ECONOMIC POLICY OF MONTENEGRO FOR THE YEAR 2004.

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1.1 Initiative bases

Economic policy represents a logical step to continue implementation of four-year Government plans, as an outcome of the economic reform Agenda and special management and educational reform agendas.

Economic policy for the year of 2004 rely on:

- Accomplished level of political stability;
- Results accomplished during the year 2003 and improved macroeconomic stability;
- Accomplished level of economic reforms;
- Actual trends in region and world economy; and
- Approaching processes to the European integrations and world trade organizations.

Accomplished results during the previous year (the real GDP of 2,53%; industrial and agricultural production growth of 2% and 3%, tourism growth of 7,9%) are indicating that the main economic reform courses are very well set and that the economic structure is changing.

For 2004 it’s expected that will be no political instability in Montenegro. On the contrary, political tensions will be lesser barrier realizing measures of the economic policy. World and region trends are indicating on importance of interaction connection, cooperation and opening.

Stronger role of the private sector, especially of small and midsize companies. At the same time there is knowledge of foreign exchange deficit danger, negative effect of a new indebtedness, needs to control budget deficit and decrease unemployment rate and continue to decrease inflation.

1.2 Economic policy goals

Economic policy for the year 2004 projects the real GDP of 2,7%. This means that by the year-end GDP will accomplish level of 1,475 million €. This projection is based on the stimulations directed to two main courses:
Stimulating initiation of a new business and development of business activities will contribute to a mind development of necessity to valorize individual ability and ideas as a base for working placement and resolution of material status.

During 2004 we’ll initiate a realization of few large investment projects in the area of infrastructure before anything else. These investments will mobilize all available capacities and will have multiple multiplicative effects on the domestic economy.

Outset from the above mentioned courses the main economic policy goals for the year 2004 are:

1. Level increase of the economic freedom;
2. Production and services increase especially the ones directed to the export
3. Privatization dynamics;
4. Employment increase; and
5. Poverty decrease and increase in social stability.

1.2 The main strongholds of the economic policy concept

In accordance to the development orientation movement, dynamic of the base macroeconomic aggregates settled in the economic reform Agenda and the need to master autonomously financing system functions, in 2004 should:

- Continue deficit decrease trend in foreign exchange trade and balance the position;
- Continue to decrease inflation trend and hold it at around 4.5%;
- Decrease budget deficit.

**Foreign exchange trade deficit** represents a long-term system unbalance that is overwhelming the total balance of Montenegro. Influencing economy toward the export and decrease of uncontrolled and irrational import will mitigate deficit and stimulate further structural adjustment of the Montenegro economy.

Projected real GDP for the 2004 in significant measure depends on success and maintenance of pre-directed inflation growth frames. Therefore, it will continue to support market formed prices, except with natural monopolies, public and
communal sector. Continue to neutralize monopoly behavior appearance and disloyal competition that are abstracting the market growth.

Inflation decrease and her maintenance at 4.5% will result in set of complimentary and consistent measures.

Budget deficit participation in GDP will amount 3.26% at the year-end that is in accordance to the standards that must be fulfilled by the countries participating into the EU integration.
2. MACROECONOMIC POLICY

2.1 Monetary policy

The main monetary policy tasks during 2004 are: efficiency increase of the banking sector, completing payment system reform, and to create environment for the increase of the banks credit potential.

Continuing to develop standards in the banking system area in accordance to the International standards, especially in the area of bank control and licensing, as well as creating new financial institutions. Credit unions will start work. A deposit insurance fund will be formed offering more security to the depositors.

Enhancing cooperation with the International institutions (World Bank, IMF, Europe Central bank, etc) and improving standards and criteria use in our banking and financial system.

Continue to work on further decrease of mandatory reserve in order to increase credit potential of the banks. Continue with the realization of old foreign exchange savings program in accordance to the Law on foreign debt and citizens FX savings. In the second year half of the year a Credit bureau will start work on order to make possible for the banks to have an overview financial reliability of potential debtors. A closure is expected on Podgoricka bank privatization process. During 2004 the Government will try to find a solution to decrease existing high level of internal debt.

In the area of insurance a new Law on insurance will be enacted in the course of investments increase in this area and to decrease savings outflow out of Montenegro. A preparation will take place in order to establish an independent regulatory body for the insurance area.

In the course of further market development improvement a new Law on investment funds will be enacted as well as a Law on mortgage.

2.2 Fiscal policy

Fiscal policy in 2004 will be carried out thru the conditions of adopted law regulation, and will be consistent with the agreed frames and goals of the IMF and the World Bank. A fiscal capacity enhance is planned by 11,5% in relation to previous year and exaltation of the financial discipline. Gray economy will be
significantly repressed. Efficient and continuous taxpayers liabilities execution will be secured.

Source income for 2004 (excluding income from privatization, foreign donations, borrowings and credits) is planned at around 402.6 millions € (revenue 358.1 million € or 89%, taxes 6.1 million € or 1.5% and other republic income of 38.3 million € or 9.5%). In the structure of taxes the highest stake has VAT (146.6 millions € or 40.9%), citizens income tax (73.2 millions € or 20.4%), tax on imported goods (59.7 millions € or 16.7%) and customs (44 millions or 12.3%).

Will continue to stimulate registration of unregistered workers and the registration of new ones based on the adopted Ordinance on tax relief. Measures will take place in course of enhancing tax base. Between other is being planned to decrease income tax and look into possibilities to decrease other taxes and contributions. Also will be considered possibilities for overpaid VAT return and suggested appropriate legal modifications.

In course of the better planning and budget management, a model concept will be developed for the public debt and donations management.

In accordance to the Action plan for the economic system harmonization with Serbia negotiations will continue in order to adjust customs for remaining 56 strategical products.

**2.3 Privatization and investments**

Privatization process will be conducted according to adopted privatization Plan for the year 2004. The sale of shares and properties will continue throughout the public tender, auction sale, and stock market, or combining these methods. Activities such as pension system privatization; communal economy and privatization preparation in the social activities will also be continued. Continue to realize Program for the companies restructure.

More favorable ambient will be created for the foreign and domestic investments. The main course is to secure investments at around 120 million € in accordance to economic reform Agenda. Cooperating with FIAS and European agency for reconstruction will help develop a strategy for investment promotion and to form special body that will have only one role to promote investment possibilities into Montenegro.

Further work will continue on the regulations that will decrease or remove all administrative barriers to initiate the business, business development and
business exit. The new investments will be influenced throughout tax, custom and other relief.

Continue to upgrade property protection rights system and inviolable contracts. Making stronger existing institutions, and creating new ones, and to implement activities to secure consistency and respect of the procedures and regulations. Further conditions development for the purposes of corporate management exercise.

Preparing: Law on restitution, Law on protection from corruption, Law on intellectual property protection, Law on capital transaction and the Law on investments as a sub legal following act.

Priority investment projects are: (a) construction and revitalization of complete infrastructure; (b) water supply in the coastal towns and on Cetinje; (c) construction of the city dump and recycling storm sewer and (d) Podgorica and Tivat airport reconstruction.

2.4 Prices

Commodity and service prices will be formed based on the market principles. Unjustified prices growth will be eliminated with strong competition, free flow of goods and capital and by decreasing business barriers. Enacting and conducting antimonopoly regulations and punishing the malversation of market dominate position and disloyal competition.

Inflation is predicted at around 4.5%.

2.5 Social policy

Active social policy will be maintained based on developing principles. Priority task in 2004 will be implementation of the “Development and poverty reduction strategy”. Social programs will at whole taken out of the companies, looked into the real social obligations and create conditions for their ordinary and adequate maintenance. Continue to rationalize public expenditures and adjustment to the European standards.

Social policy will be directed to the protection of living standards and care for the most endangered categories of citizens. Individual programs will be realized in cooperation with the NGO’s and local community. Assets for the social protections will be secured from the real sources and their payment is a priority.
In the course to do better job allocating social funds will need to conduct information system modernization within the Ministry of work and social care. Standard and legal regulations in the area of social and children's protection will be innovated.

In the course of doing better job resolving problem of disperse entities and refugees, in the first half of 2004 will be developed a “Permanent strategy solution for the refugees and disperse entities in Montenegro”. Commissariat for disperse entities and other authorized institutions will continue to secure international help for the purposes of satisfying everyday needs of the refugees and disperse entities (room and board, food, etc), as well as finding permanent resolution (return, integration, and sim.) for this category of the citizens.

2.6 Employment

Systematic measures will continue to influence a new employment and increase in work productivity. Realization of the project “Legalization of existing and opening of the new working places” will carry on, and in accordance to that along with the Statute on tax relief for newly employed workers and the Statute on nonresident employment.

In the first half of 2004 will decrease the burden on the employee earenings, especially newly employed workers.

The employment growth will be based on the active employment policy. Entrepreneurs will be stimulated throughout different programs in the area of agriculture, craft, and computer science, etc. Training programs will be realized: pre-qualification, and specialization in the area of metal manufacturing, craft, agriculture, computer science, foreign languages, tourism and inn keeping, and seamanship.

Active employment program of layoff workers will be realized. Special employment program will be realized for the handicapped. Employment stimulating for so called “marginalized groups” through additional financing of income payment or fiscal liabilities on earnings for certain period of employment. Further activities will take place to realize the project for the probationer employment.

Influencing the institutions network development that will have a task to develop system of informal education. Information systems that hold data on employed and unemployed with other systems (files on pension and health insurance, files on individual forms of the entrepreneurs activity, etc) will be connected.
2.7 Earnings and retirement policy

The earnings policy in public sector will continue to be carried out based on the minimum wage concept principles. Decreasing the number of layoff employees and tax burden will create space for salary increase. The minimum wage will be determined according to the General collective contract.

A new Law on social – economic council will be enacted in accordance to the international standards and resolutions.

In the area of the pension and invalid insurance the pensions will be harmonized in accordance to the law. The new Law on pension and invalid insurance will start its exercise. Authorities will intensify activities on ordinary and efficient collection of contributions for the pension and invalid insurance. Recommendation os a Law on the pension system second post will be recommended.

2.8 Development policy

The development policy will depend in a great deal of the investment activity level. Starting from the base project recommendation “Capital expenditure of the public sector in Montenegro”, that was completed by the European agency for the reconstruction will step up to a adequate organizing, management and realization of the investment function at macro level. In relation to that, the conditions will be created for partnership relation of private and public sector by including private sector into finances of the public infrastructure, public services and communal teams.

Statistic system reform and development will continue. The Law on statistics will be recommended, and complete technical and personnel amendment of Monstat and determine Concept of a new statistic system for the purpose of the macroeconomic resarches and macroeconomic policy in the Montenegro.

2.8.1 Regional development

One of the total development policies is a regional difference decrease at the level of the economic progress. In the regional development policy the principles will be established to coordinate area-economic and macro-economic policy. Secretariat for development will monitor planned and realized activities of all regional policy actors, accumulate all local and regional development
programs, influence affirmation based on the regional policy main principles and normally inform the Government about it.

During 2004 the Government will: (a) confirm special influences for the less developed area through adequate solutions in tax, credit and foreign relation economic policy; (b) determine special development programs of the telecommunication and traffic infrastructure; (c) realize total electrification of the un-electrified village settlements; (d) start work on the Bjelasica valorization project; (e) realize the Program for integral development of Montenegro's Damns (mountain chain) and the Durmitor area.

Development policy measures will stimulate changes in population movement and revitalization of demographic endangered area and villages. Adequate measures will be enforced in order to improve health and social protection of the citizens in these areas. During 2004 special accent will be on: (a) monitoring municipality development indicator (within the Monstat there will be special department in charge of gathering the municipality information); (b) development of nomenclature area units for the statistics purpose – NUTS in accordance to European standards.

2.8.2 Entrepreneurs development and development of small and midsize companies

Getting closer to the European union represents further system ambient coordination and climate development of entrepreneurship and private initiative. Professional help will be secured in order to develop program leaning toward donator’s help or credit support.

During 2004 the will continue realization of initiated development projects and the realization of new projects founded in the economic reform Agenda. The Government will through the Agency for development of small and mid size companies continue to establish stable and stimulate ambient for the purpose to intensify entrepreneurship. Time will be spent in order to form new regional/local business centers in municipalities where that hasn’t been done. Education program will carry on to enhance business knowledge.

Taking measures to resolve problem of a big number of unregistered production and inn keeping objects, as well as flea market stores. Continue activities to decrease business barriers. Activities will go on in order to realize process for the pilot project “Business barrier decrease” in municipalities Bar and Bijelo Polje.
In the credit area different models of financing will be developed directed toward separate course groups in accordance to the legalization Program of existing and opening the new work places that will be realized throughout the banks, Employment bureau and funds. Continue to realize credit line for the development Fund in order to support fast-growing small and mid size companies through the project called “Dynamic entrepreneurs stimulation”.

During 2004 will continue with following projects realization of the Program of existing and opening the new work places: (a) “Enhance competitive abilities for the domestic companies” that rely on agriculture, tourism and wood manufacturing; (b) “Industrial zone Bar”; (c) Made in Montenegro”; (d) “Seek and offer Stock”. Following projects will agitate: (a)” Technological park”, (b) “Incubators”, (c) “ Innovation centers” and (d) “Support to the successful”.

2.8.3 Human resources

Regarding there is an obvious need for specialistic skills, the programs for staff education will be undertaken during 2004. Two programs are going to be realized: (a) updated “Training and establishing of managerial teams in transformed enterprises” program and (b) education of managerial structures in Montenegrin enterprises program “How to create successful enterprise”.

Financial help in a form of compensations for managerial teams work will be continued. Special incentives will be introduced for creative staff and they will have a special treatment.

2.9. Economic relations with other countries

Policy of economic relations of Montenegro with other countries will be focused on improvement of foreign trade exchange (through strengthening of domestic products and achieving services competitiveness, further advancement of foreign trade environment, as well as instigation of bilateral cooperation.

Besides, two basic courses of activities with respect to relations with foreign countries belong to: (a) extension of procedure for harmonization of foreign trade policy and its legislation with the principles of World Trade Organization
(WTO) and (b) setting of institutional infrastructure needed for active participation in the process of association in european integrations and international organizations.

New analysis of total foreign debt will be performed, and qualified expert team for updating, monitoring and analysis of information on foreign debt will be established as a part of Ministry of Finance. Program for export stimulation will be defined. An expert body (Export Forum) will be established, and it will consist of leading Montenegrin exporters, representatives of successful minor private exporters and the representatives of the Government. This Forum will have advisory character.

In order to increase the competitiveness of domestic products on the regional market, a project of financial support for the entering on foreign markets will be initiated. Support to agricultural manufacturers will be continued. Capitation policy and collection of custom duties on imported goods will be continually pursued, in order to identify effects in the balance of foreign trade exchange. A regimen of the free custom zones and establishing of local border traffic is going to be arranged. A cooperation with our citizens from abroad, interested in investing in Montenegro will be intensified. A special attention is going to be paid to the countries which are of particular interest for industrial development and promotion of Montenegrin foreign trade exchange.

2.10. Environmental protection and promotion

During 2004, the Government will, through the Ministry of environmental protection and urban planning, focused its activities on: (a) implementation of the protocol on harmonization of the procedures for out of borders circulation of poisons, ionic radiation, wastes, substances that damage ozone layer, and protected wild vegetation and animal species control on the border of state union of Serbia and Montenegro; (b) harmonization of national legislation with the legislation of European Union.

Activities of competent Ministries and institutions will be focused on valuation of the effects of certain projects on environment, increment of public participation in the process of making decisions with regard to environment, foundation of the Agency for environment protection and the Environment protection fund. Monitoring of air, water and land quality, biological diversity, ionin and non ionic radiation will be in permanent realization. It will be brought to the end a preparation of technical documentation for the rehabilitation of the effluents in Mojkovac. Activities on the realization of the Program of disposal of
solid waste and sewage on the territory of Montenegro are going to be intensified.

Till the end of 2004 the third phase of the decontamination program for the Cape Arza will be completed and established the Program for national parks protection and development. Activities on the implementation of the quality system ISO 14000 are going to be proceeded. It will be proceeded with the cooperation with neighbourghing countries, as well as with REC, EEA, World Bank, UNDP ... A considerable effort will be made in order to integrate information system of Montenegrin environment with the information system of EEA (European Environment Agency).

The following laws are planned to be passed: (a) the Law on environment; (b) the Law on ioning radiation, and (c) the Law on waste.
3. SECTOR POLICIES

3.1 Industry, Energy system and Mining

Major goals of the development policy for the industry, energy system and the mining for 2004 are: stabilization, enhancement of business efficiency and the quality of products, as well as the adjusting range of goods produced to the market needs.

In the area of industry and mining it will be proceeded with the support to restructuring of the enterprises in production and technical-technology area, through the process of privatization and the programs of restructuring of enterprises, and the implementation of Recovery-development program for the lumber industry. A privatization of KAP and Iron Factory will be performed. A Recovery-privatization plans for "Obod" and "Radoje Dakic". A commercial relations between: (a) KAP and EPCG, and (b) Coal Mine Pljevlja and EPCG will be defined.

Energy policy will be created in accordance for the free market conditions, and it will be realized with intensive participation of private sector. A Strategy of Energy system development will be defined. Respectin our energy needs, it will be continued with the connection of Montenegrin energy system with the systems of other countries. A Plan of promotion will be made for the use of new technologies related to energy. Activities on the construction of HPP "Buk Bijela" are going to be prolonged. A Program of geological research, which are of interest for the Montenegro, will be defined and realized. It will be proceeded with issuing of licenses for the research and exploitation of minerals.

3.2 Agriculture, Forestry and Water Industry

In 2004, in the area of primary agricultural manufacture it will be continued with the support to entrepreneurhip and private initiative, balanced regional development, poverty reduction, regional and cooperation with international institutions, and faster compliance on the way of integration into European union.

Ministry of Agriculture will continue with current project and activities, and special attention will be paid on:

- Continuance with the incentive policy using Agro budget;
- Continuance with giving incentives for the construction of new light industry capacities on the basis of domestic raw materials;
- Enhancement of expert and inspection functions;
- Establishing a stronger connection between tourism and agriculture (domestic kitchen for foreign guest), in order to achieve the most favourable form of export;
- System solution for the realization of surpluses in domestic agricultural products;
- Strengthening of domestic manufacturers competitiveness and creation of necessary conditions for larger export of agricultural goods;
- intensified work on admission in the World Trade Organization and and the process of accosiation to EU, continued harmonization of domestic legislation with the EU standards.

Commenced reforms of legislation and harmonization with international standards will be continued. It will be also continued with rendering protection to domestic production. The Law on veterinary will be made and transformation of the Public veterinary institute will be carried out.

The expected growth in primary agricultural production in 2004 is expected to be 3%.

In the area of forestry and lumber industry, an integration of currently existing companies from this area will be performed. It will be worked on the strengthening of seeds and seed plots production. The seed plots in Kolasin and Zabljak will be installed and put in use. Alongside with this, a Program of afforestation will be brought.

At the beggining of the year the concessions for the use of forests will be issued to specialized forestry companies. A special attention is going to be paid to specialistic education and annitional training of employees in forestry area, through the Program of specialistic education.

Some modifications and amendments will be made in The Law on hunting. A Program of the hunting development will be designed, which will create necessary conditions for the development of hunting tourism. An advertisement for giving hunting-grounds in use will be issued in 2004, and significant revenue is expected from this source.

During 2004 a realization of the Project of rehabilitation and rivers Tara and Lim water flow regulation, which will be funded by the World Bank, will commence. A Program for the financing of works on the water supply facilities in rural areas will be designed. A valorization of natural resources of
subterranean and surface waters for bottling will be pursued. A possibility of forming the Department for the Water Industry of Montenegro will be investigated.

3.3 Landscape improvement area

During 2004 the reform in the landscape improvement area. Defined strategy of the reform imply setting of the system which will be a practical ground for a philosophy and practice of sustainable development. Activities on the design of the Map of the space of the Republic of Montenegro will be continued, as well as for the Map of the space with the special purpose for the coast in the part of detail elaboration for seven locations of particular significance for development. The urban plans for all towns and municipalities will be also made.

The construction development will be focused on better appliance of our constructing facilities in achieving predicted extent of investment construction in the Republic.

In the housing area an amendment to the Law on the floor property in the section related to maintenance and the management of the apartment houses, as well as in the section related to apartment ransom, will be finished.

In the communal area a Master plan will be made as well as a Feasibility study for the water refinement on the northern, central and coastal region. On the Republic level a strategy and a master plan for ruling with solid waste will be prepared. A sewage system and a system for the refinement of the waters of Rijeka Crnojevica will be built.

3.4 See Industry, Transportation and Communications

In transportation area the accent will be put on investments for reconstruction and recovery of existing infrastructure capacities as well as construction of new traffic infrastructure (preparation for the construction of an Adriatic highway section, reconstruction of Podgorica-Matesevo road). For the realization of these projects, foreign and domestic investments will be stimulated.

A job on preparation of Master plan for the traffic development in Montenegro will commence. All kinds of monopolies in transportation area will be suppressed and the process of privatization will be quicken.
A close cooperation with relevant international institutions will be realized in order to achieve compliance of local legislation with current world standards and European Union requirements.

Timely collection of funds through the obligations defined by program for the maintenance of railway and road infrastructure will be priority. A rehabilitation of Montenegrin section of Bar-Beograd railway will be performed.

A preparation of project documentation, resolution of property issues etc. for efficient acceptance and realization of foreign donations and loans in the area of infrastructure will commence. Activities on the establishing of new lines in local and international air traffic will be continued.

In the naval industry area a reconstruction and modernization of large dock in Adriatic shipyard, rehabilitation and reconstruction of accessory mole and other projects of Port of Bar. Newly established enterprise "Montenegrin navigation" will begin the work.

Gradually, the conditions for the naval fleet renewal are going to be created. In accordance to international conventions, special services for see protection as well as for searching and salvation on the see. It will be worked on achieving further compliance of the educational system for mariners with international regulations and standards, and through appropriate agencies an assistance in finding job for them in domestic and foreign companies will be provided.

In the area of telecommunications it will be continued with activities intended for increment of telecommunication traffic and its adaption to contemporary market requirements of economy. A legislation in this area will be improved. A plan for telecommunications development will be prepared. A quality of telecommunication traffic will be improved, and telecommunication network in rural areas will be expanded and reconstructed. An area covered with the mobile telephony signal will be enlarged. Telecommunication infrastructure for the needs of radio-diffuse system will be updated. Privatization process of SC "Telekom" of Montenegro will be hastened.

In the area of postal traffic a new legislation will be enacted, new services introduced and current services extended, a rationalization and optimization of the Post of Montenegro operations will be performed.
3.5 Trade

Basic goals of the trade development policy in 2004 will be: market repletion, enhancement quality of offered goods in quantity and assortment, and completion of previously started process of the transformation of enterprises from this area.

Working body of the Government for the implementation of the Program for repression of black market will intensify its activities. Competent inspection bodies will, using appropriate measures, continually endeavour to avert anomalies in the traffic of goods and services. Adequate punitive policy will give its contribution to this.

A considerable effort will be made in promoting the need of introduction of the quality system ISO 9000 in trade area. The Law on Trade, the Law on anti-monopoly behaviour and the Law for the consumers protection will be enacted.

3.6 Tourism

In tourism area in 2004 it is expected about 4,3 millions of overnights which represent increase of 8% comparing to 2003. 3,2 millions of overnights are planned for domestic tourists and 1,1 millions for foreign tourists. Total revenue planned is about 203 mill. EUR (increase of 7% comparing to 2003).

It will be continued with the realization of the measures and the activities defined by the Master plan for tourism development. During 2004 a problem of water supply in coastal municipalities and Cetinje will be mitigated. Touristic and public companied will put all efforts in preparation and realization of the plans for the summer and winter touristic season. It will be worked on improvement of conditions for foreign investments in tourism. A problem of coastal area devastation will be resolved. Privatization of hotels will be quickened and privatization process of Ski center Durmitor will be completed. Support to the modernization program of existing hotel complexes will be provided and diversification and specialization of touristic offer will be performed through the instigation of different forms of tourism (marine, health, mountain tourism). A work on modification and amendment of urbanistic plans for the area of Ulcinj (that presents generation of all assumptions for initial investments in Velika plaza and Ada Bojana) and Boka Kotorska.

Process of reorganization of the Tourist Organization of Montenegro will be finished. A tourist signalization will be installed and cooperation with tour-
operators, airliners and non-governmental sector will be intensified. Programs for appearance on the fairs and bourses in abroad will be realized; promotional activities: prezentations for mediums, printing of informational-promotional materials, etc. will be continually conducted
4. SOCIAL ACTIVITIES

Started reforms in the area of social activities will be continued, with expansion of scientific, educational, cultural and other cooperation as well as quicken information flow. Through the usage of own and funds received from international community it will be continued with the construction, renovation and equipment of particular facilities, as well as providing of missing funds for implementation of reforms in the area of social activities.

As for educational activities, it will be continued with the realization of the education system reform. A rationalization of existing schools will be performed as well as adaptation of universities to the market economy requirements. New educational plans and program will be designed and existing ones will be updated. Introduction of modern information system in educational institutions will be prepared. Existing regulation in this area will be updated and coordinated and new one will be carried (the laws and regulations). It will be continued with the technical development of teaching staff and providing funds for talented pupils and students animation. A fund for paying scholarships in abroad for graduated students will be formed. It will be worked on making more favourable conditions for work in this area (construction or renovation of school facilities and equipment of schools with modern educational means).

In the area of culture it will be continued with the preparation works on Strategy of cultural development of Montenegro. A rationalization of public institutions will be performed because of transition to program budget. Education of staff engaged in cultural monuments protection, on the basis of international agreements on cooperation. It will be introduced a system of public tenders (for painting and music art, the film industry, magazines and publishing) as a new form of budgetary funds distribution. Making of new laws (the Law on monuments and memorials, the Law on national awards and the Law on independent artists) are going to be commenced. It will be established the Center of cultural activities, as a public republican institution with cultural cooperation and linking of Montenegrin cultural potentials.

In regard to information activities it will be continued with the property-administrative trasformation of daily news "Pobjeda", further advancement of informative programs in Albanian language as well as in languages of other national and ethnical groups, improvement of informing for the persons with damaged hearing and eyesight, and informative system coordination with international standards. Within radio-diffuse system: (a) Strategy for development of radio-diffuse system of Montenegro will be developed as well

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as Plan for allotment of radio-diffuse frequencies; (b) public tender for allotment of radio-diffuse frequencies will be published; (c) continue with activities on transformation of "TV CG" and "Radio CG" into public radio-diffuse service; (d) improve cooperation with international institutions and organizations; (e) special attention will be paid to professional standards introduction and respect.

Commenced **reform in health industry** will be continued. A reorganization of primary health protection will be realized in cooperation with the World Bank. During 2004 a pilot project in Podgorica will be realized. Within Health Home podgorica a Diagnostic center will be formed. Special attention will be paid to the protection of older persons and person with chronic mental diseases.

An agreement that will define rights of those who have health insurance and coordinate regulations on health insurance, prevention, detaining from contagious diseases and theirs cure, health control of victuals, open production and traffic of drugs and coordination of activities to international community and the World Health Organization, is going to be signed with Serbia.

An organization of public health institutions will be made in accordance to adopted laws. Within Health Home Podgorica a Center for education will be formed. The Health Institute will be reorganized, and Councils for reproductive health as well as Crisis center for victims of violence protection will be established.

Integrated information system will be implemented. Master plan of health resources will be realized in order to provide restructuring and rationalization of health institutions with regard to capacity and non-medical staff. General strategy for prevention from effects of environmental risk factors on children health will be prepared.

It will be worked on the preparation of the Law on protection from contagious diseases, the Law on medical records, the Law on mental patients rights and appropriate regulations.

With respect to **sport** it will be continued with amendment of the Law on sport and National program for the development of sport. Depending on resources, it will be worked on maintenance and further development of competing potential of first-class and perspective sportsmen, create quality conditions for preparation of Montenegrin national teams, with continuance of sport organizations property transformation.
5. GROSS DOMESTIC PRODUCT

On the basis on achieved production and services, overall macro-economic parameters and applied methodology of system of national accounts, which compliance with international standards, it is estimated that achieved gross domestic product of Montenegro in 2003 is around 1.357 mill. EUR.

Projection of gross domestic product for 2002 is based on strategy and outlines defined by the Agenda of economic reforms. Through the valorization of our resources, especially in areas with comparative preferences and already established system prerequisites, its further upgrading and implementation, an environment for increase of investments and enterpreneurship strengthening will be created, with the simultaneous enhancement of domestic accumulation and overall development potential.

It is anticipated that total gross domestic product (GDP) will amount around 1.475 mill. EUR in 2004. This prognosis presents overall nominal growth of approximatively 7,3%, i.e. real growth of approximatively 2,7%. The projection implies further extension and strengthening of reform taxation laws and reduction of black market.

Overall growth of economy significantly effects growth of industrial production. The strengthening of agriculture and forestry, as well as service activities (tourism, architecture, transportation and trade) will have positive influence on structural changes, export and adaptation of overall economic activities to strategic goals of economic development of Montenegro.

Gross public consumption for 2004 is projected on 717,6 mill. EUR, of which 450,7 mill. EUR (or 62,8%) belongs to national budget. Comparing to projected GDP, gross public consumption participates with approximatively 48,6%.

Budgetary, as well as total public consumption for 2004 is projected taking into account:

- balance between current expenses and development component;
- balance between revenues and expenses;
- stable functioning of all users and participants in public consumption;
- regular fullfilment of obligations to international community.

With regard to development goals, some funds are planned for capital expenses for the development of agriculture, tourism, public works and other projects.
GDP consumption will be consistent with development and reform changes of the system. This implies growth of personal consumption and living standard in accordance to overall economic growth. Strengthening of investment activities and overall development process will additionally enhance impulses for agitation of overall economic activities.