LAW ON FOREIGN INVESTMENTS

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I. BASIC PROVISIONS

Article 1

This law regulates the forms of foreign investments, rights of foreign investors, protection of foreign investors, promotion and other issues of importance for foreign investments in Montenegro.

Article 2

A foreign investor, in terms of this law, is:

- every legal entity based outside the territory of Montenegro;
- any natural person, who is a foreign citizen, if they acquire a share or shares in a company or invest in a company on a contractual basis;
- a business company with participation of at least 10% of foreign capital in the company's capital;
- a commercial company founded by a foreign person in Montenegro;
- Montenegrin citizen residing abroad.

A foreign investor, in the context of this law, is also considered a person who has acquired Montenegrin citizenship based on the investments made in accordance with the law.

Article 3

Foreign investment, as defined in this law, includes investments in money, goods, services, property rights and securities, in accordance with the law.

Foreign investment in goods and property rights are considered investments in fixed assets in accordance with accounting regulations.

II. FORMS OF FOREIGN INVESTMENT

Article 4

A foreign investor in Montenegro can:

- establish a company (alone or with other investors);

- establish a branch of a foreign company;

- acquire stakes and shares in a company;

- purchase a company.

Article 5

Foreign investment can be made on the basis of concession contracts, franchising contracts, financial leasing contracts, real estate sales contracts and other contracts, in accordance with the law.

III. PRINCIPLES OF FOREIGN INVESTMENTS

Article 6

A foreign investor can establish a business company and invest in a business company in the territory of Montenegro, in the same manner and under the same conditions as domestic persons can establish business companies or invest funds in business companies (national treatment), unless otherwise specified by this law.

Article 7

A foreign investor can invest funds in a domestic company or establish a company for the production and sale of weapons and military equipment.

Investing in a company from paragraph 1 of this article is allowed only upon approval from the state administration body responsible for foreign trade affairs (hereinafter referred to as "the Ministry").

Before issuing the approval referred to in paragraph 2 of this article, the Ministry obtains the opinion of the state administration authorities responsible for defense and internal affairs.

Article 8

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Article 9

The company for the production and sale of weapons and military equipment cannot engage in the arrangements mentioned in Articles 4 and 5 of this law before receiving approval from the Ministry.

Article 10

Foreign investments in insurance companies, banks and other financial institutions and free zones are made in accordance with the law.

IV. PROTECTION OF FOREIGN INVESTORS

Article 11

The property of a foreign investor cannot be subject to expropriation, except when the public interest is established by law or based on the law, with compensation in accordance with the law.

Article 12

foreign investor who suffers damage as a result of war or a state of emergency has the right to compensation for damages that cannot be less than the compensation entitled to domestic legal and natural persons, in accordance with the law. A foreign investor also has the right to compensation for damages caused by illegal or irregular actions of an official or state body, in accordance with the law.

V. INSTITUTIONAL FRAMEWORK AND PROMOTION OF FOREIGN INVESTMENTS

Article 13

The encouragement and promotion of foreign investments that contribute to the economic development of Montenegro are carried out based on the Strategy for the Promotion of Foreign Investments (hereinafter referred to as "the Strategy"). The Strategy is adopted by the Government of Montenegro (hereinafter referred to as "the Government") for a period of five years.

Article 14

The strategy necessarily contains:

- analysis of the situation in the field of foreign investments;
- analysis of fulfillment of contractual obligations in the field of foreign investments;
- obstacles to the improvement of foreign investments and guidelines for their elimination;
- analysis of investment opportunities by areas, areas and target markets;
- guidelines for encouraging and promoting foreign investments:
- priority activities and measures in the area of encouraging and promoting foreign investments;
- deadlines for the implementation of the Strategy, with established priorities and possible sources of financing;
- other data important for encouraging and promoting foreign investments.

Article 15

Expert work on the promotion of foreign investments is performed by the Agency of Montenegro for the Promotion of Foreign Investments (hereinafter referred to as "the Agency"). The Agency has the status of a legal entity and performs tasks of public interest.

Editor's note: This article ceases to be valid within 60 days from the date of the appointment of the Agency's director.

Article 16

The Agency performs the following tasks:

1) Expert work on promoting investment opportunities in Montenegro, in accordance with the Strategy and the annual work program of the Agency, particularly relating to:
   - Preparation, development, and presentation of information on business opportunities for investment in Montenegro;
   - Providing expert assistance to foreign investors for investment in specific sectors and industries;
   - Facilitating direct contacts between foreign and domestic companies;
   - Collaborating with relevant international institutions to increase foreign investments;
2) Monitoring the implementation of foreign investments, cooperating with state administration bodies, local self-government units, and state institutions of Montenegro in promoting and supporting investment realization;
3) Compiling information on foreign investments for the Government to improve the investment environment;
4) Maintaining a record of foreign investors and foreign investments;
5) Performing other tasks in the field of foreign investments in accordance with the law.

The Agency's operational funds are provided from the budget of Montenegro and donations.

Editor's note: This article ceases to be valid within 60 days from the date of the appointment of the Agency's director.

Article 17

The organs of the Agency are the Administrative Board and the Director.

Editor's note: This article ceases to be valid within 60 days from the date of the appointment of the Agency's director.

Article 18

The Administrative Board manages the Agency in accordance with this law and the Agency's Statute.

The Administrative Board of the Agency:

- Approves the Statute, which requires the consent of the Government, as well as the organizational and systematization plan and other acts of the Agency;
- Determines the annual work program and financial plan;
- Decides on the use of Agency funds;
- Adopts the annual report on the Agency's work and financial statements;
- Decides on the remuneration of Administrative Board members, subject to the approval of the Government;
- Selects an independent auditor;
- Decides on other matters in accordance with the law and the Agency's Statute.

Editor's note: This article ceases to be valid within 60 days from the date of the appointment of the Agency's director.

Article 19

The Administrative Board consists of a Chairman and two members.

The Administrative Board is appointed and dismissed by the Government for a period of four years, based on the proposal of the state administration body responsible for economic affairs.

The working methods and decision-making of the Administrative Board members are regulated by the Agency's Statute.

Editor's note: This article ceases to be valid within 60 days from the date of the appointment of the Agency's director.

Article 20

The Director manages the operations of the Agency.

The Administrative Board of the Agency proposes a Director to the Government based on a public competition.

The Government appoints the Director of the Agency for a period of four years.

Editor's note: This article ceases to be valid within 60 days from the date of the appointment of the Agency's director.

Article 21

The Director of the Agency:

- Represents and acts on behalf of the Agency;
- Manages the work and operations of the Agency and ensures the legality of its work;
- Prepares reports on the Agency's work and other reports for the Administrative Board of the Agency;
- Executes the decisions of the Administrative Board;
- Proposes the organizational and systematization plan of the Agency;
- Performs other tasks determined by law and the Agency's Statute.

Editor's note: This article ceases to be valid within 60 days from the date of the appointment of the Agency's director.

Article 22

The Director and employees of the Agency enjoy rights and obligations in accordance with general labor regulations.

Editor's note: This article ceases to be valid within 60 days from the date of the appointment of the Agency's director.

Article 23

The Agency submits a report on its work and operations, as well as an annual financial statement with the report of an independent auditor, to the Government.

Editor's note: This article ceases to be valid within 60 days from the date of the appointment of the Agency's director.

Article 24

The Council for Foreign Investments (hereinafter referred to as "the Council"), established by the Government, is responsible for promoting foreign investments and directing strategic activities.

The Council has the following responsibilities:

- Examining the implementation of the Strategy and expressing opinions on matters related to foreign investment development;
- Providing guidance for modifying activities to promote foreign investments based on investment realization and market changes during the Strategy implementation period;
- Discussing other matters relevant to promoting and directing foreign investments.

Editor's note: This article ceases to be valid within 60 days from the date of the appointment of the Agency's director.

Article 25

The Council is composed of a President and eight members.

The President of the Council is the Prime Minister.

The Council members consist of three ministers appointed by the Government, two representatives of the Parliament appointed by the Parliament's working body responsible for financial matters, the President of the Union of Municipalities, the President of the Chamber of Economy of Montenegro, and one member proposed by foreign investor associations. In the case of a larger number of candidates from foreign investor associations, the Government gives consent for the selection of their representative as a Council member.

The mandate of the representative of foreign investor associations lasts for two years, with the possibility of reappointment.

The Agency performs administrative and technical tasks for the needs of the Council.

The Council adopts its Rules of Procedure.

Editor's note: This article ceases to be valid within 60 days from the date of the appointment of the Agency's director.

VI. RECORD OF FOREIGN INVESTMENTS

Article 26

The Agency maintains a record of foreign investments.

The record of foreign investments includes:

- Name and registered office, or name and address of the foreign investor;
- Name and registered office of the parent legal entity in the case of the foreign investor establishing a branch of a foreign company;
- Business activity of the foreign investor;
- Amount, type of foreign investment, and capital structure;
- Other relevant data for the record of foreign investments.

The record mentioned in paragraph 1 of this article is maintained based on the data from Article 27 of this law.

Editor's note: Paragraph 1 of this article ceases to be valid within 60 days from the date of the appointment of the Agency's director.

Article 27

Data on foreign investments are provided by:

- The Central Registry of Business Entities (data on the business entity and the part of the business entity that has the status of a foreign investor according to Article 2 of this law);
- The Central Depository Agency (data on the share capital of the foreign investor);

- The state administration body responsible for real estate registration in the cadastre (data on ownership and other real rights to real estate held by foreign legal and natural persons).

Article 28

Changes in the data referred to in Article 27 of this law are submitted to the Agency on a quarterly basis.

Data from the record may be published and disclosed only in aggregate form, without disclosing personal data and data that are determined as confidential according to the law.

Article 29

The detailed content of the data from Article 26 of this law and the method of providing data from Article 27 of this law shall be regulated by a regulation of the Ministry responsible for economic affairs.

VII. DISPUTE RESOLUTION

Article 30

Disputes arising from foreign investments shall be resolved by the competent court in Montenegro, unless the founding decision or the investment agreement provides for the resolution of disputes by domestic or foreign arbitration.

VIII. TRANSITIONAL AND FINAL PROVISIONS

Article 31

The promotion of foreign investments under Articles 15 and 16 of this law shall be carried out by the Montenegro Investment Promotion Agency, established by the Decision on the Establishment of the Agency for the Promotion of Foreign Investments ("Official Gazette of the Republic of Montenegro", no. 33/04, 11/07, 25/07, and "Official Gazette of Montenegro", no. 8/07).

The Agency is required to establish a record of foreign investments within 120 days from the date of entry into force of this law.

The Central Register of the Commercial Court, the Central Depository Agency, and the state administration body responsible for real estate registration are obliged to provide the data from Article 27 of this law within 90 days from the date of entry into force of this law.

The Agency, as referred to in paragraph 1 of this article, is required to align its operations with this law within 30 days from the date of the appointment of the Administrative Board of the Agency.

Article 32

The members of the Administrative Board shall be appointed within 45 days from the date of entry into force of this law.

Until the appointment of the members of the Administrative Board, the tasks of the Administrative Board shall be carried out by the members of the Administrative Board appointed prior to the entry into force of this law.

The Director of the Agency shall be appointed within 45 days from the date of the appointment of the Administrative Board of the Agency.

Until the appointment of the Director of the Agency, the tasks of the Director shall be carried out by the Director appointed prior to the entry into force of this law.

Article 33

With the entry into force of this law, the Law on Foreign Investments ("Official Gazette of Republic of Montenegro", no. 52/00 and 36/07, and "Official Gazette of Montenegro", no. 40/10) ceases to be valid.

Article 34

This law shall enter into force on the eighth day from the date of its publication in the "Official Gazette of Montenegro".