



### Key points

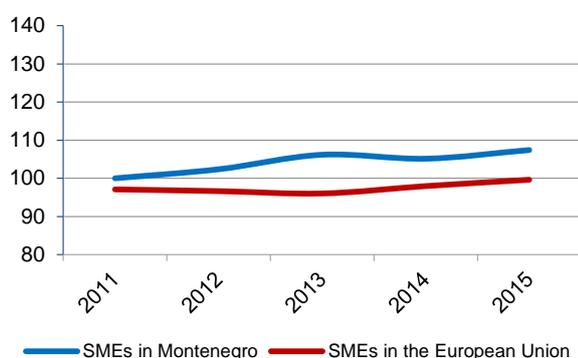
**Past & future SME performance<sup>1</sup>:** Nearly 70 % of value added and more than three quarters of national employment in Montenegro is generated by SMEs, compared with an average of 57 % and two thirds respectively for SMEs in the EU. SMEs are the main growth driver in Montenegro. Value added increased by almost 20 % in 2012-2015, while employment rose around half as much in 2011-2015. Growth is estimated to have been particularly strong in micro firms, where employment is projected to have increased by over a third between 2011 and 2015. Given the scale of SMEs' contribution to the economy, further SME employment and value added growth can be expected. Real GDP is expected to grow by around 3 % annually on average in 2016-2018.

**Implementing the Small Business Act for Europe (SBA):** The SBA profile of Montenegro presents a mixed picture: several principles score above the EU average, including 'second chance'. 'Responsive administration' continues to improve, although it remains below the level achieved in the EU. However, limitations in availability of data need to be taken into account when interpreting the overall results. During 2016 and the first quarter of 2017, Montenegro introduced SBA-relevant measures that address six SBA principles.

**SME policy priorities:** Further simplification of business-related legislation, especially at local level, should remain the focus of SME policy-makers in Montenegro. This includes lowering the number and amount of local authority fees and taxes, and streamlining the process for issuing work permits. The framework for business transfers needs to be improved, as does cooperation between higher education institutions and businesses. Access to finance for SMEs should also be improved, including by expanding non-financial support services in this area. Montenegro needs to ensure that its State Aid Control Commission operates independently in order to ensure a more level playing field for businesses. There is also a need to make sure that the public authorities are more customer-orientated, in particular for SMEs.

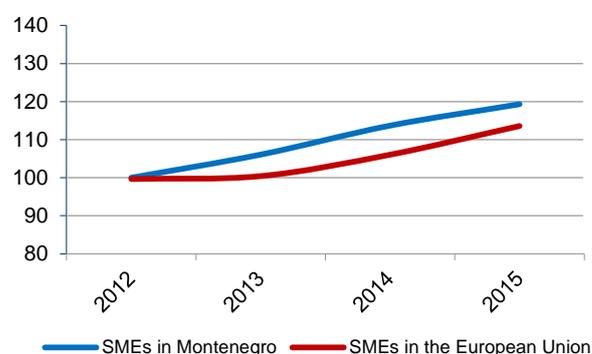
**Number of persons employed in SMEs**

(Index: 2011=100)



**Value added of SMEs**

(Index: 2012=100)



### About the SBA fact sheets

The Small Business Act for Europe (SBA) is the EU's flagship policy initiative to support small and medium-sized enterprises (SMEs). It comprises a set of policy measures organised around 10 principles ranging from entrepreneurship and 'responsive administration' to internationalisation. To improve the governance of the SBA, the 2011 review of it called for better monitoring. The SBA fact sheets, published annually, aim to improve the understanding of recent trends and national policies affecting SMEs.

## Table of contents

Key points.....	1
1. SMEs — basic figures.....	2
2. SBA profile.....	4
3. SBA principles.....	6
3.0 'Think Small First'.....	6
3.1 Entrepreneurship.....	7
3.2 'Second chance'.....	8
3.3 'Responsive administration'.....	9
3.4 State aid & public procurement.....	10
3.5 Access to finance.....	11
3.6 Single market.....	12
3.7 Skills & innovation.....	13
3.8 Environment.....	14
3.9 Internationalisation.....	15
4. Interesting initiative.....	16

## 1. SMEs — basic figures

Class size	Number of enterprises			Number of persons employed			Value added		
	Montenegro		EU28	Montenegro		EU28	Montenegro		EU28
	Number	Share	Share	Number	Share	Share	Million €	Share	Share
Micro	22 589	93.7 %	93.0 %	35 291	31.1 %	29.8 %	309	23.1 %	20.9 %
Small	1 293	5.4 %	5.8 %	25 953	22.9 %	20.0 %	227	17.0 %	17.8 %
Medium-sized	192	0.8 %	0.9 %	24 505	21.6 %	16.7 %	376	28.1 %	18.2 %
<b>SMEs</b>	<b>24 074</b>	<b>99.9 %</b>	<b>99.8 %</b>	<b>85 749</b>	<b>75.5 %</b>	<b>66.6 %</b>	<b>912</b>	<b>68.3 %</b>	<b>56.8 %</b>
Large	31	0.1 %	0.2 %	27 770	24.5 %	33.4 %	423	31.7 %	43.2 %
Total	<b>24 105</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>113 519</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>1 336</b>	<b>100.0 %</b>	<b>100.0 %</b>

*These are estimated data sets for 2015 based on available data from the national statistical office of Montenegro. The data cover the non-financial business economy, which includes industry, construction, trade, and services (NACE Rev. 2 sections B to J, L, M and N), but not enterprises in agriculture, forestry and fisheries and the largely non-market service sectors such as education and health. The following size-class definitions are applied: micro firms (0-9 persons employed), small firms (10-49 persons employed), medium-sized firms (50-249 persons employed), and large firms (250+ persons employed). The advantage of using Eurostat data is that the statistics are harmonised and comparable across countries. The disadvantage is that for some countries the data may be different from those published by national authorities.*

Attention: Unit is million euros!

In Montenegro, nearly 70 % of value added and more than 75 % of national employment is generated by SMEs, compared with an average of 56.8 % of value added and 66.6 % of national employment in the EU. SME productivity, measured as value added per employee, is estimated to have remained at around EUR 11 000 per person, compared to over EUR 43 500 on average in the EU.

SMEs are the main growth driver in Montenegro. Value added increased by almost 20 % in 2012-2015, while employment rose by around half this in 2011-2015. Growth is estimated to have been particularly strong in micro firms, where employment is estimated to have increased by over a third between 2011 and 2015. Real GDP is expected to grow by about 3 % annually

from 2016 to 2018. Given the scale of SMEs' contribution to the economy, further SME employment and value added growth can be expected.

In the *accommodation and food services* sector, SMEs performed well, with SME employment estimated to have risen by over 40 % in 2011-2015. This growth was mainly due to a steady increase in the numbers of tourists and overnight stays. In 2016, the direct contribution of tourism to GDP was 11 %, while its overall contribution, including additional indirect benefits, was estimated at 22.1 % of GDP. In the same year, according to the Montenegrin authorities, the combined total of private and public investment in the tourism industry represented 34 % of total investment. Travel and tourism generated 12 000 jobs directly in 2016 (6.5 % of total employment). Extended to include jobs

indirectly supported by the industry, the overall figure is 27 000 (14.6 % of total employment). Another significant factor contributing to the growth of SME employment in this sector was the introduction of a national employment strategy in 2014, which included employer subsidies of up to EUR 100 per month per employee in return for providing seasonal employment to young people who lack previous work experience.

In the *manufacturing* sector, SMEs made further contributions to the growth of the non-financial business economy. SME value added increased in 2012-2015, although employment in the same period fell somewhat. Growth in *manufacturing* was mainly driven by large foreign-financed capital investment projects, which created a positive spillover effect in the whole sector.

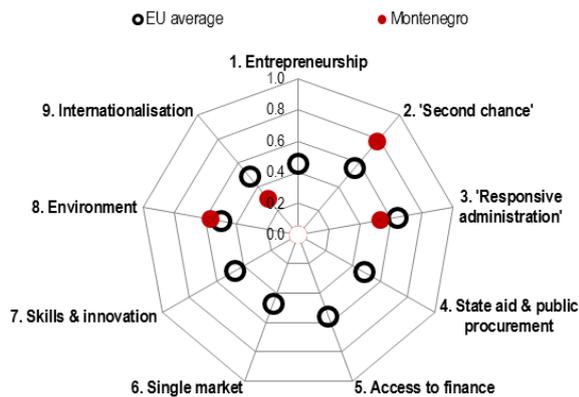
Another sector where SMEs have done well in recent years is *information and communication*: SME value added is estimated to have risen by around 40 % and SME employment by around 10 % in 2011-2015. This growth is a reflection of government efforts to develop Montenegro as an information society. In

2009-2013 the government introduced several measures to strengthen ICT infrastructure, promote access to modern technologies and facilitate the use of ICT. Examples of projects include the digitalisation of government administrative processes, providing primary schools with computers and internet access, and the implementation of a cyber security strategy.

In 2015, 4 413 new companies were registered, an increase of 2 % on the previous year. In the same period, de-registrations fell by 31 %, totalling 3 035 in 2016.

Since 2011, institutional support for business start-ups has further developed. Most notably, three business incubator centres have been opened across the country, providing entrepreneurs with office space, infrastructure and a range of services and amenities (albeit still limited in scope) to enhance their business skills. In general business support services could be further expanded and scaled up.

## 2. SBA profile<sup>2</sup>



The SBA profile of Montenegro continues to present a moderately positive picture. Some principles, such as 'second chance' and 'environment' continue to score above the EU average. By contrast, performance in 'responsive administration' is still below the EU average, as is 'internationalisation'. Limitations in availability of data need to be taken into account when interpreting the overall results.

During 2016 and the first quarter of 2017, which is the reference period for the policy measures in this year's fact sheet, Montenegro implemented eight policy measures, addressing 6 out of 10 policy areas under the Small Business Act.

On entrepreneurship, the following measures were adopted:

- Montenegro's industrial policy until 2020 was adopted in 2016, setting out a strategic framework for regulatory reform and the envisaged financial and administrative support.

On responsive administration the following key strategy was adopted:

- The 2016-2020 strategy for public administration reform was adopted in July 2016.

Good progress was observed on skills & innovation thanks to the following measures:

- A new law on innovation and strategies on innovative activities was adopted in 2016.
- The 'Tehnopolis' innovation centre was opened in Nikšić in September 2016.

On state aid & public procurement, the following measures were implemented:

- A guide to promote the participation of SMEs in the public procurement market was adopted in June 2017.
- The government adopted a decree to restructure the country's business zones.

Under access to finance, the group of following measures were adopted:

- SME financial support instruments were expanded with more tailor-made credit lines and an improved level of support.

The most important reforms on 'single market' included:

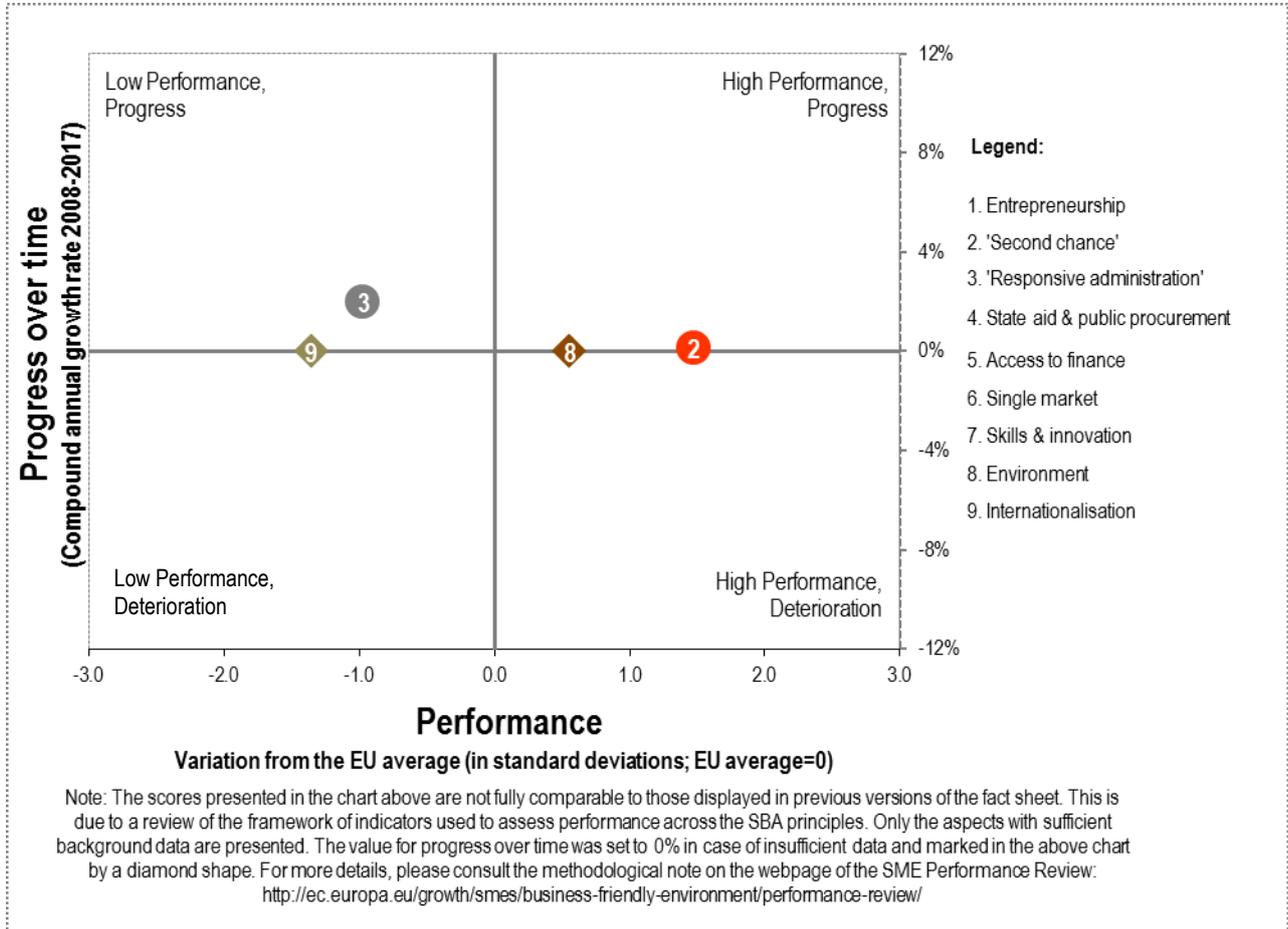
- adoption and start of implementation of the revised strategy for alignment with EU rules on the free movement of goods.

There were no significant new measures taken under the policy areas 'second chance', 'environment' and 'internationalisation'.

Montenegro does not have a specific SBA implementation strategy. However, the SME Development Directorate (SMEDD) prepares annual action plans based on the 2011-2015 SME development strategy. These annual plans include activities in line with the strategic and operational goals, indicate budgets and designate the institutions in charge of implementing them.

The SMEDD manages the coordination team responsible for developing and implementing the strategy, while the SMEDD's Director is the national SBA coordinator. However, in recent years the role of the Directorate has been reduced, as it changed its legal status to become a body within the Ministry of Economy. Its annual budget and the number of its initiatives have also been reduced. However, ever more governmental institutions are getting involved in implementing SBA-related measures, with the Ministry of Economy gradually taking the lead.

## SBA performance of Montenegro: state of play and development from 2008 to 2017<sup>3</sup>



## 3. SBA principles<sup>4</sup>

### 3.0 'Think Small First'

The 'Think Small First' principle is meant to be a guiding principle for all policy- and law-making activities. It requires policy-makers to take SME interests into account at the early stages of the policy-making process. The principle also calls for newly designed legislation, administrative rules and procedures to be made simple and easy to apply.

The reduction of administrative burden is being addressed via the 2016-2020 strategy for public administration reform, which was adopted in July 2016. In addition, Montenegro is in the final phase of implementing a regulatory simplification project. The project started in 2012 and consists of 1 446 measures. While around 90 % of these actions have been implemented, completion is delayed until 2018.

Regulatory impact assessment (RIA) became mandatory for all new legislation (laws and by-laws) in January 2012. A Central RIA Unit is operating in the Ministry of Finance and a report on RIA must be attached to legislation submitted to the government for approval. This is to prevent the RIA from becoming just another formality carried out at the end of the legislative process when all the decisions have already been made.

However, the quality of these RIAs could be improved: they do not always compare several policy options and lack detail on the implementation of policy. They also often do not describe the impacts on the most affected stakeholders, and the quality of costing estimates is variable.

Therefore, although Montenegro has a well-developed procedure for RIA, in practice, the analysis and evidence supporting draft

proposals is often incomplete or weak and RIA is not fully made use of during public consultation. The use of RIA is also limited in scope, since it is primarily used to assess financial impacts. Consequently, not all relevant regulation is subject to RIAs.

Common commencement dates are not applied in the country.

The most pressing need for policy action under 'Think Small First' is a further simplification of business-related legislation, especially at local level. Entrepreneurs and SMEs complain that the number and amount of local authority fees and taxes are too high. Obtaining work permits for different business activities is often a lengthy and expensive task. Therefore, streamlining of business-related laws and by-laws is one of the priority areas.

In 2016 and the first quarter 2017, Montenegro adopted two measures that support the 'Think Small First' principle:

- The 2016-2020 strategy for public administration reform was adopted in July 2016. The objectives of this strategy include an e-government portal to serve as a single point of access to electronic services offered by administrative authorities, which would offer a better user experience and high user satisfaction.
- In June 2017, the public procurement administration adopted SME guidelines to encourage greater participation of SMEs in the public procurement market.

## 3.1 Entrepreneurship

The last year for which Montenegro's performance on entrepreneurship was available was 2010. As this is now 7 years ago, there is not sufficient data available on Montenegro for the entrepreneurship indicators. It is thus not possible to draw any corresponding conclusions on Montenegro's performance on this principle.

Progress was achieved in this area through implementation of the 2011-2015 SME strategy. However, a new SME strategy will be developed and is planned to be adopted in 2018. It will focus on key development branches for SME development and will identify the main areas where assistance to SMEs should be concentrated, such as cluster development strategies and business support services.

A consistent policy framework for entrepreneurial learning has been put in place. The first life-long entrepreneurial learning strategy was introduced in 2008, covering the period 2008-2013, and followed by the 2015-2019 strategy. This strategy aims at increasing entrepreneurial spirit in society as a whole. It also boosts the development of skills and seeks to enhance

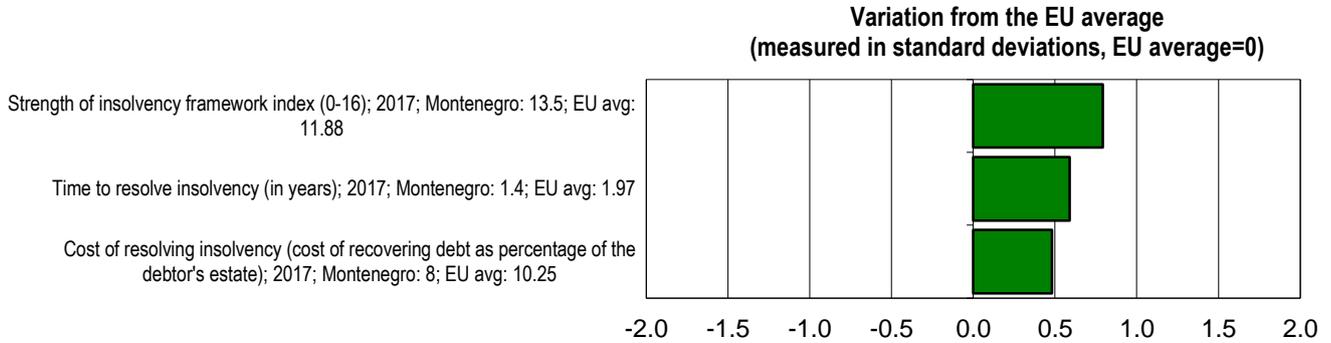
creation of new companies, thus making Montenegro a society of knowledge, innovation and competitiveness. The development of entrepreneurial skills is an integral part of schools' annual programmes and starts at the age of 13.

The most significant gaps lie in the poor framework for business transfers and in the lack of cooperation between higher education institutions and businesses.

The most relevant policy measures adopted during the reference period include:

- Montenegro's industrial policy until 2020 was adopted in 2016, setting out a strategic framework for regulatory reform, as well as envisaged financial and administrative support. The policy recognises the importance of SMEs in every facet of their interaction with the Montenegrin economy and includes activities to promote and enhance innovation and entrepreneurship as well as improve access to finance.

### 3.2 'Second chance'



**Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.**

'Second chance' refers to ensuring that honest entrepreneurs who have gone bankrupt get a second chance quickly. Montenegro continues to perform above the EU average on this principle. Performance is similar to 2016.

Since 2008 progress has been made in this area, which is mainly regulated by the Company Law of 2002, amended in 2011. Some progress was observed when enforcement officers were introduced in 2013, but there has been no notable action in this SBA area in the last few years.

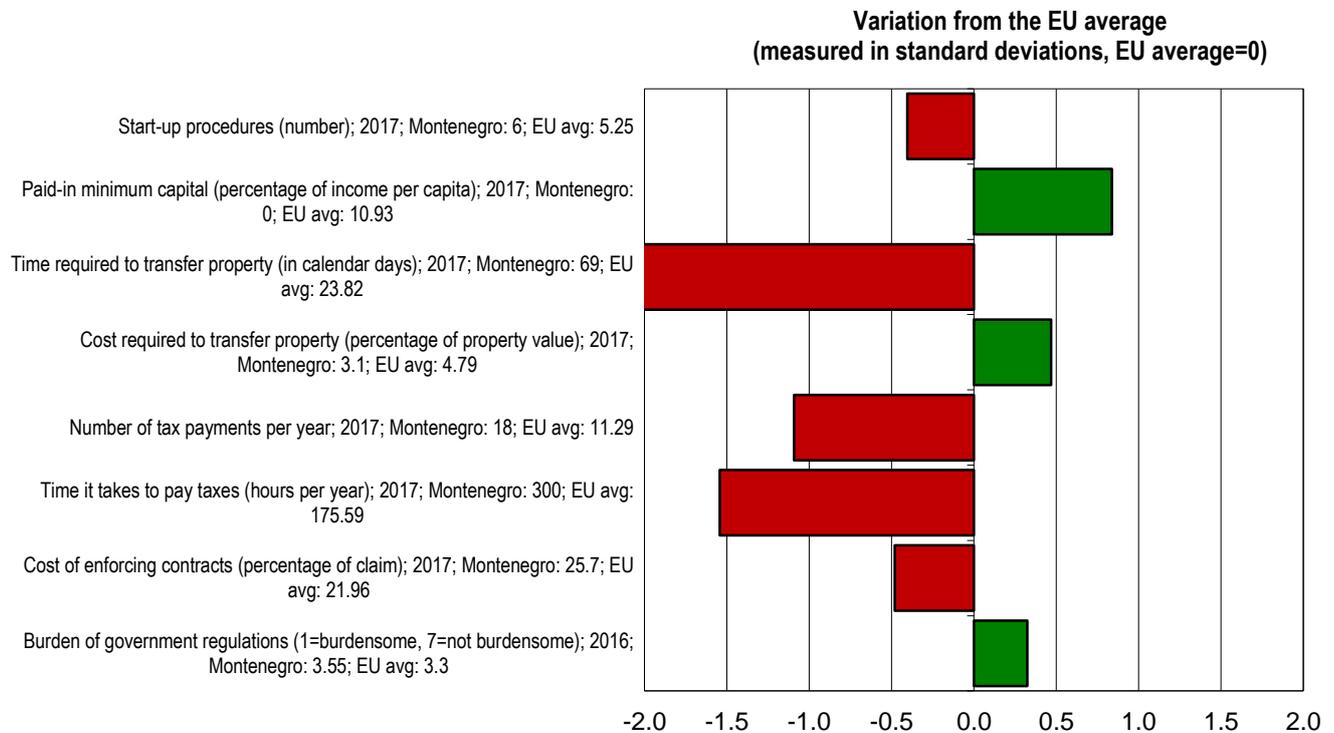
The Law on insolvency governs bankruptcy procedures in Montenegro. Bankruptcy procedures are considered to be carried out in a transparent and systematic manner. The most significant gaps include:

- the lack of national information campaigns to reduce the stigma of failure;

- no possibility of automatic discharge for honest entrepreneurs after liquidation;
- no early warning systems and helpdesk mechanisms in place to prevent and coach entrepreneurs going into bankruptcy.

During 2016 and first quarter of 2017, no significant additional measures were adopted under the 'second chance' SBA policy principle. However, some progress was made on legal delays: most bankruptcy liquidation proceedings are completed in less than a year (unless disputes arise), compared to 18 to 30 months in the past.

### 3.3 'Responsive administration'



**Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.**

'Responsive administration' refers to public administration being responsive to the needs of SMEs. On this principle, Montenegro performs below the EU average. Compared to the previous reporting period, Montenegro's performance on the cost of enforcing contracts, on start-up procedures and the burden of government regulation remain close to the EU average, as is also the case for the cost required to transfer property. By contrast, no progress was made on the time required to transfer property, while the time it takes to pay taxes has not improved as much as the EU average. Lastly, the number of tax payments increased slightly, moving performance on this indicator slightly further away from the EU average.

Although Montenegro is below the EU average on 'responsive administration', it has achieved substantial progress in this area since 2008. As mentioned above, Montenegro is in the final phase of implementing a regulatory simplification project (see 'Think Small First').

There is still no single point of contact responsible for providing help for all start-up procedures. The registration of businesses is a streamlined and a relatively inexpensive procedure. Online company registration and online filing for tax and social security returns are operational, and licensing procedures have been

simplified. Nevertheless, more can be done to make the public administration more customer-orientated, particularly for SMEs. A 2016-2020 strategy for public administration reform was adopted in July 2016. Its objectives include:

- improved efficiency, effectiveness and citizen satisfaction with the quality of the administrative service delivered;
- an e-government portal to serve as a single point of access to electronic services offered by administrative authorities, which would provide a [successful/pleasant] user experience and high user satisfaction;

These objectives will be addressed via measures designed to reduce administrative silence and administrative burden on businesses and to reduce administrative disputes.

The amendments to the Law on free access to information adopted in March 2017 were a further important additional initiative in this area in the last year.

### 3.4 State aid & public procurement

As there is no data available for Montenegro for the indicators on state aid & public procurement, no corresponding conclusions can be drawn on the country's performance in this area.

Montenegro has made good progress on public procurement since 2008. Its institutional and legal framework on public procurement is in place and broadly aligned with EU rules and international standards, with the notable exception of concessions. An electronic portal for public procurement has been established and is functioning. Contracting authorities are obliged to publish their public procurement needs as well as the results of the tenders there.

The 2016-2020 strategy for the development of public procurement is under implementation. As part of this, Montenegro adopted in June 2017 new guidelines to encourage SME participation in tender procedures. Montenegro is seeking to introduce e-procurement, but preparations for this remain at an early stage.

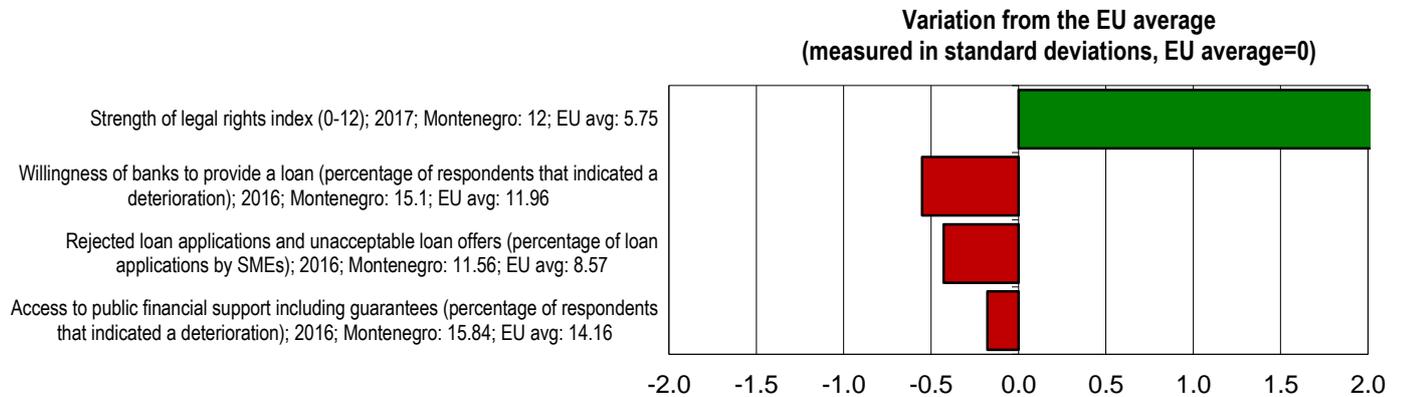
On state aid, Montenegro plans a reform of the law on state aid control in the coming period, in line with its obligations under the Stabilisation and Association Agreement. It needs to ensure the operational independence of the State Aid Control Commission and improve the effectiveness of its control on state aid at all levels.

The most important measures undertaken in 2016 and the first quarter 2017 were:

- a guide to promote the participation of SMEs in the public procurement market, adopted in June 2017;
- the Decree on Business Zones, adopted by the government in 2016 to restructure existing business zones and establish a strategic business zone at national level. Among others, the zones are intended to provide support and incentives for the development of SMEs and entrepreneurship.

On public procurement, despite a number of changes to the law over the period, Montenegro has still not aligned its rules with the 2014 EU package on public procurement, which includes specific new provisions introduced to encourage SME participation in tenders. A significant gap in Montenegro therefore remains the fact that financial requirements are frequently not set according to the size of companies. Moreover, central and joint purchasing is practically not used to pool demands, while SME-friendly procurement in lots needs to be expanded.

### 3.5 Access to finance



**Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.**

For the access to finance principle, data for several indicators is not available. Montenegro’s performance on the strength of legal rights remains the same, significantly above the EU average. However, there has been deterioration in the perception indicators on the willingness of banks to provide loans and on access to public financial support including guarantees. The number of SME loan applications that were rejected also rose.

Overall, SMEs’ access to finance has improved in recent years. Montenegro’s Investment and Development Fund, which provides financial assistance to start-ups, entrepreneurs and SMEs through credit lines at favourable interest rates or guarantees, has almost doubled from around EUR 66 million in 2013 to above EUR 100 million annually. However, the fund is largely dependent on external donors. There is a one-stop shop in place to support SMEs in accessing the required funds.

Furthermore, the last 2 years have seen some growth in banks’ credit, indicating higher corporate lending. Interest rates in both traditional banking system and micro-finance lending facilities in Montenegro are, however, generally higher than in the neighbouring countries.

The key gaps are in the lack of business angel funds and venture capital funds. Moreover, only limited budgetary resources are dedicated to non-financial support to strengthen the availability of SME mentoring and training services, such as on financial literacy. This has been recognised as a reform priority in Montenegro’s 2017 economic reform programme.

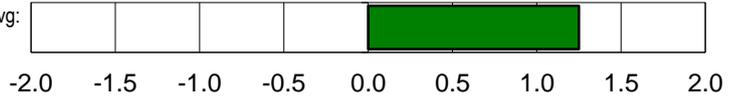
The measures implemented during 2016 and the first quarter of 2017 were:

- Investment and Development Fund credits lines for SMEs surpassed EUR 100 million in 2015 and 2016; the range of instruments is being expanded with more tailor-made credit lines and an improved level of support;
- a pilot programme was launched in mid-2016 to support industrial modernisation. However, the programme is yet to see greater uptake. A higher level of support is planned for SMEs.

### 3.6 Single market

Variation from the EU average  
(measured in standard deviations, EU average=0)

Intra-EU online exporters (% of SMEs); 2015; Montenegro: 11.74; EU avg: 7.52



**Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.**

As Montenegro is not an EU Member State, no relevant comparable data can be retrieved regarding the single market. However, as Montenegro is a candidate for EU membership, it is actively aligning its legislation with EU rules. The one indicator available points to market access above the EU average for firms operating in the online market.

Overall, progress achieved in this area since 2008 has been substantial. The SME Development Directorate (SMEDD) established the Competitiveness and Export Promotion Department and the Trade Information Centre, while the Institute for Standardisation of Montenegro established six new technical committees. The government adopted the Law on competition, and the free trade agreement between Montenegro and EFTA countries was signed. Montenegro is a member of the Enterprise Europe Network, through a consortium composed of SMEDD, the Montenegrin Chamber of Commerce, the Faculty of Mechanical Engineering of the University of Montenegro and the Business Start-Up Centre in the city of Bar. This network provides opportunities for trade, investment, cooperation and access to markets and innovation for entrepreneurs in Montenegro.

The enforcement of intellectual property rights has improved in recent years. In general, there is enough information available on foreign markets and the export/import of goods to/from EU Member States.

A significant gap is the limited availability of advisory services to SMEs on their cross-border activity and the lack of information centres. However, this is being addressed through the establishment of a Trade Information Centre and by Montenegro joining the Enterprise Europe Network.

The most significant additional measure to have been adopted during 2016 was the updated strategy and action plan on the single market for goods. These set out plans to align all of Montenegro's relevant legislation with that of the EU, and the provision of the relevant capacity. Once this is implemented, Montenegrin SMEs should be operating in a legal environment that is largely compliant with EU rules.

On standardisation, Montenegro's legal framework is aligned with that of the EU. Montenegro is an affiliate member of the EU standardisation bodies CEN and CENELEC, and there is one Montenegrin body that is a member of ETSI; full membership of CEN and CENELEC is planned for the end of 2018.

### 3.7 Skills & innovation

As there is not sufficient data available for Montenegro for the indicators on skills & innovation, no corresponding conclusions can be drawn on Montenegrin performance on this principle. However, the score on national R&D available to SMEs is in line with the EU average. That indicator looks at the extent to which national research and development leads to new commercial opportunities and is available to SMEs.

Over the past few years, Montenegro has made good progress in this area. A new strategy on innovative activity (2016-2020) was adopted in July 2016, and the Law on innovation activities was adopted in June 2016. The Law governs the organisation, conditions and manner of financing innovation activities. The 2016-2020 national strategy for employment and development of human resources and the 2016-2017 action plan for the implementation of vocational education strategy were also adopted.

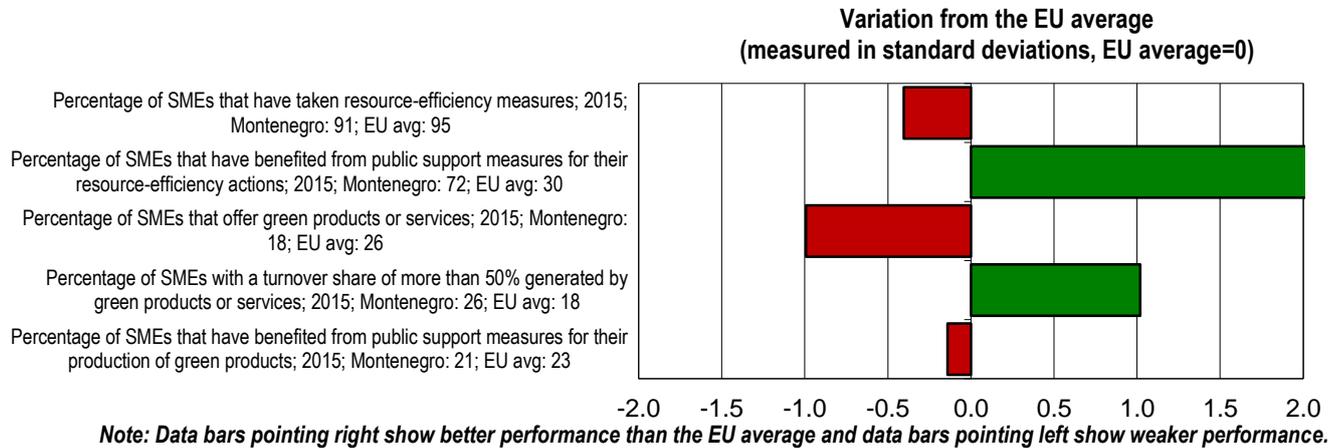
Several other areas are under preparation, including a 2017-2021 scientific research activity strategy and a 2018-2022 smart specialisation strategy. In this context Montenegro has asked to join the Joint Research Centre Smart Specialisation platform. Montenegro also has a research infrastructure

roadmap (2014-2020), which sets out priorities on research infrastructure. Preparations are under way to establish a Science and Technology Park within the University of Montenegro to strengthen links between the academic and economic sectors and encourage innovation. This would be seen as the fulcrum of Montenegro's research infrastructure, feeding into the BIO-ICT and Tehnopolis initiatives (see below).

A system of innovation centres is advancing:

- the BIO-ICT Centre of Excellence: this is an innovative initiative focused on developing and implementing novel bioinformatics technologies. Its work includes possibilities for transferring research results to business entities and other potential users;
- the 'Tehnopolis' Innovation Entrepreneurship Centre opened in Nikšić on 17 September 2016. The centre provides pre-incubation and incubation services together with incentive measures, and aims to achieve closer cooperation between research and industry.

### 3.8 Environment



The overall performance of Montenegro in the environment SBA area is broadly in line with the EU average. However, the country's 2015 scores for the different indicators paint a contrasting picture, with some indicators above the EU average and others below. Results need to be interpreted with caution, not at least due to a limited sample size. Nonetheless, it is notable that many Montenegrin SMEs state that they have benefited from public support measures for their resource-efficiency actions.

In June 2016 Montenegro adopted its third energy efficiency action plan. It will give special attention to putting in place financial support mechanisms to help SME to make energy efficiency investments.

Montenegro's industrial policy strategy until 2020 (adopted in July 2016) calls for a sustainable framework for industrial development through better use of available resources in line with green economy and environmental protection principles. The Investment and Development Fund programme for credit support to environmental protection, energy efficiency and renewable energy can be used to face the challenges on the environment and energy efficiency. In its industrial policy

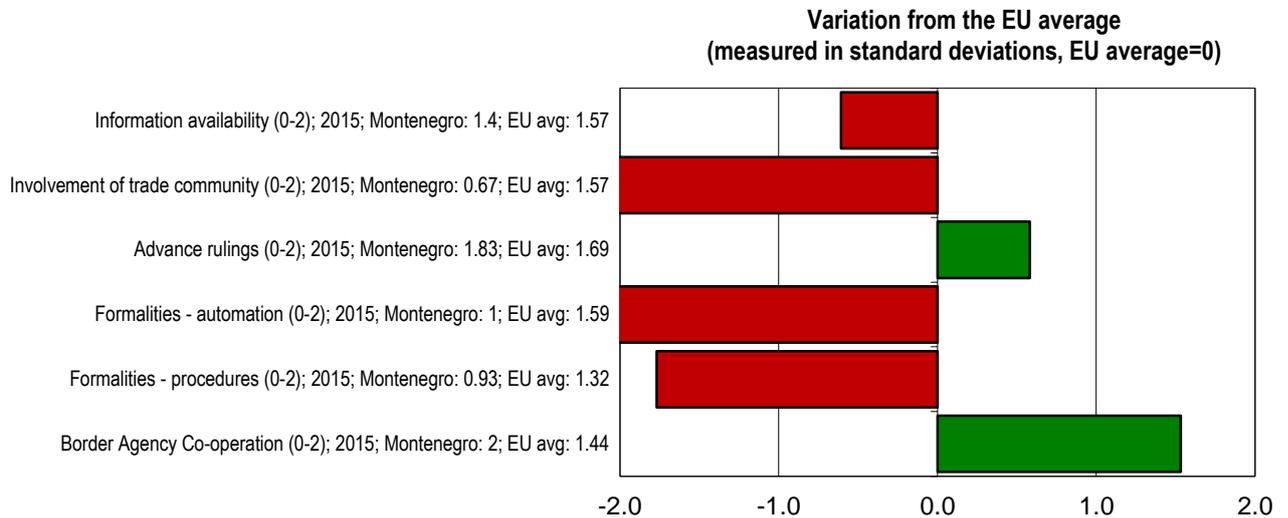
strategy Montenegro identified the following policy instruments to support measures for a green and energy-efficient SME sector:

- environmental impact assessment (EIA);
- the EU Eco-Management and Audit Scheme (EMAS);
- COSME;
- Horizon 2020;
- WBIF.

Energy efficiency and sustainability, together with the use of renewable energy sources, had previously been included in the 2011-2015 SME development strategy. However, only sporadic action has been taken to implement energy-saving production techniques or use renewable energy sources, and the action that has been taken came mainly through EU-funded projects and programmes.

In 2016, Montenegro started to develop a national ecolabel to mirror the EU ecolabel scheme (introduced by Regulation (EC) No 66/2010). The national ecolabel will be made available to interested producers and providers of tourist accommodation.

### 3.9 Internationalisation



**Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.**

On internationalisation, Montenegro has significant room for improvement as some areas of its performance are below the EU average. By contrast, Montenegro's border agency cooperation is above the EU average, while its performance on advance rulings is broadly in line with the EU average.

There have been significant methodological changes for the internationalisation SBA principle in this year's edition of the factsheets, with all World Bank indicators replaced by six OECD trade-facilitation indicators (following a scale on which 0 is the lowest score and 2 is the highest). Therefore, the overall performance in this area cannot be compared to last year's.

Progress in this area has been limited. Some infrastructure is in place to assist internationalisation of SMEs, such as the Enterprise Europe Network, which brings together the SMEDD, the Mechanical Engineering Faculty, the Chamber of Commerce, and the Business Start-up Centre and Incubator in Bar. The SMEDD also created the Competitiveness and Export Promotion Department, and the Trade Information Centre.

The financial support available for export activities is limited. It depends on the current available funds, which are not sufficient for the needs of SMEs.

The most significant gap therefore lies in the limited financial resources available to support internationalisation activities. There is also a need to make the customs authorities and other relevant authorities more customer-orientated and simplify relevant customs procedures.

Furthermore, initiatives to support Montenegrin SMEs are often planned on an ad hoc basis rather than systematically. The SMEDD Department for the Enhancement of Competitiveness and Export Promotion does not have the resources to fully exercise its mandate as an umbrella organisation providing strategic, operational, legal, financial and linguistic support to SMEs for internationalisation. Clusters and accelerators are still at an early stage of development, but their capacities are gradually improving.

During 2016 and the first quarter of 2017, no significant additional measures were adopted on the 'internationalisation' SBA policy principle.



## 4. Interesting initiative

Below is an example of an initiative from Montenegro to show what governments can do to support SMEs:

### 2012-2016 cluster development support programme

In 2012, the Ministry of Economy adopted Montenegro's 2012-2016 strategy for sustainable economic growth through the introduction of business clusters. The goal was to increase the competitiveness and job creation capacities of micro, small and medium-sized firms in pilot clusters through two types of programme — state aid cluster support and technical assistance funded by international financial institutions.

Over the implementation period, EUR 104 222 was awarded to a total of 16 beneficiary clusters through the state aid programme. In addition, the 'Strengthening Competitiveness of Small and Medium-Sized Enterprises in Montenegro through Cluster Development' project financed in 2011 through the EU's instrument for pre-accession provided EUR 525 000 for direct technical support to help four clusters design, implement and monitor joint action plans to create effective market linkages. Overall, this initiative benefited 47 SMEs with 167 fixed-term employees, of whom 28 are women.

The implementation of the cluster development support programme has had a substantial impact on the development and promotion of the cluster concept in Montenegro. It stands as a catalyst for wider implementation to increase the number of beneficiaries across the country.

Reference: 'Review of the Cluster Development Support Programme in Montenegro — a survey among existing and prospective clusters', UNDP, November 2016.

## Important remarks

The European Commission produces the SBA fact sheets, which combine the latest available statistical and policy information. Produced annually, they help to organise the available information to facilitate SME policy assessments and monitor SBA implementation. They take stock and record progress. They are not an assessment of national policies. Rather, they should be regarded as an additional source of information to improve evidence-based policy-making. For example, they cite only policy measures considered relevant. They do not and cannot reflect all measures the government has taken over the reference period.

SME Performance Review:

[https://ec.europa.eu/neighbourhood-enlargement/policy/policy-highlights/sme-performance-review\\_en](https://ec.europa.eu/neighbourhood-enlargement/policy/policy-highlights/sme-performance-review_en)

<http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

Small Business Act:

[http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/index\\_en.htm](http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/index_en.htm)

European Small Business Portal:

[http://ec.europa.eu/small-business/index\\_en.htm](http://ec.europa.eu/small-business/index_en.htm)

## Endnotes

<sup>1</sup> The two graphs below present the trend over time for the variables. They consist of index values for the years since 2008, with the base year 2008 set at a value of 100. As from 2015, the graphs show estimates of the development over time, produced by DIW Econ on the basis of 2008-2014 figures from Eurostat's Structural Business Statistics Database. The data cover the 'non-financial business economy', which includes industry, construction, trade and services (NACE Rev. 2 sections B to J, L, M and N). They do not cover enterprises in agriculture, forestry and fisheries or largely non-market service sectors such as education and health. A detailed methodology can be consulted at: <http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

<sup>2</sup> The 2017 SBA fact sheets benefited substantially from input from the European Commission's Joint Research Centre (JRC) in Ispra, Italy. The JRC made major improvements to the methodological approach, statistical work on the dataset and the visual presentation of the data.

<sup>3</sup> The quadrant chart combines two sets of information. Firstly, it shows current 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 the EU-28. Secondly, it shows progress over time, i.e. the average annual growth rates from 2008 to 2017. These are measured against the individual indicators which make up the SBA area averages. Hence, the location of a particular SBA area average in any of the four quadrants provides information not only about where the country is located in this SBA area relative to the EU average at a given point in time, but also about the extent of progress made between 2008 and 2017. All SBA principles, with the exception of the 'Think Small First' principle for which there is not enough statistical data available, are calculated as composite indicators following the OECD/JRC Handbook guide. A detailed methodology can be consulted at: <http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

<sup>4</sup> The policy measures presented in this SBA fact sheet are only a selection of the measures the government took in 2016 and the first quarter of 2017. Only those measures were selected which are expected to have the highest impact in the SBA area in question.