regulating microfinance and supervising microfinance institutions?

## Alternative equity-based finance

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- In addition to the legislative efforts, are there specific initiatives aimed at promoting the adoption of alternative equity-based financing options by businesses?
- Could you provide more information on how the draft Law on Alternative Investment Funds plans to facilitate crowdfunding activities?

## Digital assets regulation

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- Could you elaborate on the objectives of the regulations under preparation?
- Could you provide some details on the pilot CBDC/Stablecoin project?

## **Europe Now reform package**

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- What are the main policy developments within the context of the Europe Now reform package?

## **Tax incentives for innovation**

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- Are there any plans to introduce tax incentives to boost innovation?

## **Micro-simulation models for CIT**

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- Micro-simulation model for PIT was introduced in 2019. Are there any plans to replicate this model for CIT?

## **Tax unit compliance with tax regulations**

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- Montenegro is cooperating with the IMF to develop a plan to improve tax unit's compliance with tax regulation. Could you provide more details?

# State-owned Enterprises

## Working Group on SOE governance

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- Could you elaborate on the scope of the Working Group and its role in improving SOE governance?

## Montenegro Works

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- After its establishment, the company was swiftly liquidated. What was the reason behind the liquidation?
- Are there plans to establish a similar agency to oversee SOE management?

## Division of responsibilities on SOEs

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- How does the government envisage the division of ownership responsibilities between government, line ministries and state funds?

## SOE ownership arrangements and governance

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- Has any progress been made on improving state ownership arrangements, SOE board independence and transparency on SOE performance since the last assessment (2021)?





# Competitiveness in South East Europe: A Policy Outlook 2024

## **BUSINESS ENVIRONMENT IN MONTENEGRO KEY CHALLENGES & POLICY SOLUTIONS**

**Podgorica, Montenegro**  
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# Regional assessment **Five distinct clusters**

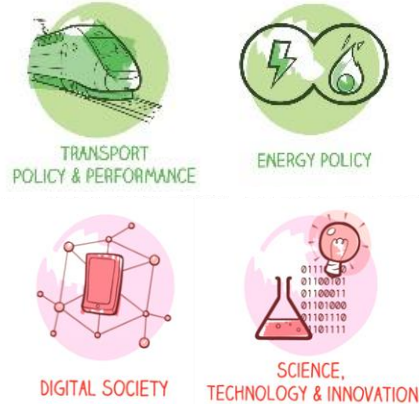
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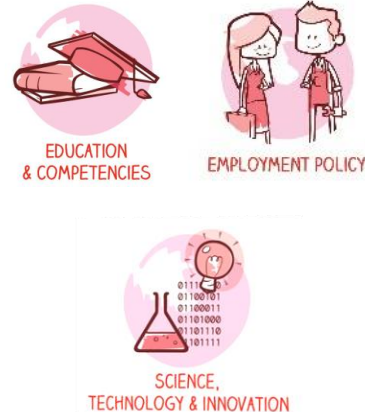
## Business Environment



## Connectivity & infrastructure



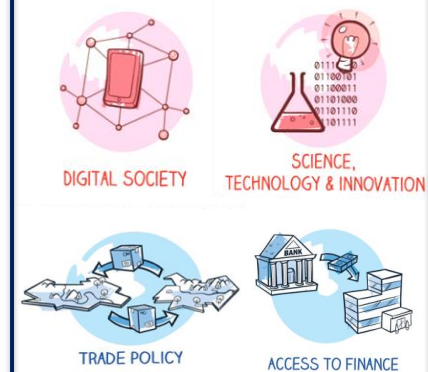
## Skills system



## Greening

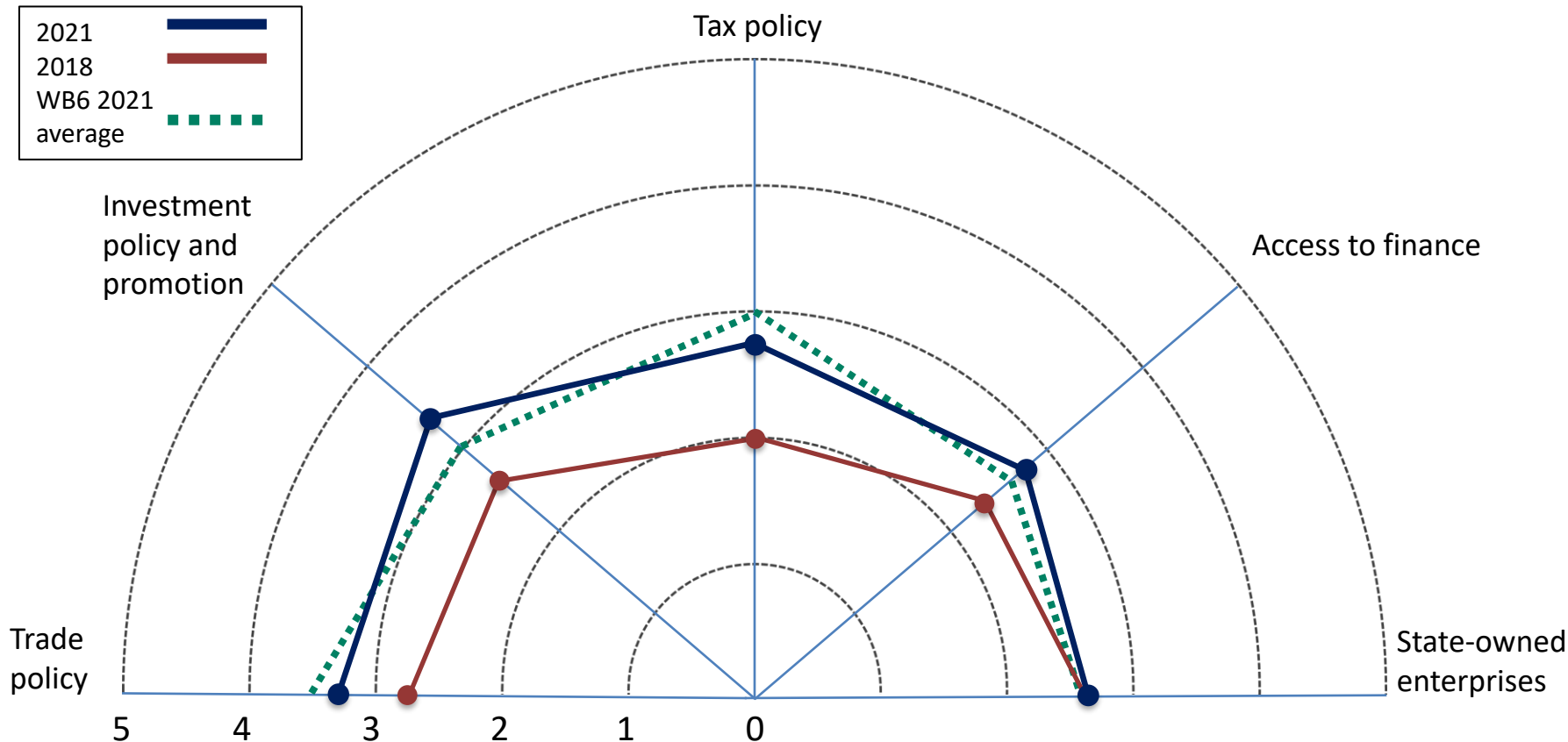


## Digitalisation and tech



# Montenegro's Competitiveness Outlook performance since 2018

- Montenegro has improved its performance in all policy dimensions related to Business Environment, except for State-owned enterprises where no changes in scores were recorded.
- In Tax and Trade policy dimensions, Montenegro scored below the WB6 2021 average.



## Main achievements in CO2021:

- **Establishment of the Montenegro Investment Agency (MIA)** → strengthen alternative dispute resolution mechanisms and encourage green investments.
- Improvement of the regulatory framework for the **banking industry, factoring and leasing** & Law on Public-private Partnerships has begun **regulating the implementation of PPP projects**.
- Systematisation of the public consultation process and **improvement of the stakeholder participation in trade policy**
- Significant progress in **aligning MNE tax system with recent international tax trends** by joining the **OECD/G20 BEPS**
- Improvement of the SOEs' framework (**2020 Law on Business Organisations**) → professionalising boards and strengthening their operational autonomy.





# Business environment – Progress on CO 2021 key recommendations

## Improve investment promotion and facilitation

- Introduction of personal and corporate progressive taxation, non-taxable salary base, abolition of obligatory healthcare contributions
- Simplifying and digitalising the electronic registration of companies (eFirma)
- Programme for Improving Competitiveness 2022 and 2023

## Introduce alternative equity-based finance

- Legislative work harmonizing Alternative Investment Funds regulation with the EU acquis in progress
- Legislative work harmonizing regulations of Voluntary Pension Funds and Open-End Investment Funds with Public Offering with the EU acquis
- Launch of the legislative work on digital assets regulation

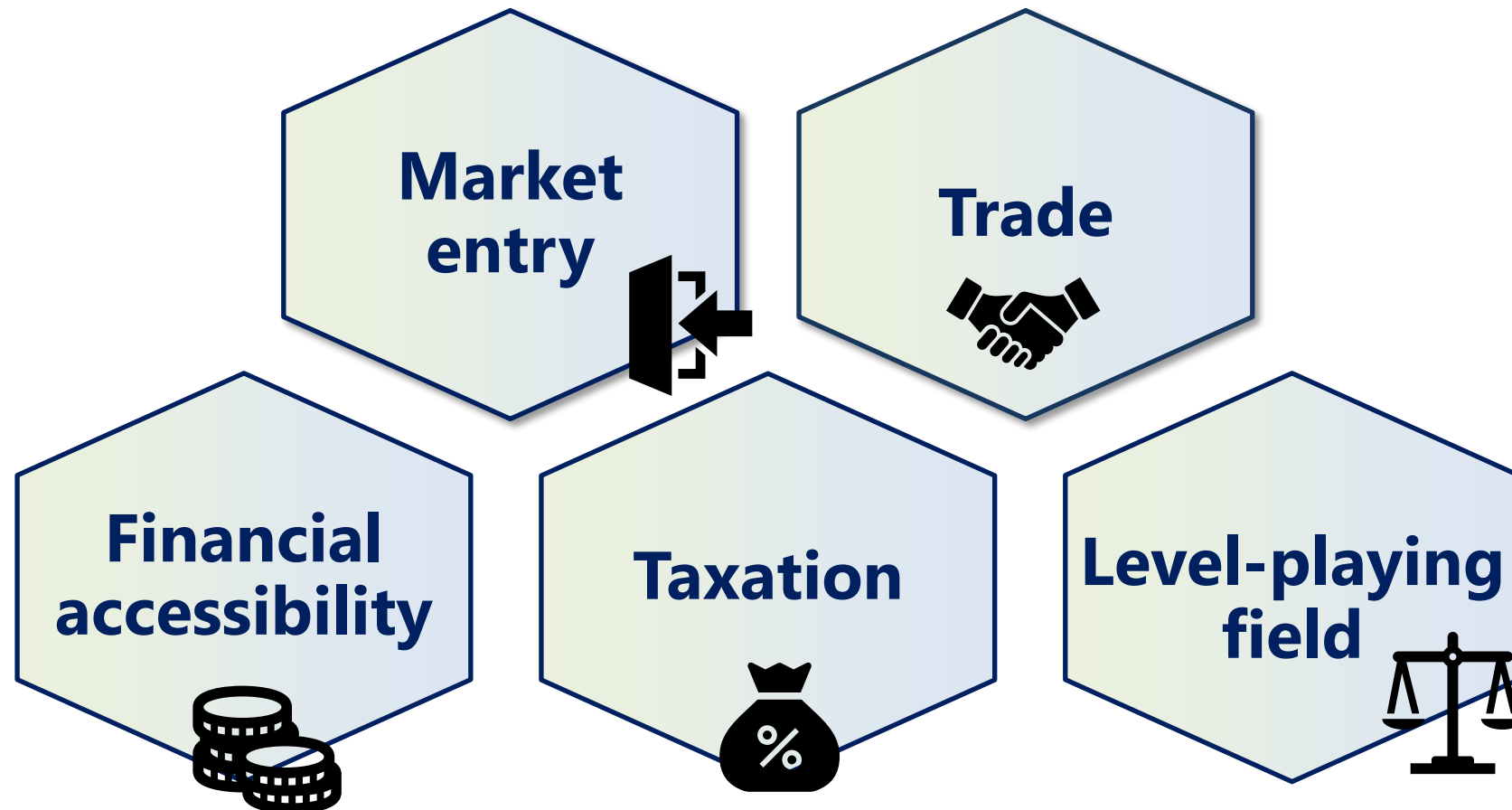
## Improve state ownership arrangements, SOE board independence and transparency on SOE performance

- Planned working group to develop strategic framework for SOE governance, propose legal reforms and improve SOE board nomination
- Establishment of “Montenegro Works” (August 2021) to monitor SOEs’ financial performance and review ownership arrangements, but liquidation in July 2022
- Development of aggregate reports on SOE performance by the Ministry of Capital Investments (scope to expand this practice to entire SOE portfolio)



# Competitiveness Outlook 2024 **Business Environment cluster**

The business environment cluster includes the various factors that ultimately shape the landscape in which businesses emerge and expand.



# Market entry

## Business creation

Is eFirma an efficient tool for business registration?

Is it easy and cheap to start a business, and how supportive are the government services?

Is it easy and cheap to get business licensing and permits?

## Barriers to investment and trade

How easy is it to find out and benefit from the government's export promotion programmes?

Do trade policies restrict market access/foreign entry for certain sectors?

How easy is it for a business to start exporting?

**Select priorities**



## Regulatory framework

Do you find the regulatory framework for trade cumbersome? How easy is it to export or import goods in Montenegro?

## Trade facilitation

Are digital trade facilitation measures widely enforced and used among business? (e-signature, electronic customs, e-certificates)

What are the main challenges faced by business when exporting?

## Trade promotion

Does the government actively promote businesses' participation in international trade? (through trade fairs, capacity building, trade missions)

**Select priorities**



# Financial accessibility

## Regulatory framework

Does the existing regulatory framework support the development of sound and diverse financial services?

Are the credit information systems sufficiently advanced, and can individuals easily access these information?

## Financial services

Are financing conditions easy and favourable for businesses? (interest rate, collateral requirements etc)

Are alternative financing sources well-developed? Do business have enough capacity to leverage them?

## Financial inclusion

Are there sufficient efforts to reduce the cost of financing for businesses?

Are there enough efforts/initiatives to align lending with businesses' needs and offer customised products? (e.g. Export, energy efficiency, innovation)

**Select  
priorities**





## Tax policies and requirements

Are tax regulations clear and transparent for businesses?

Are there any tax incentives fostering business activities?

Did the recent reform of corporate and income taxes stimulate business activity?

## Tax administrations and its services

Do tax administration systems lower administrative compliance burden?

How do tax compliance requirements and processes affect businesses?

**Select  
priorities**





# Level-playing field

## Informality

Is the current level of informality a serious challenge to the business environment?

Do policies incentivize firms to formalize and workers to be formally employed?  
What can be done more?

## State-owned enterprises (SoE)

Are SoEs subject to the same treatment as private companies? Do they compete on equal footing?

## Anti-Corruption

To what degree does corruption affect businesses and business environment?

How can the fight against corruption be strengthened, and what's the private sector's role in this endeavour?

## Public procurement

Do public procurement procedures ensure equal treatment of all businesses?

**Select  
priorities**



## Thank you for your attention!

For further information please contact:

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