



Service of the Parliament of Montenegro

Research paper:

Concession – Subject and revenues

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The contents of this document do not reflect the official views of the Parliament of Montenegro.

Foreword

Concession basically represents a license, issued by a public authority to domestic and/or foreign legal entities and individuals for the purpose of performing certain activities or certain work under special conditions prescribed by law. It is also a special type of foreign investment when a state on its territory gives the right to a foreign partner (private or public company other countries) to invest and carry out appropriate economic activity by granting the partner special privileges for a limited time period. Activities are primarily related to the exploitation of natural resources, construction and use of infrastructure building, and the use of resources in general use or performance of activities of general interest. Concession relations between the concessionaire (the recipient of the concession) and the grantor (grantor of the concession) caused by the fact that some countries do not have natural resources, and are unable to initiate the dynamism and self-development. The concessionaire pays the grantor a price (tax and the corresponding part of the revenue generated activity that is the subject of concession relations) for the use of the concession.¹ The subject of the concession is usually regulated by the law on concessions, while the mutual rights and obligations between the grantor and the concessionaire are governed by the Concession Agreement.

According to the Law on concessions in Montenegro, the concessions are given under an equal, transparent and non-discriminatory terms for use of natural resources, public facilities and other public use of public goods, performance of activities of public interest and in order to ensure the development and operation of infrastructure. The subject of the concession, in accordance with the law, may be: 1) exploration or exploitation, or exploration and exploitation of mineral resources, 2) the use of streams and other water bodies, or parts thereof, or a certain amount of water for the purposes identified by a special law, and 3) the construction or reconstruction, maintenance and operation of water facilities, and 4) the use of forests, and 5) the use of radio frequencies, and 6) the construction of hydro-melioration system and water extraction of materials from the land, and 7) the construction, maintenance, and use of, or reconstruction, maintenance and operation, or use of: roads, roads and associated structures; railroads; air transport facilities and airports; objects maritime transport and ports; telecommunication facilities; pipelines, gas pipelines, facilities for warehousing, transportation and distribution of oil and gas; health facilities and educational institutions; municipal buildings, to provide utility services, 8) the design, construction, maintenance and use of energy and other facilities for the generation, transmission and distribution of electricity, heat, and gas or their reconstruction, modernization, maintenance and use; 9) use of river and lake, and 10) performing publicly valid educational programs; 11) organizing lottery games and special games of chance in casinos, 12) the construction, maintenance and use of sports and recreational facilities, sports facilities and spaces for sport, recreation and cultural activities; 13) construction, modernization, maintenance and use of buildings or reconstruction, maintenance and use of existing buildings in areas with natural healing properties and other natural resources.

In addition, the subject of the concession may be the use of other natural resources, public facilities and other public use of public goods owned by the state, in accordance with the law, as well as carrying out other activities that are defined by law as an activity of public interest.

In accordance with the Law on Concessions of Montenegro, concession fee revenue represents both state and municipal budgets in whose territory the object of the concession (Article 58 and 59).² The Municipality shall be transferred 70% of the revenue from

¹ Stevan Devetaković, Biljana Jovanović Gavrilović, Gojko Rikalović. "Nacionalna ekonomija", Centar za izdavačku djelatnost Ekonomskog fakulteta u Beogradu, 2010, str. 242

² Law on concessions is available at: http://komisijazakoncesije.me/Zakon_o_koncesijama.pdf (18.11.2011.)

concessions and other fees for the use of natural resources which are located on its territory, other than income from concession fees for the use of ports of which 20% are transferred to the Municipality in which the port is located and income from concession fees for the use of forests, of which 70% is transferred to the Municipality of the territory there are forests that are subject of the concession. Municipality shall be transferred 20% of the fee for the use of coastal resources collected on the territory of the municipality.

In order to prepare this document, the Section for Analysis, Research, Library and Documentation sent through the ECPRD³ network a few questions to several parliaments of the region and the EU on this issue. The Department also consulted relevant literature and websites of relevant institutions in the country and abroad. Presentation of data collected from five countries - Croatia, Hungary, Macedonia, Romania and Serbia - is organized in two parts relating to:

- 1) the object of the concession
- 2) income realized from concession fees and the relationship between this amount and the amount of the state budget and GDP (table)

The complete document in Montenegrin language can be found at:

<http://www.skupstina.me/images/dokumenti/biblioteka-i-istrazivanje/8%20%20%202011.pdf>

³ ECPRD Request No. Amount of State Budget Revenues that Comes from Concessions, November 2011