



Key points

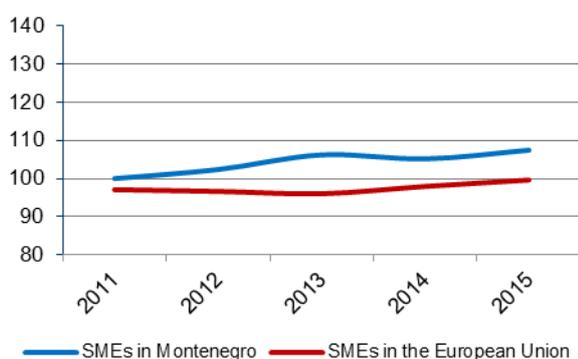
Past & future SME performance¹: Nearly 70 % of value added and more than three quarters of national employment in Montenegro is generated by SMEs, compared with an average of 57 % and two thirds respectively for SMEs in the EU. SMEs are the main growth driver in Montenegro. Value added increased by almost 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.

Implementing the Small Business Act for Europe (SBA): The principles of ‘second scores above the EU average. The principles of ‘Internationalisation’, ‘environment’ and ‘responsive administration’ are close to the EU average. Progress has continued in the areas of ‘Internationalisation’ and, to a lesser extent, ‘responsive administration’. Performance slipped with regard to ‘environment’. The constraints in data availability need to be kept in mind when interpreting the overall results.

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

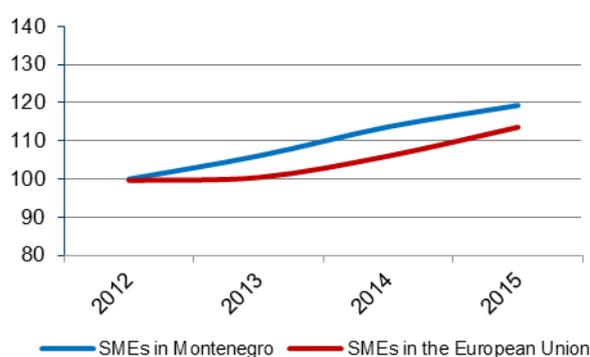
Number of persons employed in SMEs

(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.

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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 %
SMEs	24 074	99.9 %	99.8 %	85 749	75.5 %	66.6 %	912	68.3 %	56.8 %
Large	31	0.1 %	0.2 %	27 770	24.5 %	33.4 %	423	31.7 %	43.2 %
Total	24 105	100.0 %	100.0 %	113 519	100.0 %	100.0 %	1 336	100.0 %	100.0 %

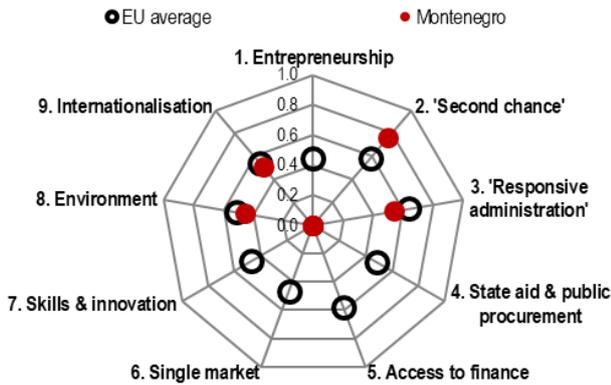
These are estimated data sets for 2015 based on available data from the national statistical office of Montenegro. The data cover the non-financial business economy, which includes industry, construction, trade, and services (NACE Rev. 2 sections B to J, L, M and N), but not enterprises in agriculture, 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. This table is the same as last year's as no new data was provided by the 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

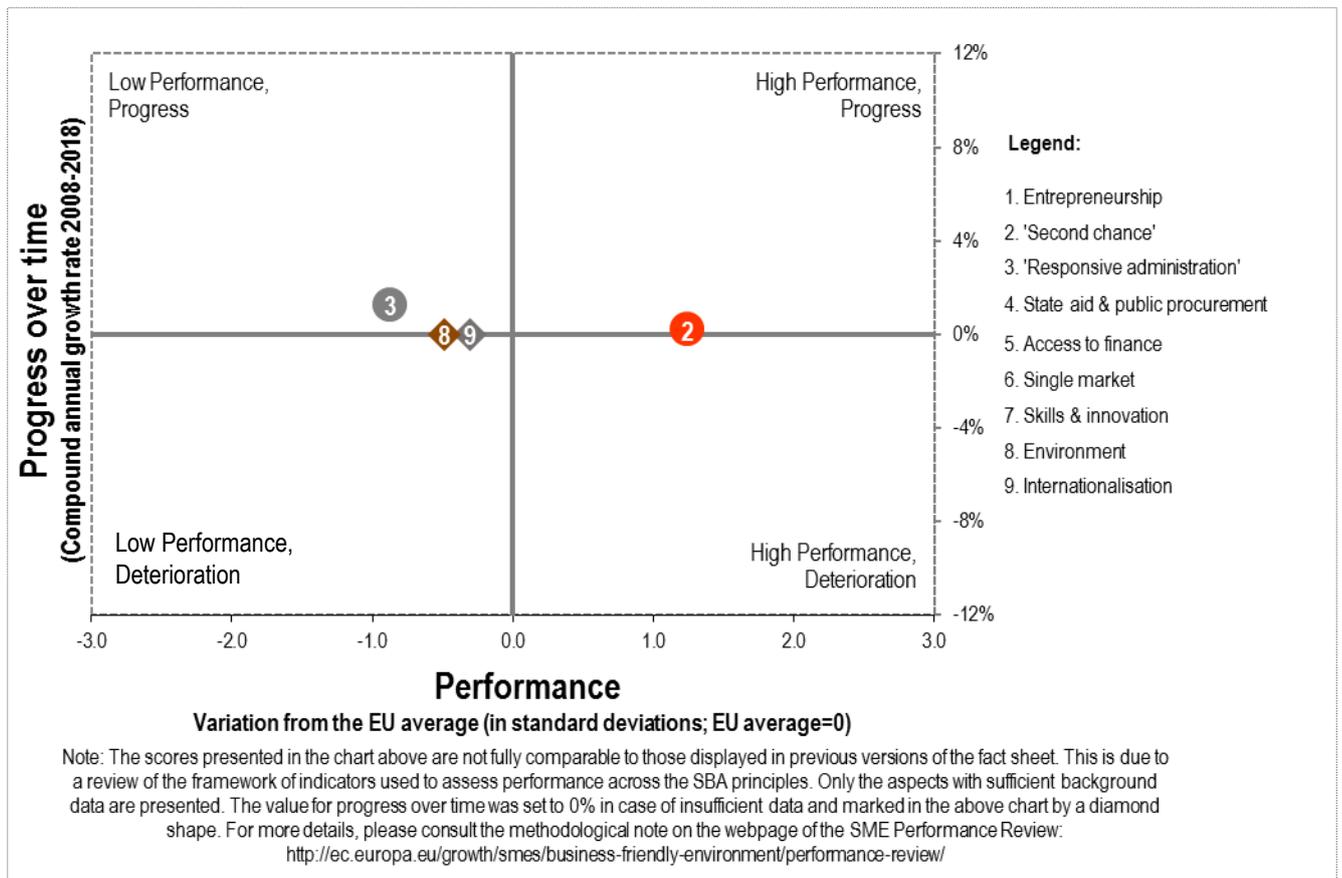
an average of 56 % of value added and 66 % of national employment in the EU.

2. SBA profile²



The overall SBA profile of the Montenegro continues to show a mixed picture. The principles of 'second scores above the EU average. The principles of 'Internationalisation', 'environment' and 'responsive administration' are close to the EU average. Progress has continued in the areas of 'Internationalisation' and, to a lesser extent, 'responsive administration'. Performance slipped with regard to 'environment'. The constraints in data availability need to be kept in mind when interpreting the overall results.

SBA performance of Montenegro: state of play and development from 2008 to 2018³



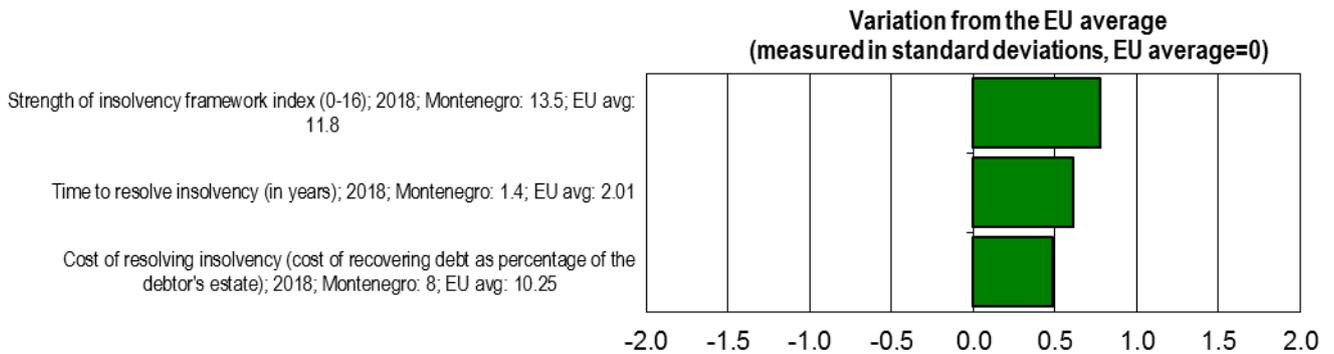
3. SBA principles⁴

3.1 Entrepreneurship

Regarding the indicators related to this principle, no sufficient data has been collected. Therefore, it is not possible to draw any

general conclusions on the performance on entrepreneurship vis-à-vis the EU.

3.2 ‘Second chance’

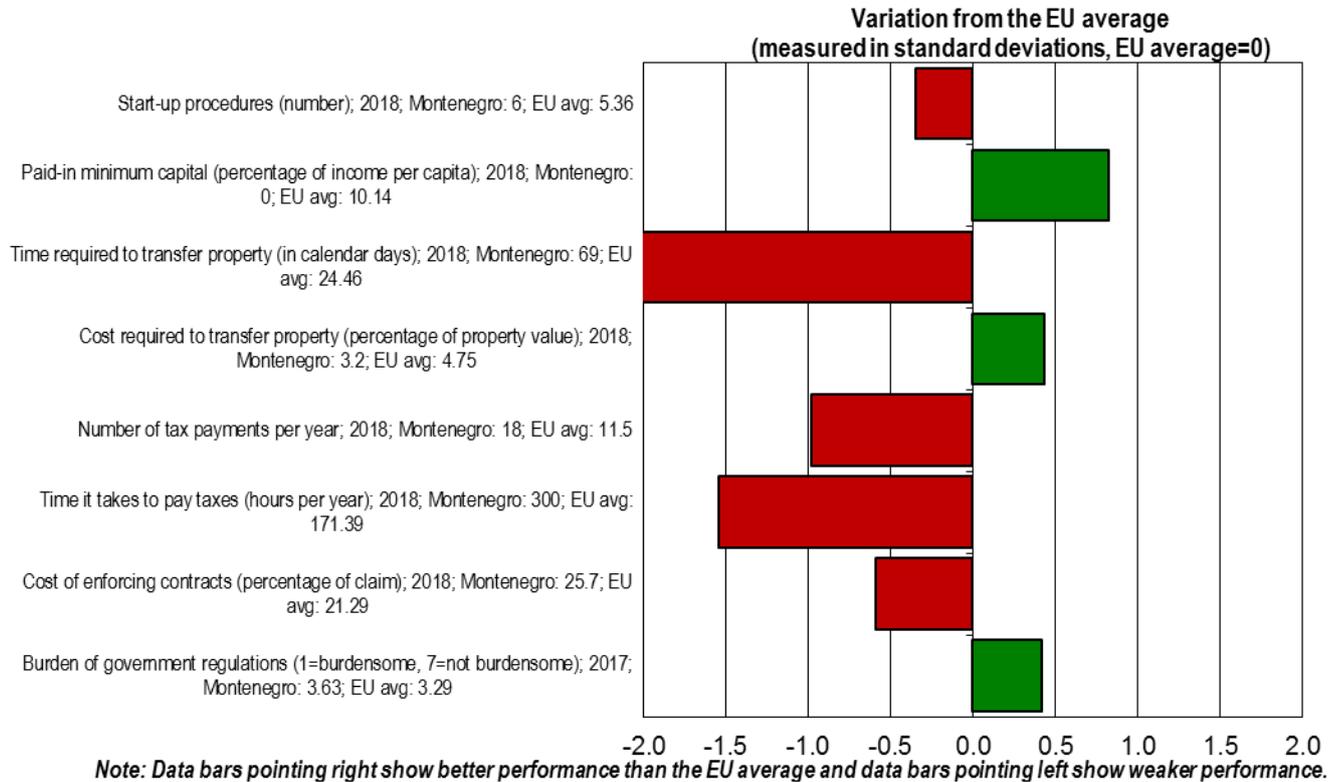


Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

‘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 2017.

The constraints in data availability need to be kept in mind when interpreting the overall results in this regard.

3.3 ‘Think Small First’ and ‘Responsive administration’



The ‘think small first’ principle is meant to be a guiding principle for all policy- and law-making activities. It requires policymakers to take SME interests into account at the early stages of the policy-making process. ‘Responsive administration’ refers to public administration being responsive to the needs of SMEs. The principle also calls for newly designed legislation, administrative rules and procedures to be made simple and easy to apply. Performance is similar to 2017.

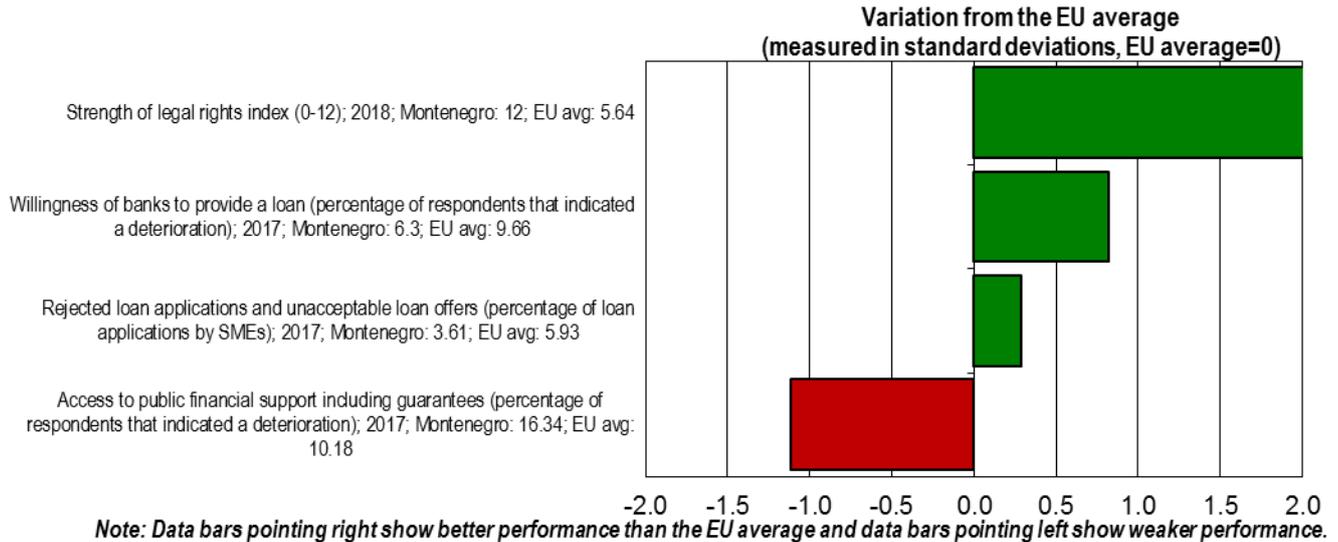
Montenegro’s performance on the cost of enforcing contracts, on start-up procedures and the burden of government regulation remain close to the EU average, as is also the case for the cost required to transfer property. By contrast, no progress was made on the time required to transfer property, while the time it takes to pay taxes has not improved as much as the EU average. Lastly, the number of tax payments increased slightly,

3.4 State aid & public procurement

Regarding the indicators related to this principle, no sufficient data has been collected. Therefore, it is not possible to draw any

general conclusions on the performance on state aid & public procurement vis-à-vis the EU.

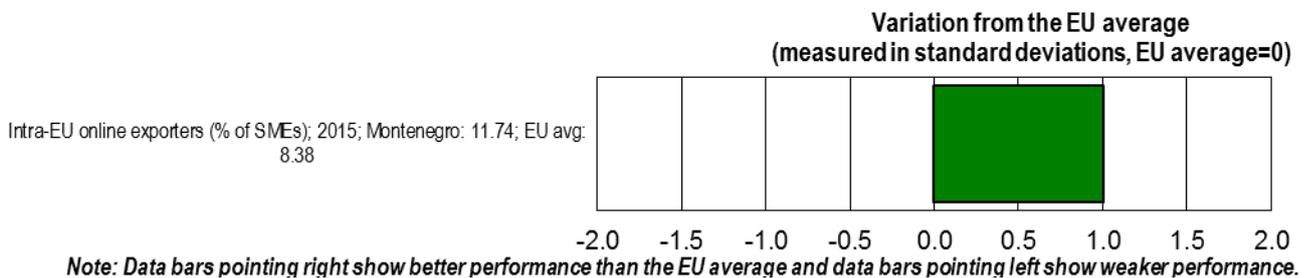
3.5 Access to finance



The data to indicate performance on the principle access to finance is only available for a limited number of corresponding indicators. The strength of the legal rights index is above EU average, as it was in 2017. There has also been improvements with regard the perception indicators on the willingness of banks

to provide loans and the number of SME loan applications that were rejected, which are now both above the EU average. However, access to public financial support - including guarantees - remains below the EU average, and the situation has deteriorated since 2017.

3.6 Single market



As Montenegro is not an EU Member State, no relevant comparable data on EU legislation transposition and trade within the single market is available.

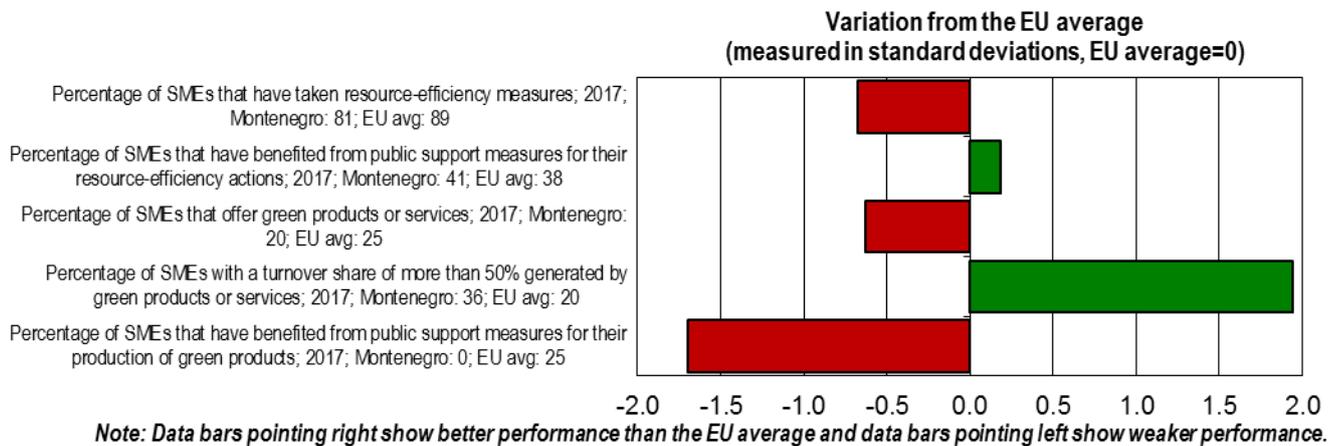
The one indicator available points to market access above the EU average for firms operating in the online market.

3.7 Skills & innovation

Regarding the indicators related to this principle, no sufficient data has been collected. Therefore, it is not possible to draw any

general conclusions on the performance on skills & innovation vis-à-vis the EU.

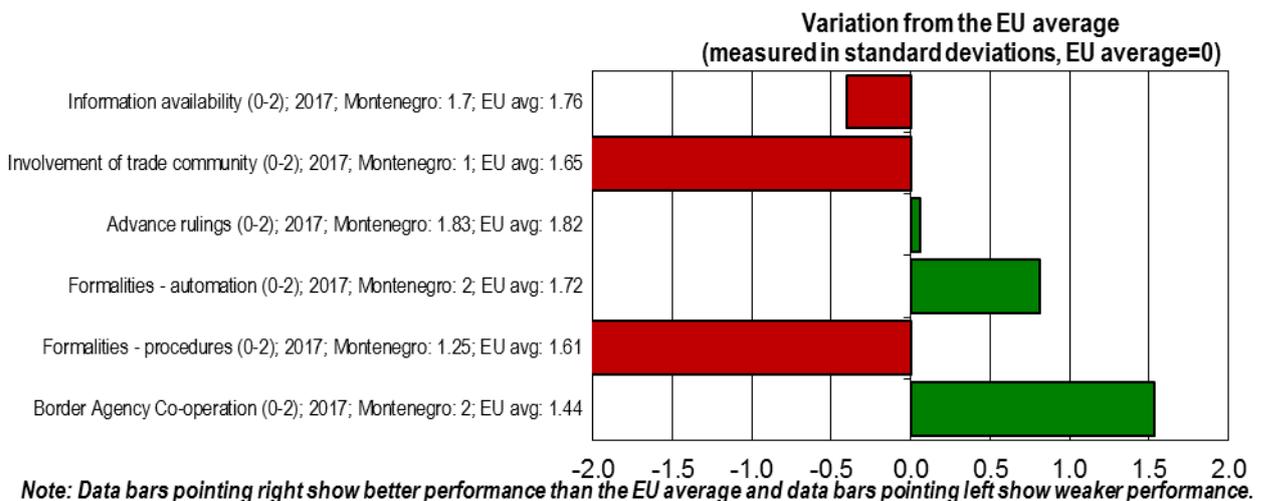
3.8 Environment



The overall performance of Montenegro in the environment SBA area is broadly in line with the EU average. However, the country's 2017 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.

3.9 Internationalisation



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.

Nevertheless, formalities are now above the EU average, which is in contrast to the situation in 2015, when Montenegro was below the EU average.

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.

NB: This is the same initiative as in 2017, as it remains relevant.

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:

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

grow-spr@ec.europa.eu

Small Business Act:

http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/index_en.htm

Entrepreneurship and SMEs:

<https://ec.europa.eu/growth/smes>

Endnotes

¹ 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 2016, the graphs show estimates of the development over time, produced by DIW Econ on the basis of 2008–2015 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/>

² The 2018 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.

³ 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 2018. 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 2018. 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/>

⁴ The policy measures presented in this SBA fact sheet are only a selection of the measures the government took in 2017 and the first quarter of 2018. Only those measures were selected which are expected to have the highest impact in the SBA area in question.