

## CASE STUDY: EMPLOYMENT ON THE BASIS OF DECREE ON FOSTERING DIRECT INVESTMENTS

**I: INTRODUCTION:** In the pre-election period of 2016, the Government of Montenegro launched several projects for the allocation of state aid to the private sector, which enabled new employment. One of those projects was initiated on the basis of the Decree on Fostering Direct Investments.

**II: DECISION ON ALLOCATING MONEY ON THE BASIS OF FOSTERING DIRECT INVESTMENTS DURING ELECTIONS:** At the session held at the end of July 2016, or 16 days after the parliamentary elections in Montenegro were called<sup>1</sup>, the Government of Montenegro rendered a decision which approved the disbursement of nearly €2 million, aimed at fostering direct investment and employment, for six companies.<sup>2</sup>

This decision was rendered with regard to the public invitation for participation in the allocation of funds to foster direct investment, which was announced in March 2016, based on the innovated version of the Decree on Fostering Direct Investments, a document with which the government wants to provide for new jobs and contribute to economic and regional development of Montenegro.<sup>3</sup>

Upon the public call, projects worth €20.4 million were selected. They are supposed to provide for employment of 286 persons, whereas the money will be paid in the election year, on the basis of the Government's decision of July 2016.

**III: MOST OF THE MONEY ALLOCATED TO COMPANIES RELATED TO THE RULLING PARTY:** Of the six companies selected, at least two are owned by prominent members of the ruling Democratic Party of Socialists (DPS). Those companies are „Meso-promet“ from Bijelo Polje and "Comp-Commerce" from Niksic, which are owned by a member of the Executive Committee of DPS Hilmija Franca<sup>4</sup> and a member of the Municipal Committee of DPS in Niksic Ranko Jovic<sup>5</sup> respectively.



*DPS official Ranko Jovic accompanied by a former Minister of Agriculture Petar Ivanovic*

"Meso-promet" has been allocated €560,000. By the end of 2016, the company should be paid €187,000, and it should employ 70 persons in the meat industry by then. Data on financing of the election campaign of the ruling party show that Franca supported his party in August 2016 by donating €2,000.<sup>6</sup> "Comp-Commerce" has been allocated €350,000 for the reconstruction of the hotel "Onogost" in Niksic. The company should employ the total of 50 persons, ten of whom should be

<sup>1</sup> Parliamentary elections in Montenegro were called on 11 July 2016 and held on 16 October 2016

<sup>2</sup> Announcement of the Secretariat for Development Projects of the Government of Montenegro published on 29 July 2016, link: (<http://www.srp.gov.me/vijesti/163810/Vlada-Crne-Gore-donijela-Odluku-o-dodjeli-sredstava-za-podsticanje-direktnih-investicija.html>)

<sup>3</sup> Public call for participation in the process of allocation of funds for fostering direct investments, published on the website of the Secretariat for Development Projects of the Government of Montenegro, 11 March 2016: <http://www.srp.gov.me/vijesti/158735/Javni-oglas-za-ucese-u-postupku-dodjele-sredstava-za-podsticanje-direktnih-investicija.html>

<sup>4</sup> List of members of the Executive Committee of DPS, link: <http://www.dps.me/nasa-partija/glavni-odbor>

<sup>5</sup> List of members of the Municipal Committee of DPS in Niksic, link: <http://www.dps.me/opstine/niksic/optinski-odbor>

<sup>6</sup> Fifteen-day report of the DPS on contributions in 2016 parliamentary elections campaign, published on the website of the Agency for Prevention of Corruption, link: (<http://www.antikorupcija.me/me/kontrola-politickih-subjekata-izbornih-kampanja/registri/petnaestodnevn-izvjestaji-prilozima-kampanji/>)

employed in 2016. By the end of the same year, it should be paid €116,000.

The other four companies, "Milkraft Leche", "Hemomont", "Dima Engineering" and "Become Co", should receive a total of €1.1 million in the three-year period, of which €366,000 will be paid by the end of 2016, the year of election. The companies have committed to hiring 77 people.<sup>7</sup>

**IV: IN THE YEAR OF ELECTIONS, GOVERNMENT LOWERD CRITERIA FOR SUBSIDIES:** The government issued the Decree on Fostering Direct Investments for the first time in January 2015.<sup>8</sup> The document regulates the method of providing financial support for projects involving the creation of new jobs on a permanent basis and contribute to economic and regional development of Montenegro. One of the key criteria for the selection of future investment was their sustainability. However, by the end of 2015, the government amended the Decree<sup>9</sup> and eliminated the criterion of sustainability of the project, which significantly lowered the overall criteria for awarding subsidies.

When comparing 2015, a year without elections, and 2016, it can be concluded that the government launched the whole process earlier in 2016 and committed more resources, time, and created a larger number of jobs, a part of which could have been implemented directly in the pre-election period.

Thus, a public call for proposals in 2015 was announced early July<sup>10</sup>, while the deadline for submission was September of the same year, and later it was rescheduled for the beginning of October. In 2016, the public call was announced in March, and the deadline for application was the middle of May<sup>11</sup>, which means that the government had the possibility to make the decision on the allocation of funds just before the elections. In addition, the total allocated sum in 2015 was €362,000, while nearly two million was allocated in the year of elections. The difference is also significant difference in terms of the number of employees - 103 approved jobs in 2015, as opposed to 286 approved through the public call in 2016.

	<b>Non-election 2015</b>	<b>Election 2016</b>
<b>Date of public call announcement</b>	July 2015	March 2016
<b>Application deadline</b>	October 2016	May 2016
<b>Approved sum</b>	€362,000	€1.9 million
<b>No. of newly employed</b>	103	286

Table 1: Higher amount and number of employees in the year of elections

Anyway, it is evident from the supporting documentation of the session of the Government of Montenegro held on 28 July 2016, when the decision on the allocation of subsidies was made, that the budgeted funds for 2016 were not sufficient for the program of fostering direct investments, as €211,000 was missing.

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<sup>7</sup> Information on activities related to the Public call for participation in the process of allocation of funds for fostering direct investments 02/2-45/7 dated 11 March 2016, prepared for the purpose of a session of the Government of Montenegro on 27 July 2016

<sup>8</sup> Official Gazette of Montenegro 08/15, link: <http://www.sluzbenilist.me/PravniAktDetalji.aspx?tag=%7B56966526-2ACE-4CC5-B10B-CF7074988B0D%7D>

<sup>9</sup> Official Gazette of Montenegro 80/15, link: <http://www.sluzbenilist.me/PravniAktDetalji.aspx?tag={4AC07D81-74E1-402B-9D36-6ECC6D7AC30C}>

<sup>10</sup> See: <http://www.srp.gov.me/vijesti/150548/l-Javni-oglas-za-ucesce-u-postupku-dodjele-sredstava-za-podsticanje-direktnih-investicija.html>

<sup>11</sup> See: <http://www.gsv.gov.me/pretraga/158751/Javni-oglas-za-ucesce-u-postupku-dodjele-sredstava-za-podsticanje-direktnih-investicija.html>

*Podgorica, October 2016*