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Statement by the IMF Resident Representative to Montenegro

The following statement was made on June 6, 2007 by the IMF Resident Representative to the Republic of Montenegro, Mr. Harald Hirschhofer, after a meeting with the country's Finance Minister, Mr. Igor Luksic, and other government officials in Podgorica:

“The Montenegrin economy is doing well benefiting from strong interest of foreign investors. The main challenge is to manage the resulting boom and enhance the growth prospects of private businesses, thereby improving the sustainability of the current upswing. During previous weeks, the government presented to the IMF staff the main elements of its economic program for the next two years. The government's commitment to create an open, transparent, business friendly economy, with low taxes and minimal state interference is welcome. This will entail an acceleration of the transition process, especially creating an efficient public service supporting the EU integration agenda, privatization, and continuing liberalization of service, product, and labor markets.

“With the adoption of the Euro, a large responsibility to manage the current economic boom falls on fiscal policy. By streamlining current expenditures, while strengthening the capital investment program, the government will lower public debt. Thereby it will strengthen investor confidence and the capacity of fiscal policy to counter economic shocks by allowing temporary deficits.

“Good progress was made during the discussions in the past weeks to lay the foundations for a possible program with the IMF. For the time being, the government has decided not to request a formal arrangement, as there is no financing need. However, informal consultations have been continued, and a formal Article IV mission to assess the health of the Montenegrin economy has been scheduled for the fall.”