

MONTENEGRO

ZABLJAK

*...investment development potential of
the tourist centre and mountain
jewel of nature...*



MONTENEGRO

Montenegro is a country located in southeastern Europe on the Balkan Peninsula and it lies on the shores of the Adriatic Sea. The biggest city and also the capital is Podgorica. Cetinje has the status of royal capital.

The population of Montenegro is 620.029, is a civil state and the major ethnic groups are Montenegrin, Serbian, Bosnian, Albanian, Muslim and Croats. The Orthodox religion makes up 72.07% of the population, Muslim 19.11%, Catholic 3.44% and other 5.38%.

The southern part of Montenegro has a Mediterranean climate of long, hot and dry summers and relatively light and rainy winters. The central

and northern part of Montenegro has characteristics of a mountain climate but also a strong influence of the Mediterranean Sea. This is evident in precipitation and also in the average high temperature of the coldest month. The most northern point of the country has a continental type climate, which is characterized by a low amount of annual precipitation.

Montenegro has a total land area of 13.812 km², of which 37, 40% is agricultural land. The total area of arable land is 13, 75%. Wheat, potato, tobacco, grapevine, citrus fruits, olives and figs are grown in Montenegro. The official currency in Montenegro is the EURO.

The major mineral resources are bauxite ore, iron ore and coal. The most important industrial activities are that of processing iron, aluminum and tobacco. In the last few years, there has been evident investment in natural sources of energy, especially hydro potential. Montenegro is a maritime country with a long maritime tradition. Montenegro has five national parks.

Tourism is very important to Montenegro's economy. Almost all of Montenegro's economic activities are directed towards the development of tourism. The government of Montenegro has set itself the goal to turn Montenegro into an elite tourist destination. In reaching this goal, Monte-

negro has had hundreds of millions of Euros in direct investment in the last few years. At the moment, Montenegro represents an extremely attractive place for foreign investment.

There is a mountain climate in the central and northern part of Montenegro and the most northern part of the country has a continental climate, which besides having big daily and yearly amplitudes in temperature also has a small amount of annual precipitation, evenly spread out through the months. In the northern mountain areas, the summers are cold and humid and the winters long and harsh, with freezing and low temperatures, which steeply decline as we go up in altitude.



The municipality of Zabljak is located in northwestern Montenegro in the heart of the mountain area Durmitora. It has a surface of 445 km². Coordinates 43°09'N 19°07'E



A word from the Mayor



Dear investors,

Zabljak is a small town, but a town which thanks to its potential offers great possibilities. This brochure is Za-bljak's identity card, with which we wish to present Zabljak and also inform you about the development possibilities which you cannot miss. I think that this easy to use and simple manual will provide you with information important for business on a local level.

I sincerely hope that by reading this you will identify Zabljak as a

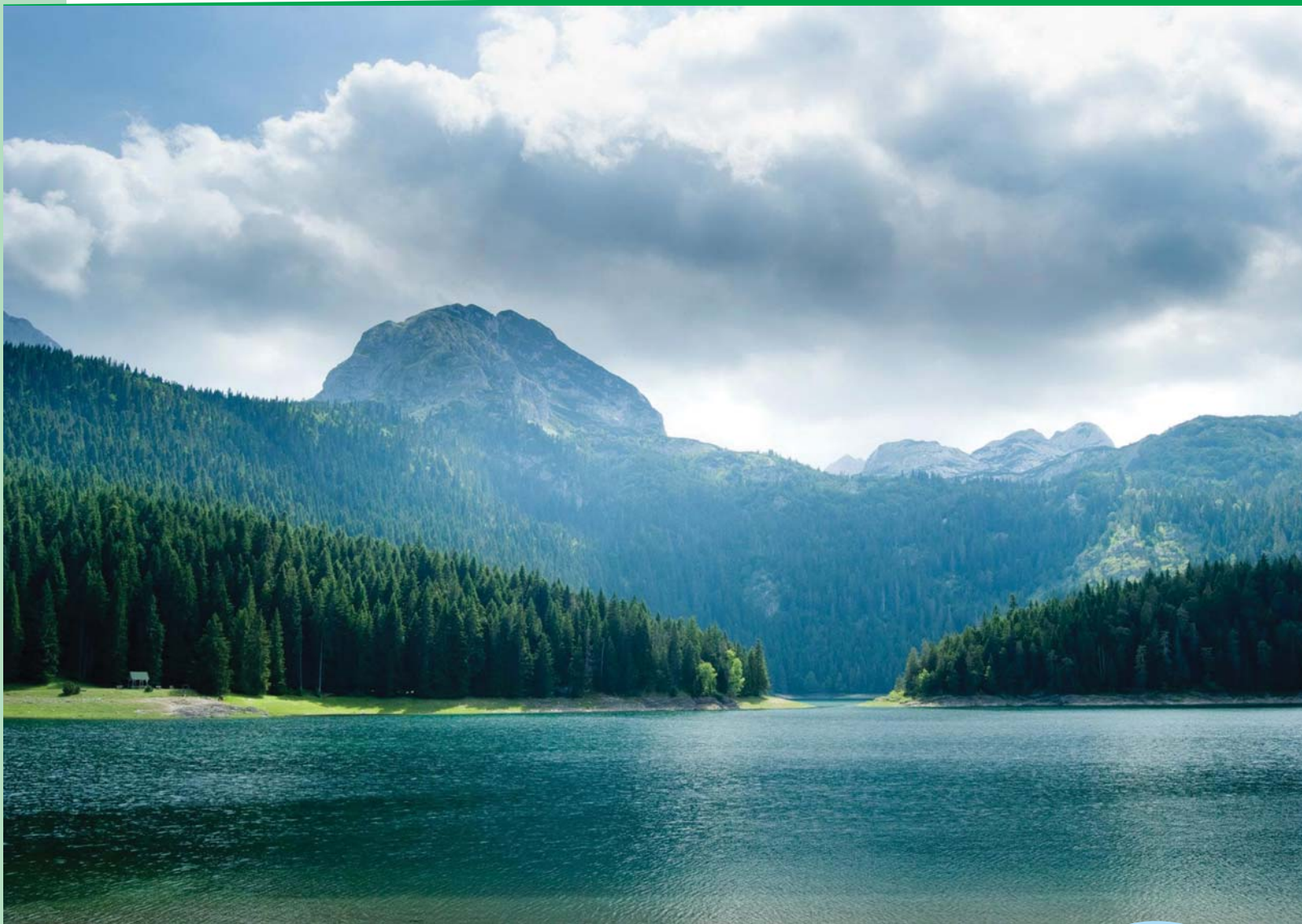


place suitable for your investments and where your business ideas will be successfully and effectively realized.

I invite you to come and see for yourself that Zabljak is an ideal place for investment. We are here to provide you with maximum cooperation and support.

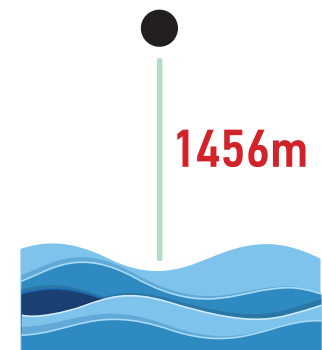
Welcome to Zabljak! We wish you great success in your future business and partnership!

Sincerely, Veselin Vukićević, Mayor of Zabljak

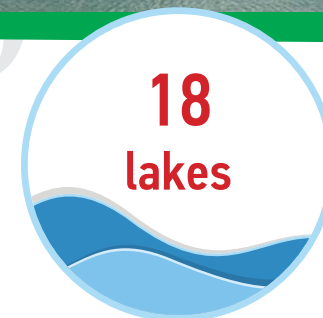


Zabljak represents the “geographical roof” of Montenegro, because 30% of its territory is found 1500m above sea level.

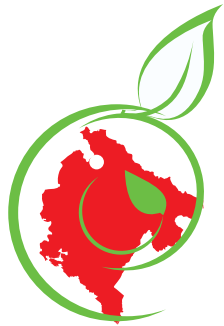
The town of Zabljak, with its location at 1456 meters above sea level, represents the highest urban settlement in southeastern Europe.



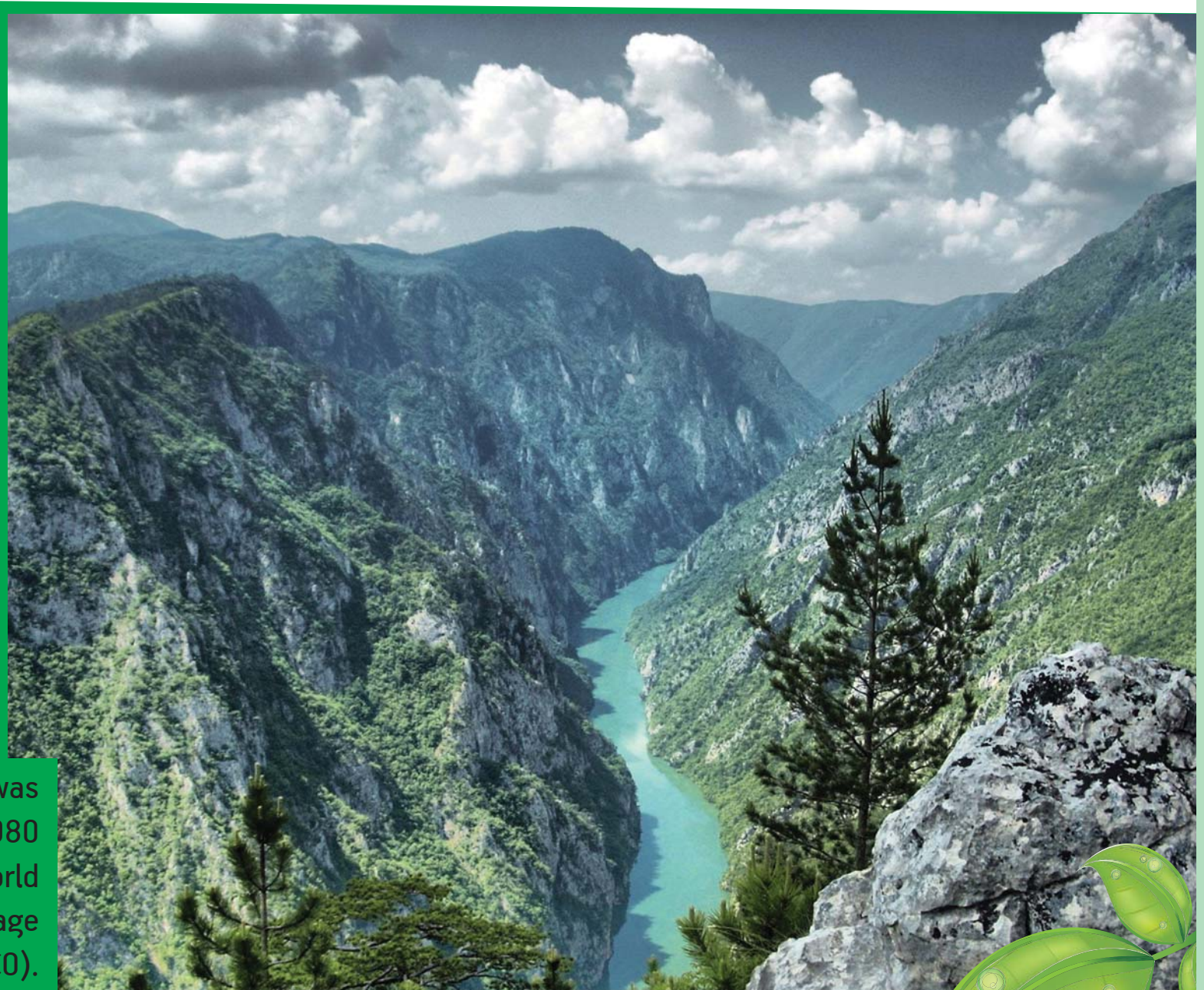
Zabljak is located in the foothills of Mount Durmitor and is surrounded by 23 mountain peaks of 2200 meters above sea level, 18 mountain lakes, one of them being the famous Black Lake and the Tara Canyon, which is the deepest in Europe.



In 1991, in
Zabljaku,
Montenegro was
proclaimed as an
ecological country,
and Zabljak
was chosen as
its capital.



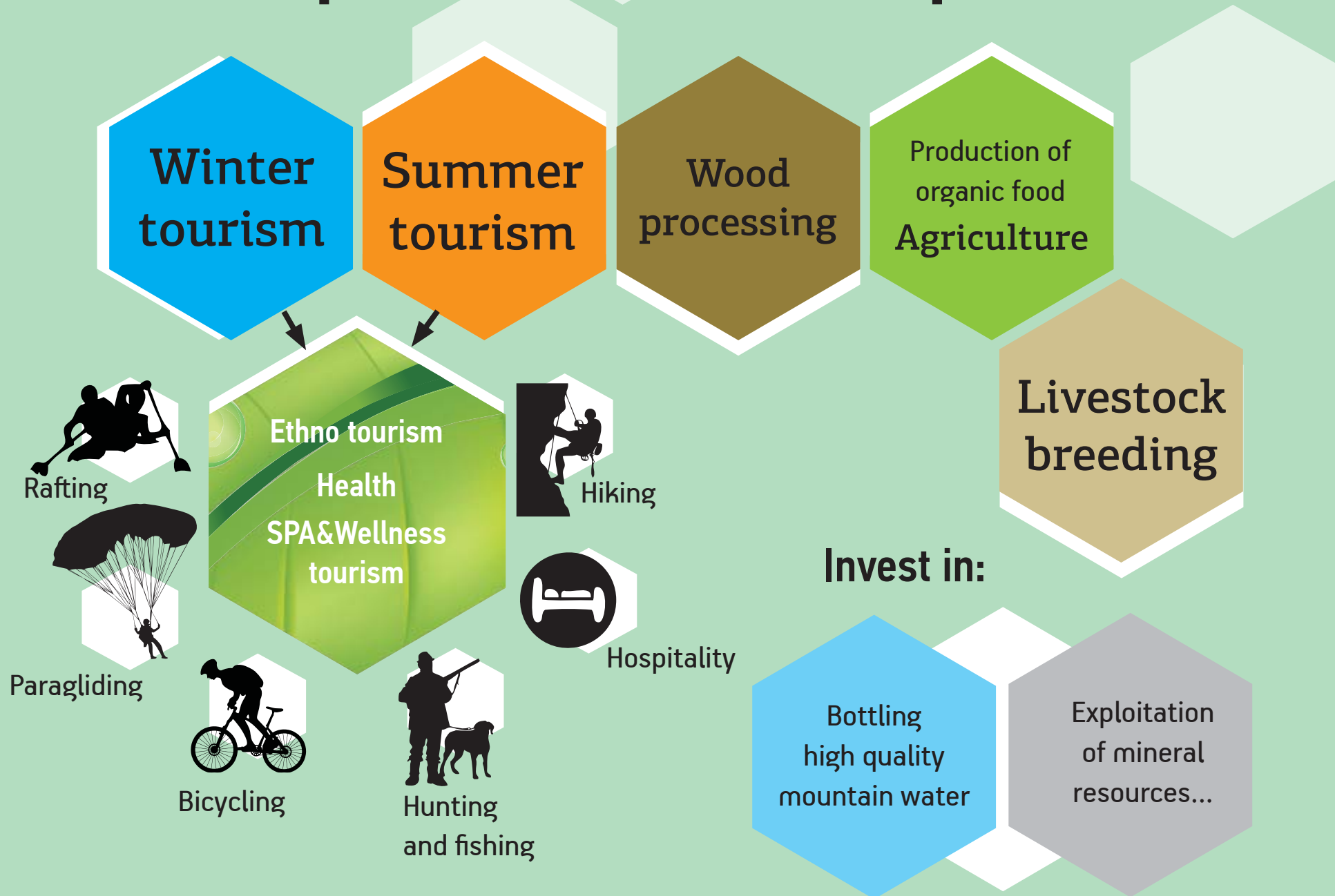
**Since 1991, it
is an ecological
country**



The National Park Durmitor was
founded in 1952 and since 1980
is in the registry of the World
Cultural and Natural Heritage
Site (UNESCO).



Development investment potentials



Why invest in Montenegro and Zabljak?

The plan for 2015-2019 by the local government is to pay careful attention to the further revitalization of communal, road and social infrastructure.

Five potential business zones in the municipality of Zabljak have been determined through urban spatial planning:

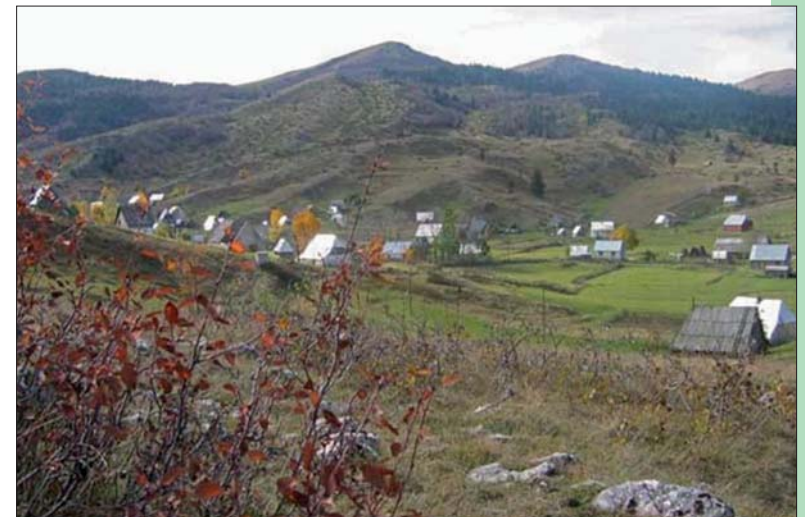
1. **Njegovudja and Sawmill** – total surface is about 10ha, total construction 60%, existing vital infrastructure (electricity, water), accessible road;
2. **Njegovudja II** – total surface 4ha, undeveloped, non-existing vital infrastructure, accessible road;
3. **Vruljci** – gravel terrain, surface 10ha, non-existing vital infrastructure, no accessible road;
4. **Zabljak work zone** – surface 32ha, land predicted for economic development;
5. **Service zone** – surface 8ha.



Montenegro has determined a development strategy paying close attention to the municipality of Zabljak and its enormous potential. Montenegro has, through its Investment development fund, designated significant capital for the development of Zabljak's potential and some projects are already underway. Besides local projects taking already place in Zabljak, there are also projects under way from foreign investors such as Slovenia, Russia, Italy...

By an analysis done in Slovenia a year ago, on potential places to invest in Montenegro, Zabljak was at the top of the pyramid! That official recommendation, which was given to Slovenian companies, has already launched three Slovenian projects in Zabljak and negotiations are underway for another ten. The government of Slovenia is giving a special contribution to Zabljak's development. Keeping in mind the valuable natural resources we have, Montenegro has with the help of Italy's ministry of environmental protection of land and sea, identified the municipality of Zabljak as one of the pilot areas for the realization of the Master Plan for the development of sustainable tourism.

According to the analysis of the Investment-development fund (which at this moment is in the process of investing from 3 million Euros into Zabljak), Montenegro as a small and extremely open economic system has the possibility of easily fitting into the world trends of the flow of direct foreign investment. Therefore, the investment ambient as a whole is improved.



Advantages for foreign investors which Montenegro offers:

- Political, monetary and macroeconomic stability
- Simple START UP
- Liberal economic regime for foreign trade,
- Favorable tax policies: 9% income tax, 7/19% vat, tax on profits 9% i 15%
- International accounting standards
- Rise in economic freedom
- Geographic location and climate conditions

Montenegro is a member of the World Trade organization and signatory to multilateral and bilateral agreements – Agreement on stabilization and association with the European Union, CEFTA 2006, EFTA, Russia, Belarus and Turkey, which enables it the cumulation of origin and duty free trade with about 800 million consumers.

A foreign investor can be a foreign legal entity or physical person residing abroad, a company whose foreign investment contribution is more than 25%, Montenegrin citizen who is residing abroad for longer than a year or a company who has founded a legal entity in Montenegro.

Foreign investors:

- Can establish a company (individually or in partnership), invest in companies, buy companies or its stocks, or establish part of a foreign company.

Incentives foreseen for the “Decision on compensation for the communal furnishing of land”:

The municipality of Zabljak has determined certain incentives for investors through the “Decision on compensation for the communal furnishing of land in the sense of:

- The possibility to pay the agreed compensation for the communal land in rates (25% from the agreed compensation is paid on the day of signing the agreement on the communal furnishing of land, and the rest over the next five years);
- If the payment of the agreed compensation for the communal furnishing is paid in full, the compensation decreases by 15 %;
- There is also the possibility of the investor to independently conduct the communal furnishing of the land.

- Is taxed the same as domestic investors.

The investment of the foreign investor can be monetary, items, services, property rights and securities.

Taxes

- Tax rate on earnings - 9% and 15%
- Tax rate on the company's profit - 9%
- Tax rate on value added - 19% and 7%
- The tax rate on real estate is proportional and can be from 0, 10 % to 1, 00% of the market value of real estate.
- Taxes and contributions on personal earnings
- Tax on earnings 9%
- Total contributions which the employer pays 9.8%
- Total contributions which the employees pay 24.0%
- Total contributions for mandatory pension insurance 20.5%
- Total contributions for mandatory health insurance 12.3%
- Total contributions for unemployment insurance 1.0%

Montenegro's support to foreign investors

Incentives on a national level include tax relieves for investment in the undeveloped part of the country:

1. Tax relief on earnings

Newly established legal entities in economically underdeveloped municipalities, engaged in manu-

Through the decision on real estate tax, the municipality of Zabljak has determined the lowest rate predicted by the Tax Law on real estate, for catering facilities of the following categories:

- For catering facilities category 3 ***
 - 2% of market value,
- For catering facilities category 2 **
 - 3% of market value,
- For catering facilities category 1 *
 - 4% of market value,
- Catering facilities which are not categorized
 - 5% of market value.

In accordance to the Tax Law on real estate, catering facilities category 4 **** and 5***** are taxed on 0, 4% of market value.

facturing activities, are relieved from paying taxes on earnings for the first eight years. This tax relief, or incentive, does not include entities which operate in the sector of primary production agriculture, transport and shipyard, fishing and steel sector.

2. Personal income tax

Taxpayers who start production activities in economically underdeveloped municipalities are exempt from paying income taxes for the first eight years. This tax relief, or incentive,, does not apply to taxpayers who operate in the sector of primary production of agriculture, ship construction, fishing and steel.

3. Subsidies for employing certain categories of unemployed persons

Ski resorts AD (Skijaliste AD)

The government of Montenegro has made the decision to establish Ski Resorts AD (Skijalista AD) which will take over the responsibility of taking care of the ski resorts in Montenegro. This type of responsibility and care increases the states investment and will enable great business success, which has already been achieved in Serbia.



Natural resources



More
than 1300
types of plants



since 1980.

National park “Durmitor”

Durmitor, as the highest mountain of the Dinarida, represents one of the centers of the development of the Balkan, especially the dinar flora, with representatives of the alpine and arctic-alpine flora elements. On the southern slopes, especially in the canyon valleys, sub-Mediterranean, even Mediterranean flora can be found, while peat lands of some of the lakes represent enclaves characteristic to the Siberian taiga. It is distinguished by extremely rich and diverse vascular flora of over 1300 types and represents one of the most important refuge centers of the high tertiary arctic flora. The configuration of the terrain and the size of the massif have created conditions for the formation of diverse vegetation cover, represented by numerous plant communities of forest vegetation, mountain valleys, pastures, rock crevices, rocks, graveled areas, frozen caves, peat bogs, freshwater ecosystems and other. In a height



difference of almost 2000m, from the canyon to the mountain peaks, almost all climategenous vegetation is alternated. From Mediterranean-Montana thermophilic forests with hornbeam and above Moesian beech, through Montana beech and beech-fir forests, ecosystems of dark coniferous forests and sub-alpine forests of Moesian beech and maple, curly juniper, which builds the upper forest border up to 2200mnv. Above the border, alpine vegetation of mountain meadows, cliffs and frozen caves can be found.

The National Park „Durmitor“ was established in 1952 and it is on the UNESCO list of the World Natural and Cultural Heritage since 1980. The total surface area of the park is 39.000ha, and besides the municipality of Zabljak where the administration is located, NP Durmitor also expands onto the territories of the following municipalities: Savnik, Pluzine, Pljevlja and Mojkovac. The park is characterized by diverse ecosystems, glacial lakes and what makes it special is the Tara Canyon and some of the highest Dinardi

peaks. Special zones that are under protection are: Mlinski stream, basin of the Skrckih lakes with a narrower canyon valley of Susice, Crna pada, Lake Barno with the narrowest environment, Lake Zabojsko and Canyon Tara.

The forests on the territory of the NP „Durmitor“ take up a relatively small surface area (high forests 8%, coppice 2%, thickets and shrubbery 13%), but some of them are rarities of nature, of exceptional biological value. Some examples of this are the forests of black pine located on the sites of Crna pada or a relict glacial community of spruce and white pine Piceto Pinetum silvestris, Balkan subemdit and relict pine munika Pinus heldreichii, which are exceptionally rare and are in a very small number represented on the trees found on the Zuta Greda sites and in the Tara Canyon, where it descends down to 600m on the south exposures.

Forests

The forests represent one of the most important resources in the municipality of Zabljak. Big surfaces of conifer and deciduous forests have made it possible for the development of the wood industry, especially wood processing, which is the second leading economic sector.

The total surface area of forests and forest land is 8.517ha of national forests (high economic forests 7.513ha, forests for other purposes 195ha and covered land 809ha) and 756ha of private forests (total of 9.273 ha). The primary function of the high economic forests is the production of wood and other wood products and in the forests for other purposes – recreational functions that are protected.



The forests are divided into three management units: «Tepacke sume», «Gornji Saranci», and «Donji Saranci»

The forests in the national park are forests for special purposes, which represent natural values and are primarily intended for scientific research and education, recovery, vacationing and recreation. With the goal of better managing the forests of the National Park “Durmitor”, due to the spatial distribution of the forest ecosystems, the Park is divided into spatial units that cover the forest in the park outside

Protection Zone I – Reserves. Therefore, the Park’s forests are divided into four spatial units outside the reserve:

- Zabljak I (1300ha),
- Durmitor-Susica (572ha),
- Gornja Tara (Upper Tara) (3717ha) and
- Donja Tara (Lower Tara) (3658ha)

Besides this, another form of using the forest resources is that of collecting forest fruits and herbs (medicines). Examples of this are the collection of eatable mushrooms, such as morel, boletus, chanterelle and others, fruits such as blueberries, strawberries, raspberries and herbs (St. John’s wort, willow grass, milfoil and other). This type of activity represents a significant source of income for local residence.





Mineral resources

Mineral resources that can be found on the territory of the municipality of Zabljak are: gravel, sand and rock. Keeping in mind that the municipality is of glacial origin and that there is an abundance of these raw materials, they are most certainly significant natural resources. The exploitation is done in two quarries: Njegovudja and Razano Polje. Existing raw materials have proven to be good construction material. Until now, only experimental concessions have been allowed.



Land

Land is one of the major factors in agricultural production in this area. Great agricultural surfaces provide the opportunity for agricultural development, livestock breeding and farming. The development of agriculture has stagnated lately because only elderly households are engaged in agriculture and also because of poor marketing and low prices.

In theory, organic production has shown itself as economically feasible, both in farming and livestock breeding. There are already some entrepreneurs who have certificates for organic production.

Agricultural land is mostly made up of grasslands and field. There is also a smaller surface of agricultural land that is made up of arable land and gardens.

Some other basic characteristics of Zabljak

The municipality of Zabljak is rounded by 23 mountain peaks located in the northwest of Montenegro, in the heart of the Durmitor area. It has a surface area of 445 km² - which is 3,22% of Montenegro's surface and form Europe.

a total of 23 municipalities, and it is 15th in surface. About 30% of its territory is found at 1500m above sea level.

Zabljak is located at the foothills of Durmitor and is surrounded by 23 mountain peaks of over 2200m above sea level, 18 mountain lakes, one being the famous Black Lake and Canyon Tara, the deepest canyon in Europe.

The entire municipality of Zabljak is located in the Durmitor massif. The highest peak in the municipality is Durmitor's Bobotov kuk (Bobot's hip) at 2522m, and the lowest at the mouth of



Bobotov kuk

Bobotov kuk
2.522m



the Susice Lake and into Tara lake: 512 m.

The jagged relief and altitude affect the climate of the Durmitor region. The climate has many different characteristics, ranging from parish in the canyon lakes, sub-alpine at an altitude of 1200m, to a typical alpine climate. The winters are long and cold, summers short and cool and the autumns warmer than springs. The average annual temperature is between 2 and 8 degrees Celsius. There is snow 120 days of the year, greater than 15 centimeters, and the ski terrains, which are at higher altitudes, are covered by snow 150 days of the year and are great for skiing. Snow can be found in higher Durmitor areas all year around, and in the Kalice area, known as "Debeli Namet" (thick alluvium), which is 200-300 meters long, you can ski in the middle of the summer.



There are 28 settlements within the municipality, organized into 12 local communities, one being a town. According to the last survey done in 2011, the municipality of Zabljak has a population of 3569. However, this number is three to five times bigger if you calculate certain moments of the winter and summer season, when the owners of cottages and tourists come.

Agriculture and livestock breeding are, along with forestry and primary wood processing, traditional activities of the municipality's population, which nowadays

sees its future in tourism and activities connected to it.

Due to all of its characteristics, the touristic season in Zabljak lasts all year. Both winter and summer touristic seasons are equally developed.

The touristic potential is reached through different activities. The winter season offers alpine and Nordic skiing and the summer season offers nature lovers the possibility of hiking, alpinism, walking, hunting and fishing, rafting, paragliding...

The touristic potential is currently valorizing through differ-



Ski resort Savin kuk

ent contents: hotels, motels, restaurants, cafes and other. Zabljak has about ten hotels of various categories with a wide assortment of services, more than ten private houses foreseen for tourist accommodation, three car camps, a big number of restaurants and other catering facilities.

As an attraction, Zabljak offers modernly furnished bungalows in the form of log cabins with steep roofs, which perfectly fit in with the whole mountain ambient.

Zabljak, besides the already mentioned, also offers two ski resorts which are open: Savin kuk i Javorovaca.

It is very quick and easy to get to Zabljak. In 2010, the road Risan-Zabljak was opened and therefore shortened the way between the south and the north, and now one can reach the coast in 2-2.30 h. The capital city, Podgorica is about 2h driving distance from Zabljak. Belgrade is about 400km driving distance from Zabljak, about a 6h drive. These are the driving distances for the following capital cities:

Zabljak- Sarajevo 167 km, Zabljak- Zagreb 535 km, Zabljak- Tirana



Rafting on Tara



Bungee jumping off the Djurdjevic Tara Bridge

31 14 20

270 km, Zabljak- Skopje 337 km, Zabljak- Ljubljana 674 km.

If you are driving from Serbia, you can cross the border in Prijepolje, drive through the Montenegrin town Pljevlja and so reach Zabljak (state border crossing Jabuka - 98 km) or you can drive through the Montenegrin town Bijelo Polje and Mojkovac and so reach Zabljak (state border crossing Brodarevo -110 km).

If you are travelling from Croatia, from the direction Dubrovnik (state border crossing Debeli brijeg), you arrive by driving through Herceg Novi, Risan and Niksic and so reach Zabljaka (200 km) or driving through Dubrovnik- Trebinje- Niksic- Zabljak (170 km).

If you are travelling from Bosnia and Herzegovina, through Foca and crossing at the border in Scepan Polje to Zabljak the distance is 150 km, through Pluzine and Mount Durmitor, the distance is 85 km, and if you cross at the border Meteljka through Gorazde-Cajnice- Pljevlja- Zabljak, the distance is 87 km. If you travel through Trebinje- Vilusi- Niksic to Zabljak, the distance is 170 km, by crossing the border Vracenovici.

Z	Podgorica	120km
A	Beograd	400km
B	Sarajevo	167km
Lj	Zagreb	535km
A	Tirana	270km
K	Skopje	337km
	Ljubljana	674km

The nearest airports

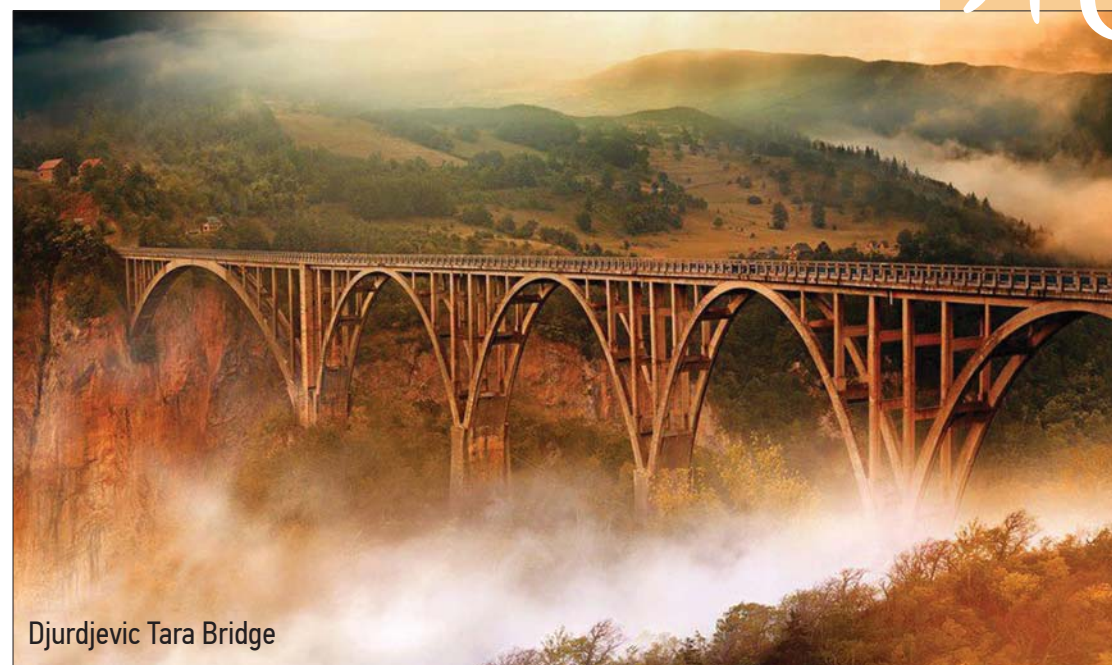


Podgorica	120km
Tivat	270km
Dubrovnik	260km

The nearest port



Bar	197 km
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Djurdjevic Tara Bridge

If you wish to arrive by plane, there are three possible airports: Podgorica (170 km to Zabljak), Tivat (250 km to Zabljak) and Dubrovnik (260 km to Zabljak).

Sea wise, Montenegro is connected to the world through the port in Bar. It is possible to travel from Bar to Mojkovac by train, and then take the bus to Zabljak. The closest railway station is in Mojkovac, 69 km from Zabljak.

