

Montenegro**Country Partnership Framework for FY16-2020****Chair Summary*****June 16, 2016**

Executive Directors discussed the joint IBRD/IFC/MIGA Country Partnership Framework for Montenegro for the period of FY16-20. Directors underscored the importance of the CPF's focus on reforms aimed at restoring macroeconomic and fiscal sustainability, and on expanding access to economic opportunities and jobs, by enhancing the role of the private sector in high-potential segments of the economy. On this basis, Directors supported the two CPF focus areas designed to: (1) enhance macroeconomic and financial resilience; and (2) expand access to economic opportunities and jobs.

Directors commended the economic progress made by Montenegro but recognized that difficult reforms are needed in order for Montenegro to return to a sustainable macro-fiscal path in the medium term. EDs noted the high risk that this poses to the achievement of the CPF objectives but recognized that reforms are indispensable to sustain higher growth over time. Restoring macro-fiscal sustainability will be essential regardless of the outcome of upcoming Parliamentary elections.

Directors underscored the importance of close coordination with the IMF, the EU, and other partners to strengthen the common dialogue on key macro-fiscal reforms. They appreciated the orientation of the WBG strategy toward facilitating the EU accession process and enhancing the country's absorption of EU Instrument of Pre-Accession (IPA) resources. Directors emphasized the need to improve resilience of the financial system, including addressing NPLs and improving debt sustainability. They also noted that continued reforms, while essential, should not create an adverse impact on the most vulnerable.

Directors welcomed the WBG's continued strong partnership and complementarity with work of the IMF, EU, and other partners during CPF implementation. They stressed the importance of the WBG engaging in high-level dialogue with government and consultations with civil society to ensure that projects and technical assistance and advisory services have strong ownership, the greatest development impact, and successful implementation of reforms. Directors also encouraged more work on trade and cross-border economic coordination. They commented on the value of a regional perspective and synergies, particularly for smaller economies like Montenegro.

Directors stressed the importance of a more effective public sector and enhancement of the regulatory and competitive environment to attract foreign direct investment. They urged greater involvement of IFC and MIGA to boost private sector growth. Directors welcomed activities that expand access to economic opportunities and jobs and increase competitiveness, including in key sectors such as MSMEs, ICT, and tourism. They also encouraged measures to enhance the business environment, facilitate investment in sectors utilizing more labor, improve work force incentives and flexibility, and increase participation of women in the labor force.

*This summary is not an approved record.