

CHALLENGES ON MONTENEGRO'S ROAD TO EU

First Bank of the first family of Montenegro

At the time of Milo Đukanović's return to the office of president of the Government of



by Stevo Muk

Montenegro, a group of Montenegrin public figures addresses the international and national public with an appeal to closely scrutinize and, if possible, prevent the potential conflict arising between public interest and the private interests of Đukanović and his biological and business family.

In 2005, Aco Đukanović, Prime Minister's brother, bought 14% of shares in the then Bank of Nikšić, nowadays First Bank, and in November 2006 he bought another 42% from the Ministry of finance, (state owned) Employment Bureau and (also state-owned) Development fund. In December 2006 the bank was recapitalised with 6.5 million euros, and Đukanović's ownership decreased to 29% of shares, but the Bank's capital grew to 14.4 million euros.

With another two smaller recapitalisations Prime Minister Milo Đukanović also became one of the owners (his company Capital Invest now owns 2.86% of shares) as well as the deputy president of the ruling Democratic Party of Socialists Svetozar Marović, which further lowered Aco Đukanović's share to 27.9%. After three years of owning a majority package of shares, in late September 2008 Aco Đukanović

asked for and received authorisation of the Central Bank of Montenegro to officially manage the First Bank.

In early December this year the First Bank had another recapitalisation of 20 million euros: 14 millions by Aco Đukanović (14 million euros) and 6 million by Elektroprivreda (the Electric Power Industry, also a company in majority state ownership whose Board of Managers is mostly appointed by the Government of Montenegro). The capital stock of the First Bank now grew to 44 million euros, and Aco Đukanović's share to 46.47%. The share of Elektroprivreda, which through many recapitalisations had decreased since Đukanović's arrival from 25 to 9% now grew

again to 18.24%.

The First Bank next decided to use the advantages of the new Law on the Protection of the Banking System, adopted urgently through summary proceedings in late November 2008 by the Parliament of Montenegro and applied to the government for a liquidity loan of 44 million euros, offering as security 94% of the bank's shares.

President of the Board of Managers of the First Bank is Radojica Žugić, representative of the state-owned shares, MP of the Democratic Party of Socialists (DPS) in the parliament of Montenegro and director of the state Fund for Pension and Disability Insurance.



Miloica Dakić, General Director of the Central Bank recently said that the "First Bank has liquidity or solvency problems" and that the "situa-

tion with this bank is the same as with any other bank".

If this is the case, then there is really no reason for the state to sup-

port only one bank, even if it be the First one.

At the same time, the Government of Montenegro sold Aco Đukanović the right to the use of 7.637 m² of state-owned land in Podgorica for 3 300 000 euros, with the possibility of acquiring ownership. The land is currently occupied by the building of the Podgorica Police Headquarters.

Parliamentary Committee for Economy, Finance and Budget rejected the proposal by the opposition to hold a control hearing of the Minister for Economic Development on the decision of Elektroprivreda to participate in recapitalisation of the First Bank. The decision was adopted by a majority vote of MPs of the ruling Democratic Party of Socialists and Social-Democratic Party.

Is Montenegro today a Private State or not can be easily determined by anybody who understands the simple mathematics of a permanently loss-making state monopoly company giving 8.5 million to the First Bank, and the equally transparent 40 million loan to the same bank by the Government.

Energy Regulation Agency accepted the request of Elektroprivreda to raise the price of electricity by 10%, based on a misleading and insufficiently established overview of the facts and misshapen application of the material law. Three Montenegrin citizens have since filed legal suit to the Administrative Court demanding to declare this decision void.

And the Government will subsidise individual citizens' bills on means tested basis.

All according to the laws and European standards on our road to Europe.

The author is the president of the Board of Directors of the Institute Alternative (IA)

GODFATHERS AND FRIENDS



The *European pulse* announces a part of totally 74 shareholders of First bank, based on The Share Pledge Agreement signed by the Government and aforementioned bank on 17 December 2008.

On the basis of this agreement, the *European pulse* had insight into, Cabinet of **Milo Đukanović** issued a

loan to First bank in the amount of 44 million EUR. Apart from members of Đukanović family, large number of people who have godfather or friendly relations with the family have shares in this bank. Among the shareholders are also the companies behind which are people who are allegedly close to the authorities.

According to Share Pledge Agreement the biggest shareholders of this bank are **Aco Đukanović** (brother of Milo Đukanović) having 170.073 shares, with nominal value of a share 127,82 EUR, who is pledging 160.377 shares. Then, there is state-owned power utility Elektroprivreda (66.758 shares), company CAPITAL INVEST, where Prime Minister Đukanović has a partial ownership (10.466 shares), "Lovćen" insurance (10.918 shares), P&G Agency DOO Podgorica (8.131 shares) whose owner is Prime minister's godfather **Vuk Rajković**, who also has personal shares (3.234 shares). Then there are: Maprenat DOO Tivat (6.895 shares) whose owner is businessman from Tivat **Rado Arsić**, who also has personal shares (1.860 shares), **Saša Aćimić** from Podgorica (1.772 shares). "Kovinić company" from Tivat (1.760 shares), Global deal – Podgorica (6.878 shares), Monte adria broker diler – Podgorica (6.083 shares), **Branko Ćupić** with residence in Budva (5.042 shares), Izomont dv – Podgorica (4.809 shares), Moninvest DOO – Budva (4.675 shares) where until recently Vice president of DPS **Svetozar Marović** had a partial ownership, Stadion DOO Podgorica (4.234 shares). Fjord AD – Kotor owned by **Veselin Barović** (3.952 shares). **Petričević Jelica** from Podgorica (3.919 shares), Comersa DOO – Podgorica (2.749 shares), **Vojin Žugić** who also has partial ownership in DOO Stadion (2.640 shares), **Zoran Lalić** from Budva (2.547 shares), Milan Ivanović (2.042 shares), **Ana Kolarević** Milo Đukanović's sister (1.921 shares), PM Investment from Podgorica (1.876 shares), Tabacco shop – Podgorica (1.610 shares), **Dragan Bećirović** who is close Đukanović's friend (1.520 shares), Sofico DOO – Rožaje (1.136 shares), **Ranko Milović** from Nikšića who was the Ambassador of Montenegro to Slovenia (1.005 shares), **Radenko Stijepović** from Podgorica (916 shares).

Also, shares in "Prva banka" have Local Assembly Nikšić (761 Local Assembly Nikšić), then former Advisor of the President of the Republic and godfather of Prime minister Đukanović **Goran Rakočević** and **Radmila Vojvodić**, wife of Minister of Culture, Media and Sport and Đukanović's close associate, **Goran Vuletić** former Director of DPS and one of the closest associates of Aco Đukanović, "EUROFOND" "Kia montenegro" DOO – Podgorica, "Javorak" DOO – Nikšić. Below 100 shares have **Bojša Šotra**, "MI-RAI" DOO – Nikšić.

Shareholder have been represented by **Irena Čanović**, who is a shareholder of "Prva banka" and a daughter of the Minister of Economic Development, while on behalf of the Government the Agreement was signed by Minister of Finance **Igor Lukšić**.