

The fact sheet in a nutshell:

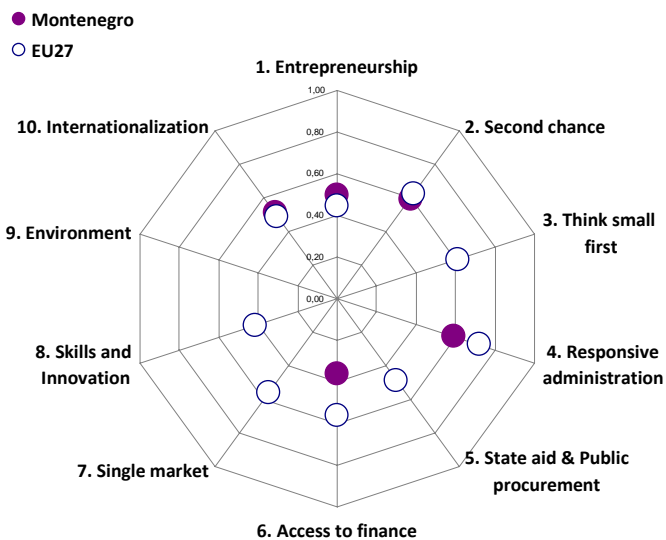
- ✓ Montenegro scores on a par or above the EU average in three of the SBA principles, namely entrepreneurship, second chance, and internationalisation
- ✓ In 2010/2011, Montenegro has addressed seven out of ten SBA areas by means of targeted policy measures, focusing in particular on entrepreneurship, implementing the think small first and skills and innovation

About the SBA Fact Sheets¹:

The Small Business Act (SBA) is the EU's flagship policy initiative in support of Small and Medium-sized Businesses.

The annually updated fact sheets contribute to a better understanding of recent trends in the SME environment and policy on a national level.

1. The SBA profile of Montenegro²

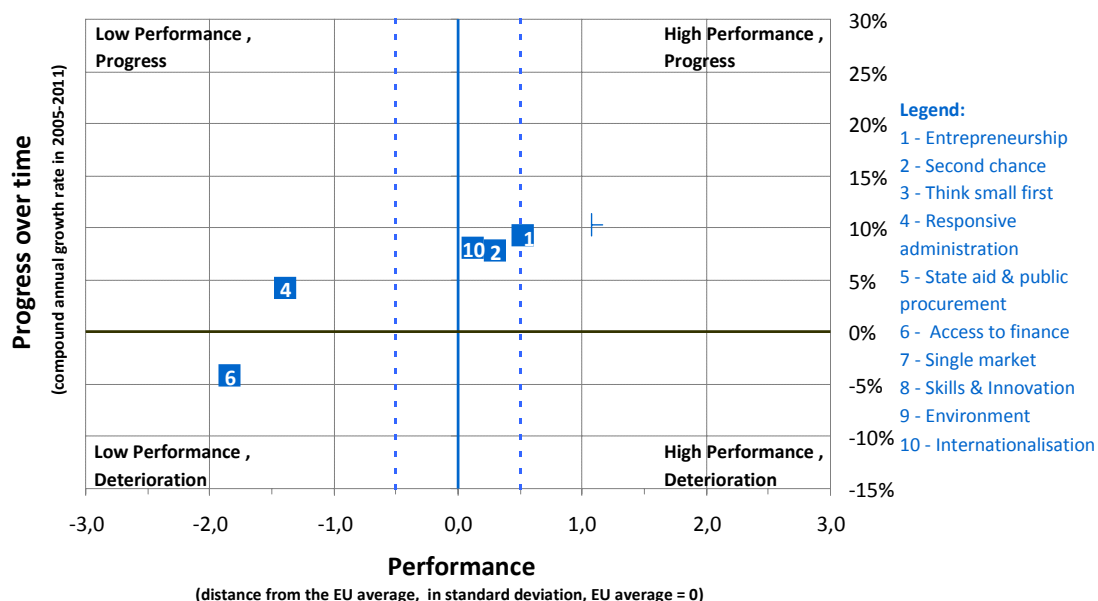


Overall, the available SME-relevant statistics show a mixed SBA profile for Montenegro. The country performs better than the EU-average in Entrepreneurship, is on par in Second chance and Internationalization, and below in Responsive administration and Access to finance.

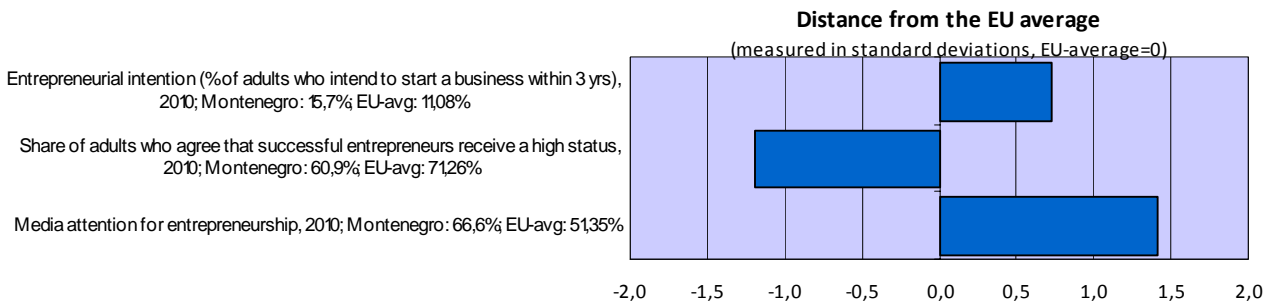
This picture is complemented by a policy record showing that the Government has addressed seven of the ten principles of the Small Business Act by means of targeted policy measures. The main policy focus seems to have been in entrepreneurship education, the application of the Think small first principle, and Skills and innovation.

When Montenegro's current performance is compared with its own past results, a more encouraging picture emerges. All but one of the policy areas for which an average can be calculated have made substantial progress in recent years.

Montenegro's SBA performance: Status quo and development over time, 2005-2011³



I. Entrepreneurship



Note: The indicators have been treated such that data bars pointing to the right /left always indicate a performance which is better /weaker than the EU-average.

On balance, Montenegro performs above the EU average but at the level of the individual indicators the situation is mixed.

There is room for improvement in particular in what concerns the society's view on entrepreneurs, which in Montenegro is clearly less positive than in the EU on average. Improving the image of entrepreneurs could have a positive multiplier effect on citizens' willingness to assume the risks of business enterprise. Despite these results, the future entrepreneurial intentions of the population are significantly above par.

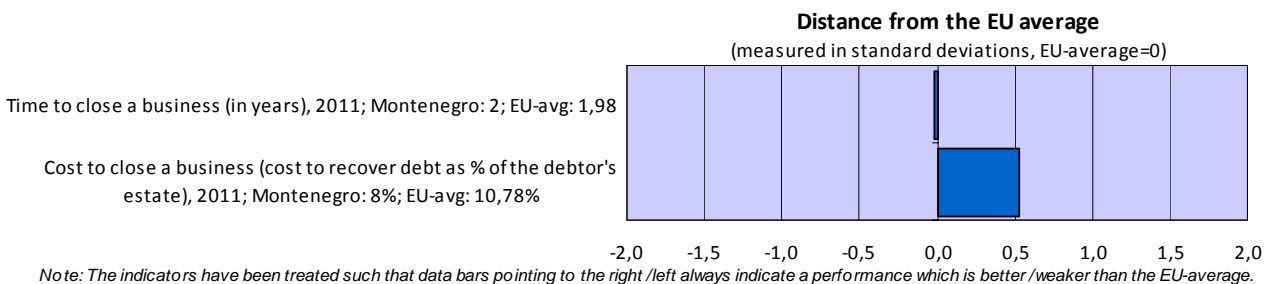
In what concerns recent policy developments, with new Strategy for Development and Financing of the High Education 2011-2020, entrepreneurship has been

introduced as a subject at all high education programmes aiming to stimulate and further develop entrepreneurial-innovative character of the high education.

Under the Strategy for SME Development 2011-2015 the second strategic goal, Education and advisory services to SMEs, involves also development of the network of organizers of entrepreneurial learning of adults in all Montenegrin municipalities. By the end of 2011, it aims to train the trainers (20 of them) as well as involve at least five institutions for adult education to be part of the network.

Strategy for Improving the Competitiveness at the Micro level 2011-2015 also recognizes entrepreneurial education as one of the key factors for competitiveness.

II. Second chance



Note: The indicators have been treated such that data bars pointing to the right /left always indicate a performance which is better /weaker than the EU-average.

The indicators measuring 'second chance' reveal an average picture, which is determined by the time and cost needed to complete the legal procedures for winding up a business.

On the policy front, No significant measures were undertaken in this area in 2010 and the first trimester of 2011.

III. Think Small First



The one indicator available in this SBA area clearly outperforms the EU-average, suggesting that the enterprises in Montenegro do not feel to be overly burdened by government regulations in general.

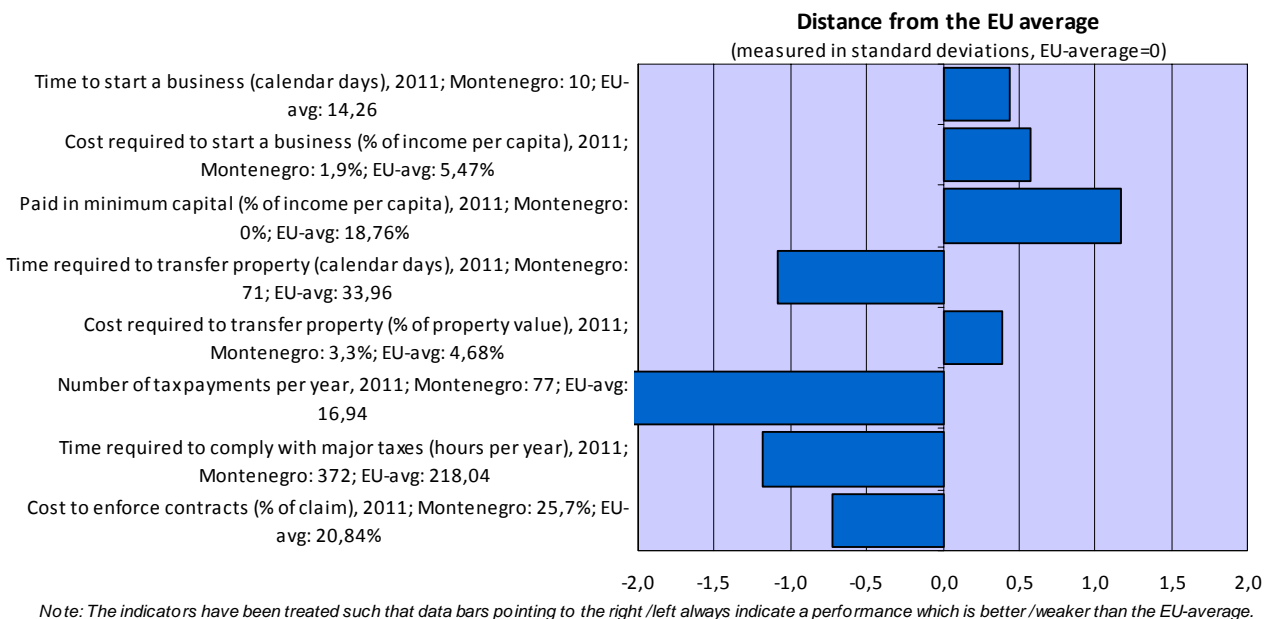
On the policy side, the government of Montenegro adopted the Strategy of Reform of Public Administration 2011-2016 aiming at delivering good service to businesses and citizens and decrease costs of dealing with public administration. The strategy is targeting public administration on the level of state administration as well as local municipalities.

The Council for Regulatory Reform and Improvement of the Business Environment, established on 29 December

2009, has been recognized as the main platform to hear the voice of business when adopting and proposing the new legislation. Apart from the Council members coming from the government, it consists of people coming from the Chamber of Commerce, Montenegro Business Alliance and Union of Employers of Montenegro, which are main national business associations, and is open for other business associations to join.

In addition, Council for Stimulating the Competitiveness at the Micro Level, established on 5 November 2010, is an additional stage for opinions' exchange between the government and business community.

IV. Responsive Administration



Although Montenegro has been catching up during the past years, it still lags behind the European average as regards responsive administration.

Of all the indicators measuring progress in this area, those important for day-to-day business operations show the higher need for improvement: the number and duration of

tax payments in Montenegro reveal a heavier and less efficient tax administration system. Similarly, the efficiency of the judicial systems in solving contractual disputes – as measured by the cost to enforce contracts - falls behind the EU average.

At the same time, the start up conditions – in particular the time, cost, and paid in minimum capital necessary for opening a business are more favourable for would be entrepreneurs in Montenegro than other EU countries.

The formal property registration and transfer procedures are heavier in Montenegro, resulting in longer times for registering property, but the costs thereof or comparatively smaller than in the European Union.

V. State aid and Public procurement

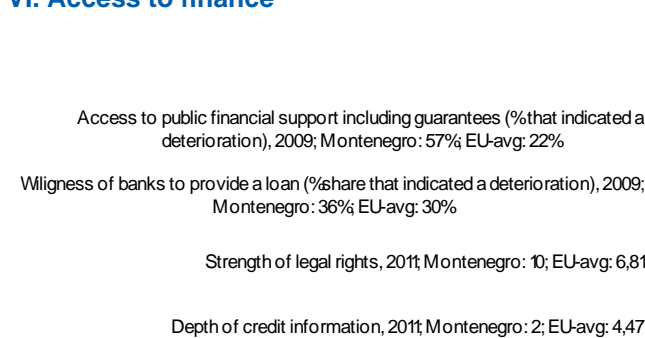
There are no indicators available for Montenegro and it is therefore not possible to draw any conclusions about the country's performance in this area.

However, on the policy front as of mid 2011, Montenegro will have a new Public Procurement Law developed in

The fees requested for registering the business in Montenegro are already quite low, however, the implementation of the project Unified Registration of Enterprises in Tax Administration (as of 1 March 2010) contributed to a simplified procedure of businesses registration and enabled one-stop registration for future tax payers under the principle “one application – one counter“ which integrates registration procedures of four different bodies: Tax Administration, Pension and Disability Insurance Fund, Employment Office and Health Fund.

cooperation with EU experts, which is expected to further inline provisions of procurement procedures with those in force in EU states. The new law should provide better transparency and speed up the process of procurement.

VI. Access to finance



Note: The indicators have been treated such that data bars pointing to the right /left always indicate a performance which is better /weaker than the EU-average.

Only four indicators are available for Montenegro in this area and it is therefore not possible to draw any general conclusion.

Firstly, the indicator measuring credit lending show that about 36% of the SME owners had noticed that banks were less willing to provide loans in 2009. At the same time, there seem to have been a much more pronounced deterioration of access to public funds in the form of guarantees, since 57% of entrepreneurs confirmed a deterioration of the situation as compared to the previous year.

The creditors in Montenegro seem to enjoy a clearly higher degree of protection through collateral and bankruptcy laws than in the EU on average. However, the

indicator measuring the reliability and coverage of public and private credit bureaus which is an important element of a stable financial market also falls slightly behind the EU average.

Looking across at policy, the Investment-Development Fund, created after a restructuring of the previous Development Fund on the 1st of January 2010, provides finances for SMEs, start-ups and entrepreneurs up to €400.000, either through commercial banks or directly, taking in consideration criteria such as the location of the business, prioritization of less developed regions and type of business activity.

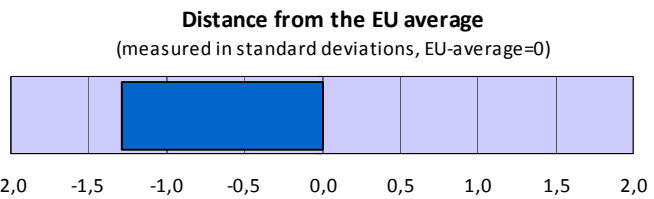
VII. Single market

There are no indicators available for Montenegro and it is therefore not possible to draw any conclusions about Montenegro's performance in this area.

On the policy front, no significant measures were reported in this area in 2010 or in the first quarter of 2011.

VIII. Skills and innovation

SMEs participating in EU funded research (number per 100.000 SMEs), 2010; Montenegro: 0; EU-avg: 20,95



Note: The indicators have been treated such that data bars pointing to the right /left always indicate a performance which is better /weaker than the EU-average.

There is only one indicator available for Montenegro in this area that indicates that its SMEs are less likely than the European ones to take part in EU-funded research projects. It is therefore not possible to draw any general conclusions on this basis.

On the policy side, the third strategic objective of the Strategy for SME Development 2011-2015, "Strengthening SME competitiveness and promoting entrepreneurship", includes relevant measures on this topic. It includes among other things a public campaign about relevance of research and innovation by the end of 2011, as well as

generation of adequate statistical records on R&D of SME sector and the development of voucher schemes for SMEs to utilize consulting services from universities.

Strategy for Regional Development 2010-2014 put a relevant emphasis on cluster development to strengthen SME sector competitiveness and introduce innovation.

The new government of Montenegro that was formed in December 2010, includes the Ministry of Science as a new ministry, focusing on linking universities with business sector, and encouraging SMEs to apply for FP7/FP8/EIP/EUREKA programmes.

IX. Environment

There are no indicators available to demonstrate Montenegro's performance in the area of environment.

On the policy front, no significant measures were reported in this area in 2010 and the first trimester of 2011.

X. Internationalisation

Cost required to import (in USD), 2011; Montenegro: 890; EU-avg: 1097,64

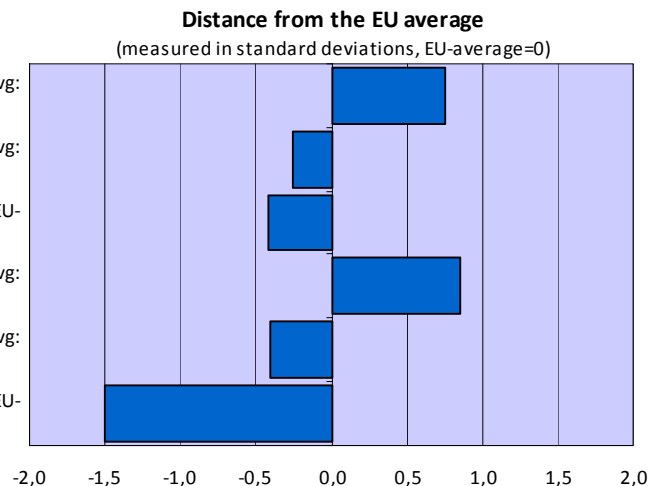
Time required to import (in days), 2011; Montenegro: 14; EU-avg: 12,35

Number of documents required to import, 2011; Montenegro: 6; EU-avg: 5,35

Cost required to export (in USD), 2011; Montenegro: 775; EU-avg: 1043,46

Time required to export (in days), 2011; Montenegro: 14; EU-avg: 11,71

Number of documents required to export, 2011; Montenegro: 6; EU-avg: 4,5



Note: The indicators have been treated such that data bars pointing to the right /left always indicate a performance which is better /weaker than the EU-average.

Based on the available indicators for measuring internationalisation, Montenegro performs on a par with the EU average. This situation is determined by the general framework conditions for trading, as there are no performance-related indicators available to measure the extent to which the SMEs in Montenegro actually engage in exporting or importing.

When one looks at the total number of documents and time required for exporting or importing, Montenegro appears more bureaucratic than the other EU countries.

However, the cost of trading and the time necessary to export or import are clearly lower than in the EU.

On the policy front, under the Strategy for SME Development 2011-2015, a whole set of measures to support internationalization and better export of SMEs is planned, including creation of a web portal for exporters and sector specific market research studies.

Good practice

To illustrate the efforts of the government to promote SMEs, the statistical and policy information of the fact sheet is enriched by an example of a good practice in SME policy.

A best practice established in 2010 can be related to the forming of the Council for Regulatory Reform and Improvement of Business Environment on 29 December 2009. This body is chaired by the prime minister and involves all relevant counterparts from the government in charge of business related regulation (relevant ministers). On the other hand, representatives of the national business associations are members of the Council. These representatives report on behalf of the business community via providing comments and feedback on already drafted regulations, but also by raising issues that bother businesses but that are not included in the government agenda. The Council is organizing and synchronizing the activities of government bodies, initiates preparation of new regulations relevant for removing business barriers, analyzes current regulations and proposes to the government plan to improve business environment and regulatory reform. Business community in Montenegro has been pleased with the communication with the government through the established Council.

About the SBA fact sheets

The Small Business Act (SBA) fact sheets are produced by DG ENTR as part of the SME Performance Review (SPR) which is its main programme for economic analysis of SME issues. The SBA fact sheets combine the latest available statistical and policy information for the 27 EU Member States and another 10 non Member States which also contribute to the EU's [Competitiveness and Innovation Framework Programme](#) (CIP). The fact sheets - produced annually- help to structure the available information so as to facilitate assessments of the SME policy assessments in the framework of the SBA implementation monitoring. The fact sheets refrain from policy evaluations, but are to document the status quo and progress in the different SBA areas. The SBA Fact Sheets are not standalone instruments. They do not constitute a comprehensive assessment of Member States' policies and should be regarded as a supplement to, and not a substitute for, available national publications. A good example for this is the policy information contained in the fact sheets: the fact sheets cite only those policy measures that were deemed by local SME policy experts of being of particular relevance. They do not -and cannot- reflect all measures undertaken by the government in the particular period of time. As a complement to the fact sheets additional policy information can be found on a database also located on the SPR-website. Please refer to the methodological note when reading this SBA Fact Sheet.

For more information

SME Performance Review:

http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index_en.htm

Small Business Act:

http://ec.europa.eu/enterprise/policies/sme/small-business-act/index_en.htm

The European Small Business Portal:

http://ec.europa.eu/small-business/index_en.htm

Entr-SPR@ec.europa.eu

¹ The SBA fact sheets 2010-2011 benefitted substantially from input by the European Commission's Joint Research Centre (JRC) in Ispra, Italy. Most notably, important improvements in the methodological approach, statistical work on the dataset as well as the visual presentation of the data are owed to the JRC.

² The SBA radar chart plots for the different SBA areas the relative position of an individual country vis-à-vis the respective EU-wide area average. The individual values represent averages across all available indicators for this area. The scaling range is from "0" (minimum or "worst in the -EU-27- class") to "1" (maximum or "best in class"). The EU-average is located between those extremes and plotted as a grey band in the chart. The area average for principle 9 ("environment") is missing for all countries due to a lack of data.

³ The quadrant chart combines two sets of information: firstly it shows on the status quo performance based on data for the latest available years. This information is plotted along the X-axis measured in standard deviations of the simple, non-weighted arithmetical average for EU-27. The vertical corridor marked by the dotted lines defines the EU-average. Secondly, it reveals the progress over time, i.e. the average annual growth rates for the period 2005-2011. The growth rates are those of the individual which the different SBA area averages are made up of. Hence, the location of a particular SBA area average in any of the 4 quadrants, provides not only status quo information about where the country is located in this SBA area relative to the rest of the EU at a given point in time, but also to what extent there was an improvement in the period 2005-2011.