



**GOVERNMENT OF MONTENEGRO**  
**Ministry of Economy**  
**09 September 2019.**

**RATKA STRUGAR**  
**General Director of Directorate of Electronic Communications, Postal service and Radio-spectrum**

# CURRENT SITUATION ANALYSIS



- ❖ Montenegrin start up ecosystem is at an early stage of development and without a completed infrastructure that would make Montenegro an attractive start up destination in short term.
- ❖ The analysis of the current situation gives an overview of the situation and indicates in what fields and in what way additional work is needed to encourage innovative individuals and entities to overcome numerous digital challenges.
- ❖ The public sector needs to do specialization and training of young and highly skilled staff, as well as the creation of a better and more stimulating legal and investment environment for the development of start-up companies.
- ❖ A coordinated multisectoral approach is needed.
- ❖ Montenegro is slowly adapting to the needs of the start - up innovative ecosystem.
- ❖ Montenegro's commercial bank signed a Business Cooperation Protocol with the European Investment Fund for the Financing of Micro, Small and Medium-Sized Enterprises.
- ❖ Private sector should contribute more to the ecosystem and to step out of the "comfort zone".



- ❖ The main remarks coming from the start-up community are:
  - The incentives provided by the Government to the SME sector are not designed for the specific needs of start-ups and do not include incentive measures such as organizing necessary IT specializations, setting up accelerators, co-working spaces, competitions for start-ups, mentoring, etc.
  - Difficult access to money, i.e.. lack of diversified sources of financing, adapted to different developmental stages of start-ups. Except the money, there is also a lack of very important mentoring support (the so-called "smart money"), where in addition to money, you also gain knowledge in the areas of money management, marketing, markets, etc.
  - Montenegrin laws do not recognize a start-up company as a separate category and they are obliged to register mainly as a Ltd company, i.e. to have headquarters, a director, to pay full contributions and taxes, which in the first phase is absolutely unfavorable to them.
  - Non-functioning of PayPal service in Montenegro is also a big limit because foreign investors prefer this method of payment both to start-ups in which they want to invest, and to IT freelancers and outsourcing companies.
- ❖ Government responses to most of these remarks are primarily expected from Start-up Incentive programme 2018-2020 and the Digital Innovation Profile Study, as well as from a range of institutional and financial support instruments, which are presented in more detail in the text.

# STRATEGIC FRAMEWORK



- **The Innovative activities Strategy 2016-2020 with the Action Plan** defines activities aimed at strengthening the potential for innovation in the economic sector.
- **The Research activities Strategy 2017-2021 with the Action Plan** introduces new measures and instruments that should enable better quality of research, access to modern technologies and infrastructures, better absorption of EU funds and strengthen initiatives for a knowledge-based economy.
- **The Smart Specialization Strategy (S3)** defines guidelines for identifying sectors and thematic priorities that are important for Montenegro's development.
- **MSME Development Strategy for the period 2018-2022** identifies key challenges with which entrepreneurs face and which needs to be addressed based on the five strategic defined goals:
  - ✓ advancement of business environment,
  - ✓ advancement of access to finance sources,
  - ✓ entrepreneurial competences, knowledge and skills - compliance with labor market needs,
  - ✓ enhancing MSMEs' competitiveness and innovation, and
  - ✓ promoting youth and women entrepreneurship, and social entrepreneurship.

# DEVELOPMENT OF POLICIES FOR ENCOURAGING INNOVATIVE START-UPS AND THEIR SCALING (SCALE-UP)



## ❑ **2018-2020 Start-up Company Incentive Program**

- Montenegro is the first country in the Western Balkans region that applied and received support under the **EC Policy Support Instrument**, proposing interventions in the policy area related to the **formation of start-up ecosystems, which include:**
- Proposal of legal solutions for creation of favorable environment for start-ups;
- Proposal of organizational model for functioning of start-up ecosystems; and
- Proposal of schemes for financing start-ups and other actors in the innovation system.

## ❑ **2018-2020 Start-up Incentive Program**, adopted by the Government at the end of 2018.

## ❑ **Montenegro's Digital Innovation Profile** - Study done by the International Telecommunication Union (ITU) in collaboration with the Ministry of Economy. The document is the first of its kind in Montenegro and was made, inter alia, based on interviews with representatives of over 50 state institutions, private companies, entrepreneurs in the field of ICT, academic and scientific institutions, NGOs and representatives of the financial sector.

# INSTITUTIONAL SUPPORT FOR THE DEVELOPMENT OF THE START-UP ECOSYSTEM



- ❑ **Establishment of Scientific-Technological Park (STP):** Institutional support for the development of innovative start-up ecosystems includes bodies such as scientific-technological parks with business incubators and accelerators, as well as a number of other services for the empowerment of technologically and innovatively oriented businesses.
  - **Next plans:** establish a networked infrastructure with a central unit in Podgorica and three decentralized units - impulse centers in Niksic, Bar and Pljevlja. The first impulse center "Tehnopolis" started to be fully operational in Niksic, at the end of 2016.
  - **The next step** is the establishment of a central STP unit in Podgorica. The project is jointly implemented by the Government of Montenegro and the University of Montenegro, in order to create the necessary conditions for the development of entrepreneurship.
  - STP is projected to be home to 40-50 micro and SMEs in the high technology sector with a focus on ICT, energy, agriculture and medicine. It is planned that STP will start operating at full capacity by the end of 2020.
- ❑ **Business incubator development:** In addition to the existing 2 incubators, in Bar and Berane, within the policy of development of incubator networks, 2 new incubators were established: in Podgorica and Cetinje. The aim is to improve the business environment, with an emphasis on young people and women, which provides a range of benefits that accelerate their growth and development.

# FINANCIAL SUPPORT FOR START UP BUSINESS



- **Voucher Scheme for Innovative SMEs** - in 2011 was created and implemented for the first time in Montenegro.
  - 16 Montenegrin companies were supported to introduce innovative activities.
- **Ministry of Economy: Entrepreneurship Incentive Program**
  - This program is implemented by the Ministry of Economy in collaboration with the IRF and is aimed at supporting interested parties planning to register their own businesses.
  - The program is a combination of non-financial and financial support through the organization of education and training cycles.
  - Loans approved under this line of credit:
    - Maximum amount up to € 50,000.00;
    - The interest rate is 2.50% per annum with a proportionate method of calculating interest;
    - Repayment period up to 12 years (including grace period);
    - Grace period up to 4 years.
  - In the period 2015 -2017 on the basis of the Entrepreneurship Incentive Program, 17 companies were supported in obtaining loans with a total value of EUR 611,702.



## ➤ **Ministry of Economy: Innovation Program for MSMEs**

- The aim is to enhance the business performance of micro, small and medium-sized enterprises through co-financing the use of consulting services in the implementation of innovative activities.
- The Financial Support for Micro, Small and Medium-Sized Enterprises Program grants are for:
  - Product / service innovation;
  - Business process innovation;
  - Innovation in the organization;
  - Innovation in marketing.
- The maximum amount of co-financing by the Ministry of Economy per company is up to 50% of eligible costs, i.e. maximum up to € 3,500.00, excluding VAT. The total committed funds for 2018 amount to € 50,000, two public calls were issued in the framework of which contracts were signed for the implementation of innovative activities with 9 companies, with a total value of € 30,000.
- Ministry of Economy will direct activities to promote and strengthen the investment readiness of innovative start-ups in order to improve the use of the ENIF Fund under WB EDIF.
- Specific support for internationalization of MSMEs will be provided through the services of the EEN Montenegro Network (COSME program), in the segment of providing advisory services on international markets, technological transfer, organization of trainings for strengthening export opportunities and involvement in value chains, business networking, etc.



# International Telecommunication Union (ITU) in cooperation with the Ministry of Economy



## ➤ **Ministry of Science: Programme for approving grants for Innovation Projects (2018-2020)**

- This program was adopted by the Government in June 2018, and is implemented through the Call for Proposals for grants for innovative projects. The call for proposals was announced in July 2018 for a total of EUR 1 million, for the period 2018-2020.
- The call for proposals is aimed at enabling co-financing of development of innovative market-oriented products, services and technologies which have great potential for commercialization and market application, transfer of innovative ideas from scientific research institutions to the market, through cooperation with business partners or through the opening of new businesses / spin -off companies in Montenegro and strengthening human resources and creating new jobs.

## ➤ **Ministry of Science: HERIC INVO**

- Within the HERIC "INVO" project, funded by the World Bank loan, a grant scheme for Research and development projects is being implemented.
  - 8 grants have been approved for a total amount of € 2.6 million, for the period 2014-2017.
  - A total of 6 projects have been successfully implemented, while finalization of the remaining 2 was expected during 2018.
- Within this project, the Institute “BIO-ICT Center of Excellence” was established as an independent organizational unit within University of Montenegro, which officially started operating on May 28, 2018.

# EU FUND SUPPORT



- **Instrument of Pre-Accession Assistance IPA 2014 - 2020**, the total value of projects for enhancing the competitiveness and innovation of SMEs in Montenegro for the period 2014-2020 is EUR 17 million.
  - In the framework of IPA projects there are envisaged activities aimed at improving the business environment and competitiveness of the private sector in Montenegro by supporting the implementation of activities aimed at supporting the private sector, with particular emphasis on the SME sector. Several grant schemes are envisaged in 2018-2020 as a form of direct financial support for innovative SMEs and clusters.
  - To support venture capital start-ups, IRFCG joined the ENIF Fund for Innovative Enterprises (part of the WB EDIF program) on behalf of Montenegro in April as a partner and investor, in April 2016.
  - The total value of the ENIF fund is € 41.4 million, and the fund enables investing in initial (venture) capital for start-ups and fast-growing SMEs, with an average value of € 100 thousand to € 1.7 million, for ICT, telecommunications, mobile and internet technologies etc.
  - By the end of February 2018, innovative start-up companies from Montenegro presented their ideas to ENIF Fund management within a event that preceded the PODIM Conference for Start-ups (organized by "Digitalizuj.me"), organized in Podgorica. Currently, 2 potential beneficiaries, start-ups, are being considered for possible equity financing, and it is expected that by the end of 2018, one start-up company from Montenegro will be funded.

# CONTRIBUTION OF THE REAL SECTOR TO THE DEVELOPMENT OF THE START-UP ECOSYSTEM



- ❑ **Mtel's Digital Factory** is one of the most successful stories of business incubators, which is attractive to innovators, students and anyone who wants to turn their ideas into reality. The first academy which was held in spring, brought together 21 startup teams with about one hundred members who had undergone semi-annual training, and negotiations are currently underway with two startups regarding the investment. Selected projects are funded in the amount of EUR 30,000-50,000. Preparations for the next academy are ongoing.
- ❑ **Crnogorski Telekom** has a Research Center through which they established cooperation with universities in Montenegro and gave opportunity to students and inventors to develop their ideas and innovations. In addition to the Research Center, this company supports the development of startups and annually has a call for ideas, and this company provides technical support in the form of equipment, infrastructure, human resources, etc.
- ❑ The Information Society Development Strategy 2020 envisages Digital Montenegro as a country that has recognized the economic and social potential of ICT, while the Innovation activities Strategy 2016-2020 foresees that by 2020 Montenegro will have a sustainable and efficient innovation system as a key driver of the Montenegrin economy.



Thank you for your attention!