



# SME POLICY INDEX

## WESTERN BALKANS AND TURKEY 2022

### ASSESSING THE IMPLEMENTATION OF THE SMALL BUSINESS ACT FOR EUROPE

#### Launch of the publication Montenegro

30 September 2022

# Presentation outline



**Objectives and features of the SME Policy Index 2022 publication**



**SME sector in Montenegro**




**Overview of SME Policy Index 2022 assessment for Montenegro**






# Main objectives and key features of the SME Policy Index 2022 publication

## SME Policy Index objectives:


 provide **inputs for national SME development strategy and other national development strategies** (e.g. innovation, education, environmental protection) as well as **guide the ERPs,**

 **monitor alignment in enterprise policy with the EU *acquis*,** especially with respect to Chapter 20.

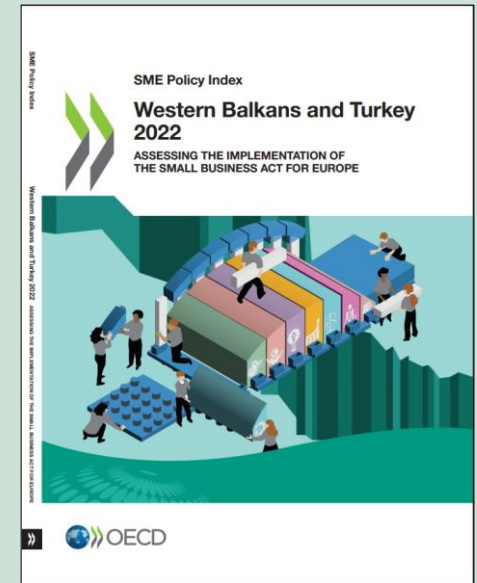
## Key features of 2022 edition:

 increased focus on **analysing the implementation of the policy recommendations** provided in the 2019 edition,

 analysis of the impact of the **COVID-19 pandemic** on policies,

 horizontal approach to **the themes that are becoming of increasing importance for the region** (e.g. greening, digitalisation),

 examples of the **latest OECD and EU policy trends,** instruments, tools and good practices.



# Presentation outline



**Key features of the SME Policy Index 2022 publication**



**SME sector in Montenegro**



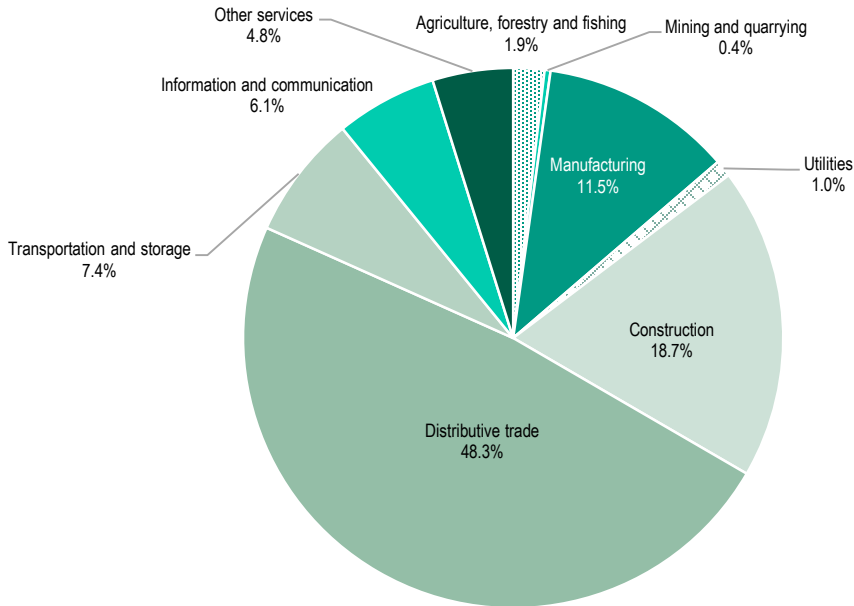
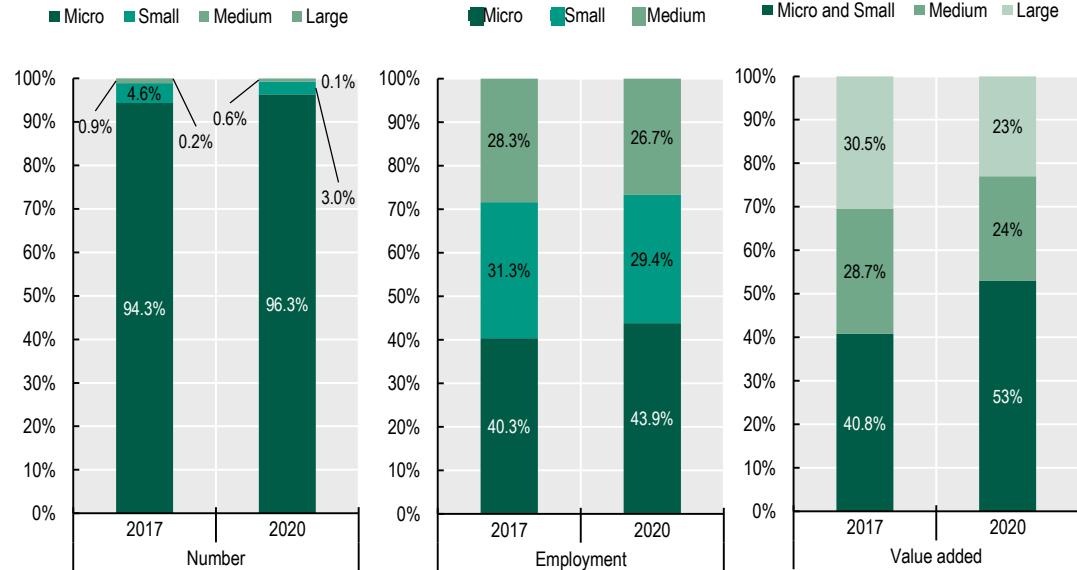
**Overview of SME Policy Index 2022 assessment for Montenegro**





# SME sector in Montenegro

- SMEs represented **99.9%** of all enterprises in 2020
- SMEs accounted for over **140 000 jobs** in 2020 and increase of over 35 000 since 2017
- SMEs constituted **77% of value added by businesses**, a 6.5-percentage-point increase from 2017



- The **distributive trade sector** remains the overwhelming industry of SMEs in the economy at **48.3%**
- **At 18.7%, the construction** sector follows as the second-highest number of SMEs, with **manufacturing** trailing at **11.5%**
- Most of Montenegro's companies (~**36%**) are located in Podgorica, with approximately **15.5%** located in **Budva**





# Presentation outline



**Key features of the SME Policy Index 2022 publication**



**SME sector in Montenegro**

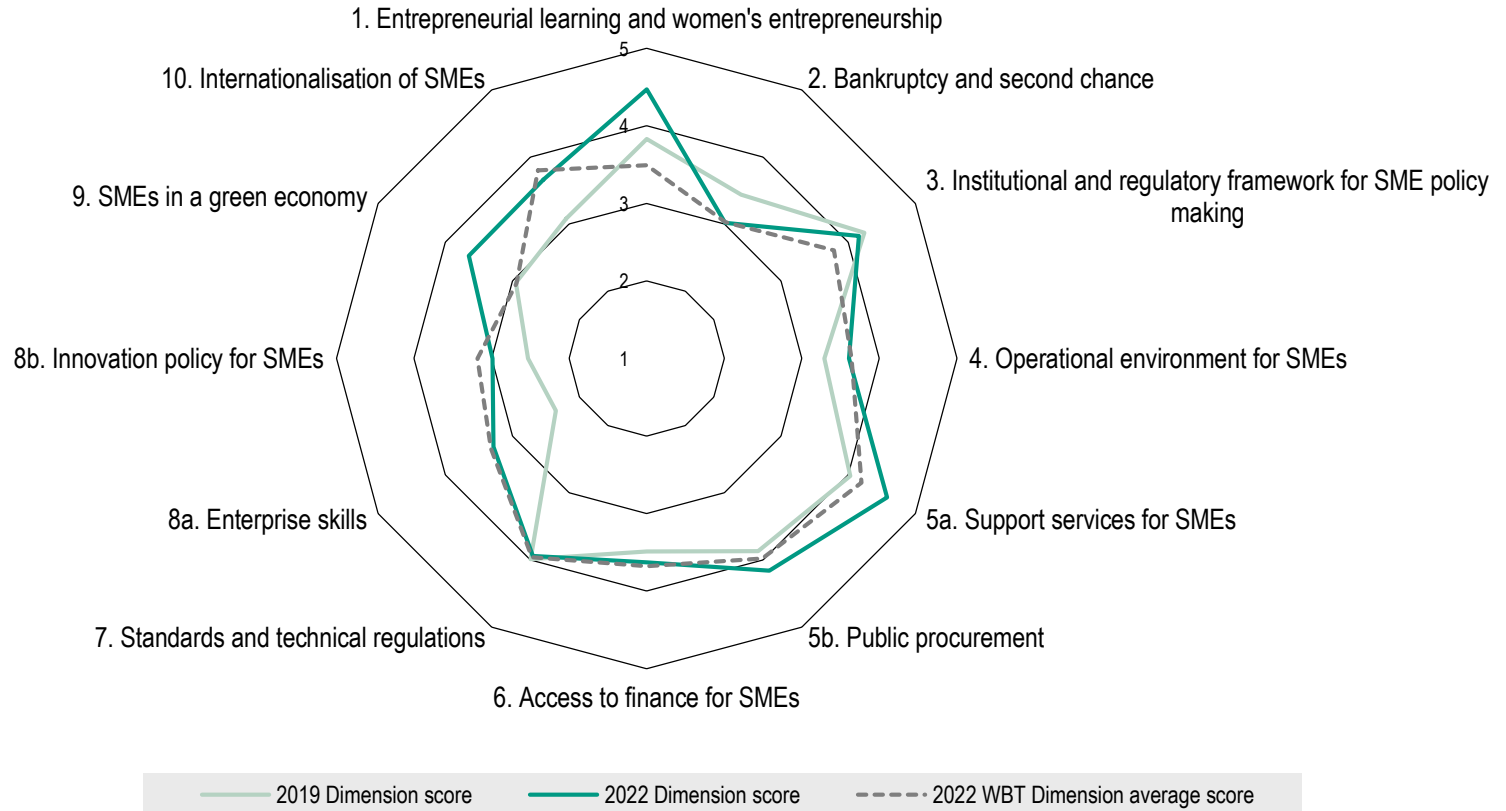


**Overview of SME Policy Index 2022 assessment for Montenegro**





# 2022 assessment results for Montenegro show improvements across policy areas



## The strongest performance is in the areas of:

- Dimension 1: Entrepreneurial learning and women's entrepreneurship
- Dimension 3: Institutional and regulatory framework for SME policy making
- Dimension 5a: Support services for SMEs
- Dimension 5b: Public procurement

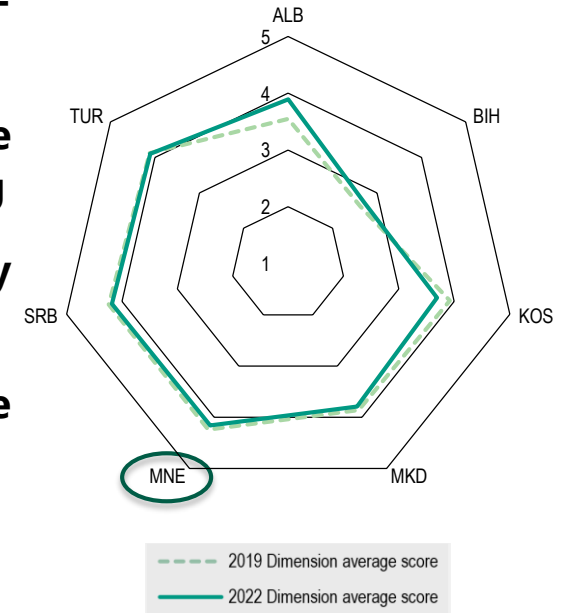
## The most room for improvement is in the areas of:


- Dimension 2: Bankruptcy and second chance
- Dimension 6: Access to finance for SMEs
- Dimension 8a: Enterprise skills



# The institutional and regulatory framework for SME policy making remains strong

- 1 **Implementation of Montenegro's MSME Strategy (2018-2022) advanced well during the assessment period**
- 2 **Progress was made in rationalising charges, but a more ambitious framework for legislative simplification is lacking**
- 3 **The quality of regulatory impact assessments is steadily improving**
- 4 **Public-private dialogue has been strengthened, but the framework for conducting PPCs could still be improved**



 **79%** of activities

of the Action Plan for Montenegro's MSME Strategy were implemented in 2020



**68%** of RIAs conducted in 2020

were rated as "done with quality", compared to 61% in 2019



**40%** of businesses in 2021

expressed dissatisfaction with procedures for PPCs, compared to 32% in 2019.







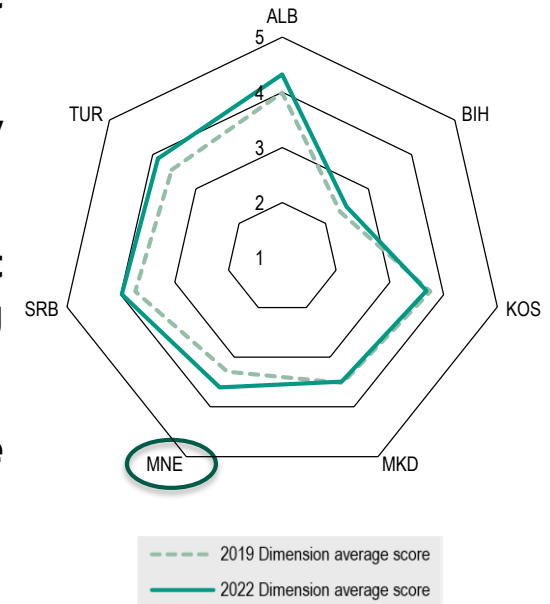
## Institutional and regulatory framework for SME policy making – Way forward

- **Focus efforts to improve RIA on the areas identified by monitoring and evaluation reports:**
  - Options definition,
  - Impact assessment,
  - Fiscal impact assessment,
  - Consultations with stakeholders and
  - Monitoring and evaluation.
- **Improve monitoring and evaluation of public-private consultations.**



# The operational environment for SMEs has improved across the board, mainly thanks to progress in simplifying company registration

- 1 The policy and legal frameworks for digital government services have been strengthened
- 2 The company registration process has been considerably simplified
- 3 Information on business licensing is centralised, but digitalisation and streamlining of procedures are advancing slowly
- 4 Some progress has been made in reducing tax compliance costs for SMEs



**27%** of businesses surveyed in 2021 expressed satisfaction with digital government services – down from 63% in 2019



**16** different forms

were previously required to register a company, and have since 2019 been replaced by a single application



**41%** of businesses surveyed in Montenegro in 2021 considered licensing procedures to be a major obstacle to their operations.





## Operational environment for SMEs – Way forward

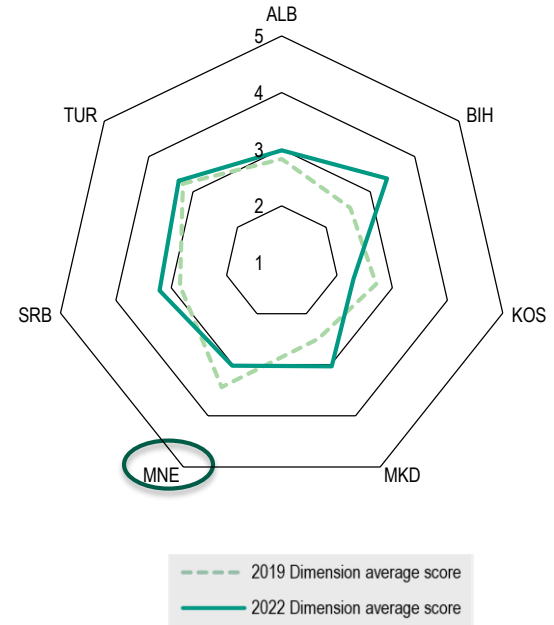
- **Build the capacity of the public administration** to understand the end needs of users when designing digital services.
- **Improve monitoring and evaluation of digital government services.**
- **Finish streamlining the process of electronic licensing** and consider creating a central co-ordination body responsible for overseeing the licensing process.
- **Evaluate the tax burdens faced by different types of SMEs** from a tax policy perspective, for instance, by using business tax returns.





# More efforts are needed in preventing bankruptcy and facilitating second chance opportunities for SMEs

- 1 Moderate progress made regarding the insolvency legislative framework, with new amendments to the 2011 Insolvency Act**
- 2 Despite a wide range of advisory support for SMEs, preventive measures are yet to be implemented**
- 3 Simplified bankruptcy proceedings for SMEs are not present in the legal framework**
- 4 Second chance programmes are still lacking across the economy**



**3.02** is Montenegro's score

in the Bankruptcy and second chance dimension in 2022



**3** positive legislative amendments

were made across Montenegro, leading to the alignment of the legislative framework for insolvency





## Bankruptcy and second chance – Way forward

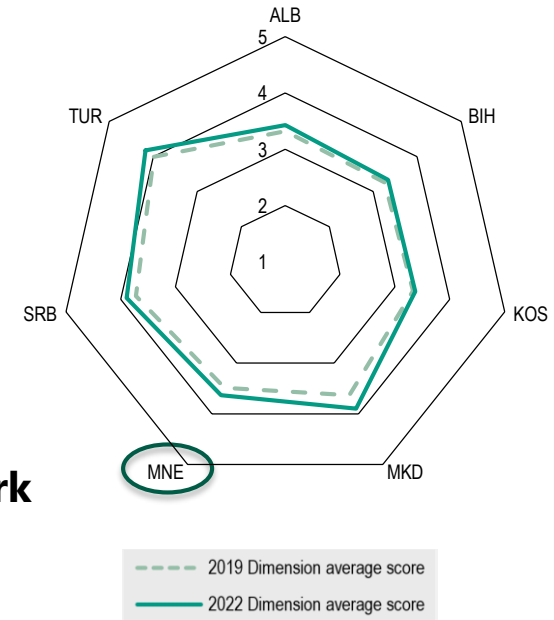
- **Develop insolvency prevention policy measures**, including a fully-fledged early warning system.
- **Digitalise liquidation proceedings** by introducing e-auctions to sell assets from the bankruptcy estate
- **Introduce simplified bankruptcy proceedings for SMEs**
- **Promote second chance to honest entrepreneurs**





# Access to finance has been facilitated by reinforced legal frameworks and increased credit schemes

- 1 The well-developed legal framework has been reinforced**
- 2 The banking sector remains stable and well-supervised**
- 3 Traditional financing continues to be expensive for SMEs**
- 4 Alternative financing options remain underdeveloped and underutilised with some positive developments noted**
- 5 Financial literacy is low but efforts to improve the framework are progressing**



**93%** of the population

was covered by the credit registry by the end of 2021, up from 75% in 2019



**€ 280 million**

in credit lines provided by the IDF in 2020, 40% more than initially planned



**€ 80 million**

in financing provided by microfinancing in 2020 compared to € 60 million in 2017





## Access to Finance – Way forward

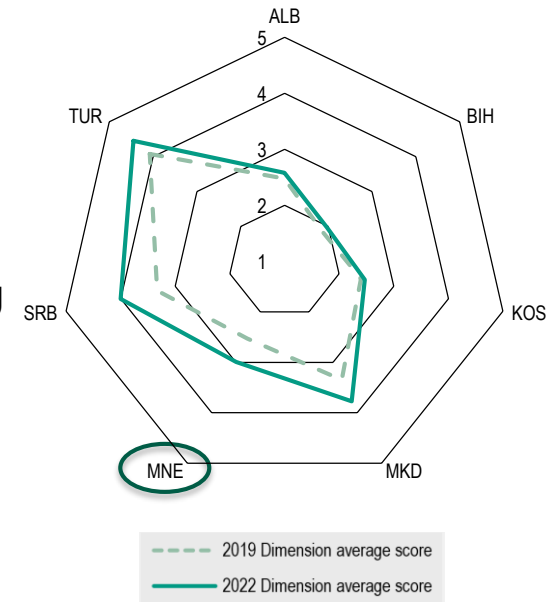
- **Promote sustainable banking practices,** by replacing temporary crisis support measures replaced with long-term measures targeting those segments of the private sector requiring the most support.
- **Raise awareness about alternative sources of finance.**
- **Pursue legislation to facilitate financing for start-ups.**
- **Develop a comprehensive financial literacy strategy.** The strategy should address both measures for entrepreneurs and the broader public, set out an action plan and suggest a clear implementation mechanism and body responsible for its execution.





# The innovation landscape is improving despite stagnating investment in R&D

- 1 **Implementation capacity of the strong legal and policy framework is gaining momentum**
- 2 **The institutional environment supporting innovation is growing**
- 3 **Funding for innovative companies and projects is increasing**
- 4 **Financial and institutional support for business-academia collaboration is expanding**
- 5 **Investment in R&D remains marginal**



**19** innovation start-ups received **training and mentoring services** under the BoostMeUp initiative in 2020



**€ 1.7 million** in grants has been awarded to companies developing innovative market oriented products since 2018



**0.5%** of GDP is the total amount expended on **R&D investments** in Montenegro







## Innovation Policy – Way forward

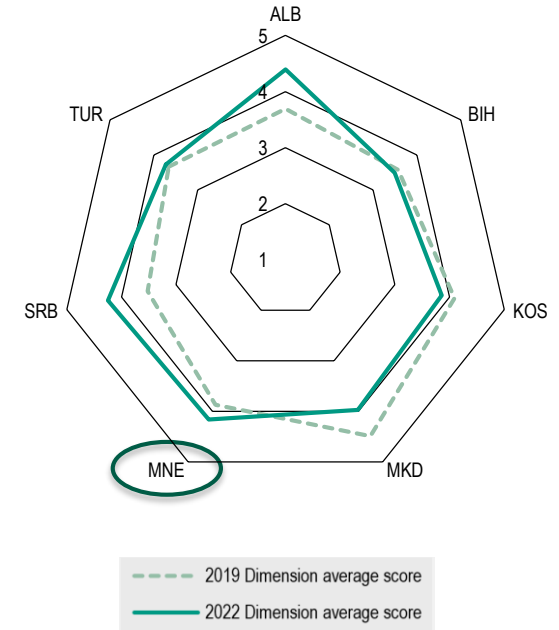
- **Ensure strong performance of the Innovation Fund in its first year of operation.**
- **Progress with the construction of the four-pillar network of the Science and Technology Park, with a strong focus on business-academia collaboration.**
- **Introduce measures to stimulate collaboration between research institutions and the private sector,** by boosting investments in R&D and building the foundations of a knowledge economy





# Positive developments were undertaken to reinforce public procurement

- 1 **The regulatory framework has been significantly modified to satisfy EU requirements**
- 2 **A new e-procurement system has been established (the National System of Electronic Public Procurement)**
- 3 **More emphasis is placed on supporting SMEs in accessing the public procurement market**
- 4 **Sustainable and green procurement is encouraged**



**13.1%** of GDP  
is the amount of Montenegro's **public procurement market**

**10.4%** decrease  
of the **value of awarded contracts** during the COVID-19 pandemic in Montenegro.

**100%** of recommendations  
From last cycle's assessment were either **moderately or fully implemented** by Montenegro

Sources: 1: European Commission, 2021, 2: Directorate for Public Procurement Policy, 2021





## Public procurement – Way forward

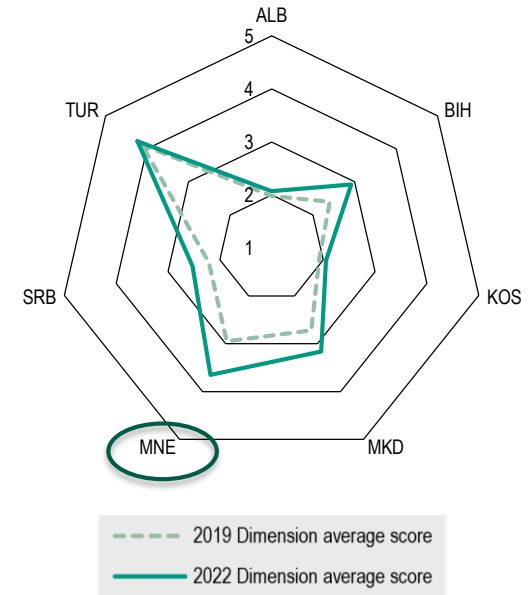
- **Facilitate meaningful application of quality criteria to enable the selection of the most economically advantageous tender.** Application of the price-quality criterion enables contracting authorities to obtain customised, innovative goods or services that perform better in terms of quality, with broader economic, social and environmental impacts.





# Substantial progress was made to encourage SMEs' green transition

- 1 Strong policy framework for green policies targeting SMEs
- 2 A whole-of-government approach has been adopted to co-ordinate the work on SME greening policies
- 3 The private sector has been increasingly involved in the development of greening measures
- 4 Green access to finance has been facilitated
- 5 Other incentives, such as green public procurement, have been insufficiently used in practice



1.6 million EUR

was the **budget** of the newly established **Eco Fund** in 2021



26% of SMEs

offer **green products or services**, a 7 p.p. increase since 2018



100% of

recommendations

From last cycle's assessment were either **moderately or fully implemented** by Montenegro





## SMEs in a green economy – Way forward

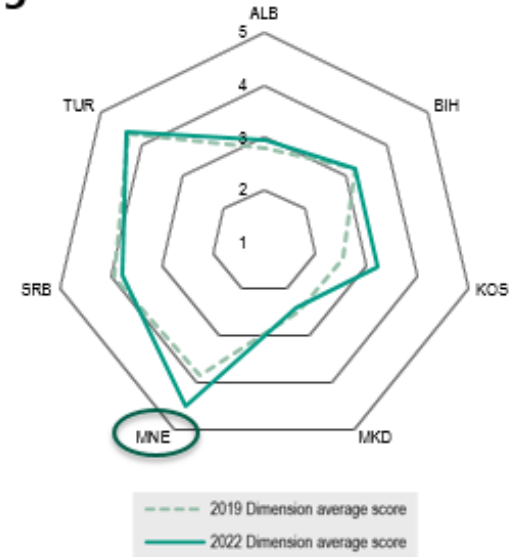
- **Conduct regular monitoring and evaluation of different SME greening support programmes** to better adapt them to SMEs' actual needs and harmonise the programmes offered by different institutions.
- **Facilitate the transition to a circular economy through green public procurement.**





# Entrepreneurial learning and women's entrepreneurship progressed through new strategic documents and digitalisation

- 1 **New strategy prioritises entrepreneurial learning, reinforcing policy and practice**
- 2 **Progress made integrating key competences into education and training**
- 3 **Reinforced policy co-ordination and implementation frameworks for women's entrepreneurship**
- 4 **Increased digitalisation is highlighted as an enabler for women's entrepreneurship**



**83%** of OECD recommendations from 2019 have been fully implemented in Montenegro



**13%** of GDP in Montenegro is lost due to gaps in the participation of women entrepreneurs



**41.9%** of women participate in the labour force in Montenegro





## Entrepreneurial learning and women entrepreneurship – Way forward

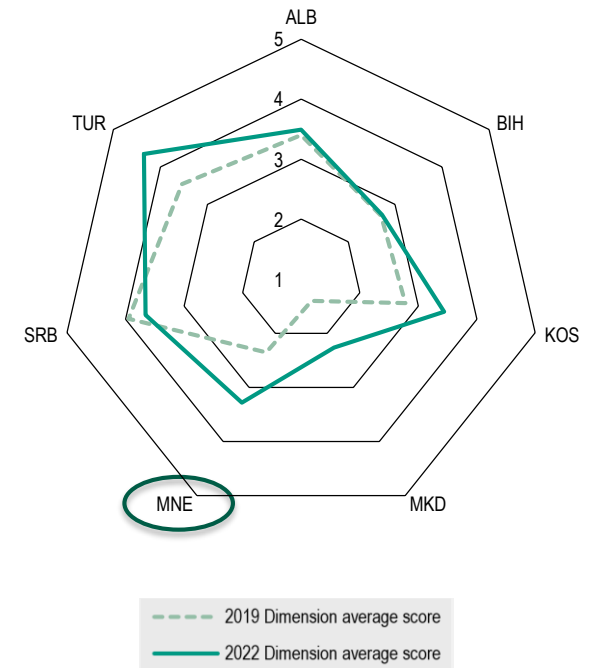
- **Match pre-service teacher training provision to the needs of the new framework for key competences**
- **Develop a system-level approach to graduate tracking** from vocational and higher education, identifying a designated lead institution to move this forward.
- **Develop a system-level approach to monitoring women's entrepreneurship**
- **Launch a single portal for women's entrepreneurship** in Montenegro to bring together information and resources at the national level.





## A stronger focus was put on implementing enterprise skills policies

- 1 Strong progress has been made towards smart specialisation
- 2 Better skills intelligence is being gathered, with improvements needed in developing a national skills intelligence framework
- 3 Consistent approach across enterprise skills policies is needed
- 4 Emphasis should be placed on open access to information on available support



**75%** of OECD  
recommendations

were partially implemented in  
Montenegro since 2019



**73.5** million EUR

have been dedicated in 2021-  
22 to **implement the Smart  
Specialisation Strategy**







## Enterprise skills – Way forward

- **Create a single portal for enterprise skills to open up access to information and support for start-up and skills development**, bringing together sources of finance, advice, training and resources from government and non-government actors.
- **Ensure consistent focus on SME skills within the Smart Specialisation Strategy of Montenegro (2019-2024)** and its operational plans and related policies.
- **Designate a body to lead the co-ordination and development of an action plan for SME skills intelligence.**



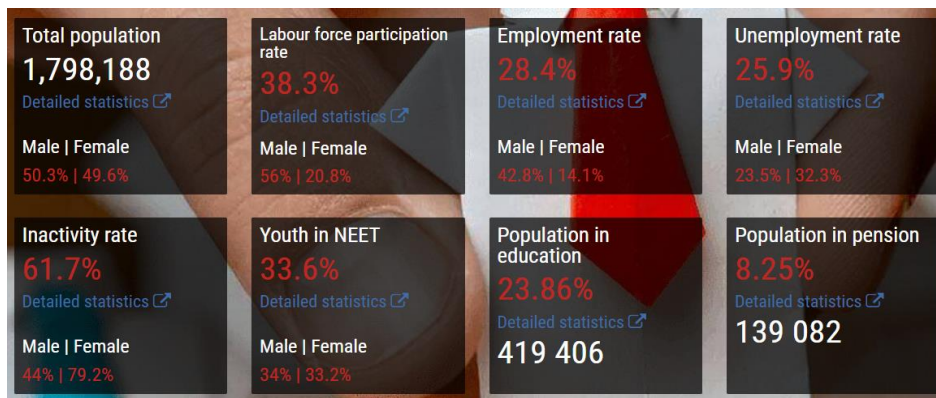
# Strengthening skills intelligence through statistical barometers

**A set of statistical barometers has been developed in Kosovo** to strengthen the skills agenda.

This example shows a pathway to **shaping a domestic skills intelligence framework**.

It aims at supporting evidence-based policy making using robust information on **skills mismatch** and **future skills needs**.

These initiatives have been **funded by international development cooperation partners** towards sustainable action led by a **partnership of public and private sector institutions**.



Picture: Kosovo Labour Market Barometer, example of statistics collected

**The three barometers so far established are:**

- 1 Labour Market Barometer**, which collect information and analysis from 12 institutional data sources
- 2 VET Barometer**, which collects 200+ variables from 20 vocational education and training (VET) schools
- 3 Skills Barometer**, launched in December 2021, which will collect 3-5-year forecasts of skills needs from businesses in Kosovo to inform government and other institutions



# » What can Montenegro learn from this example?

## Relevance for Montenegro

- To understand current and **future skills needs**, a co-ordinated approach is needed in Montenegro.
- **Defined indicators for SME skills intelligence** can guide future monitoring and evaluation related to SME skills at all levels.
- Kosovo's example can be used to **expand this process and create a system-based online database** gathering information and analysis from several data sources.
- Skills barometers would be beneficial for Montenegro's **smart specialisation process**.
- They are also good practice of **ensuring sustainability for the work initiated through funding by external partners**.

For example, the Labour Market Barometer was developed with the support of **ALLED2** and is now managed by the **Employment Agency**.

**Improving skills intelligence is the foundation of upskilling and reskilling for SMEs and their employees.**

The European Commission has highlighted the significant **constraints in the Western Balkans to business caused by skills**; national skills intelligence must form a critical part of any solution.



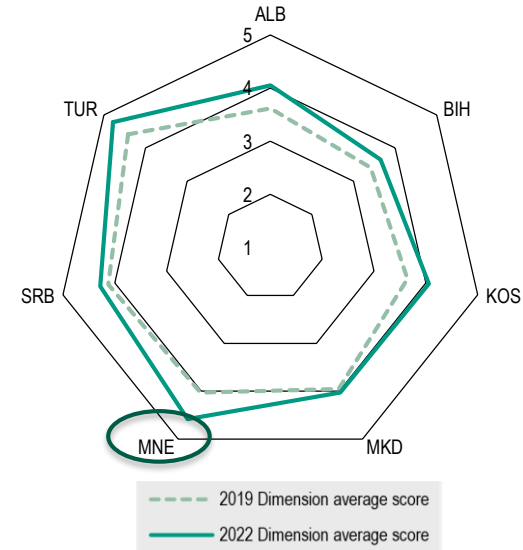
More information is available on the [European Skills Agenda for Sustainable Competitiveness, Social Fairness and Resilience](#) and [skills barometers](#)







# Montenegro considerably boosted its provision of public and private BSSs

- 1 **Montenegro advanced in building a comprehensive strategic framework for BSSs**
- 2 **The number and scope of support programmes increased**
- 3 **By analyzing SMEs' training needs, the economy effectively matched their support to SME demand**
- 4 **Accessibility of information about available BSSs improved**



 **4 371** support services were provided by Montenegro yearly since 2019

 **66%** of OECD recommendations have been fully implemented in Montenegro





## Support services for SMEs – Way forward

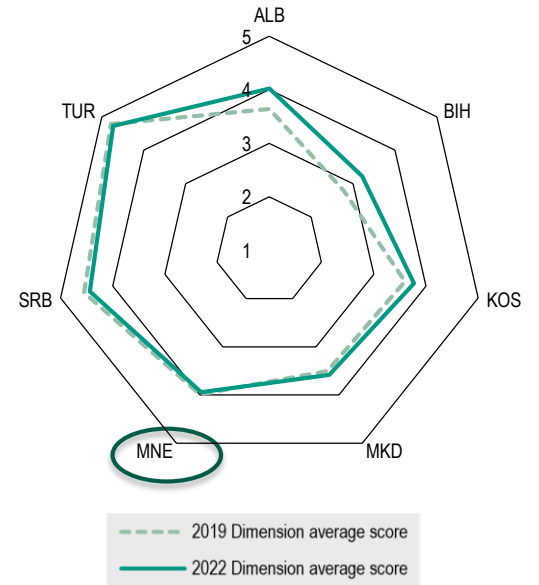
- **Intensify the efforts to monitor government-provided business support services** by inviting an independent institution to conduct a review.
- **Extend the level of quality assurance and develop a system to collect feedback** from beneficiaries of private BSSs to ensure accredited consultants cater to SMEs in their provision of support services.





# Montenegro continued its alignment with the *acquis*, with more improvement needed in the diffusion of information

- 1 Progress made in the quality infrastructure framework, though without centralising related information**
- 2 Harmonisation with the *acquis* continues to advance, with the conformity assessment sector growing strongly**
- 3 Awareness-raising about standards has improved, with new support programmes for standardisation**



**38%** of MNE's exports

went to the EU single market in 2020, down from 57% in 2010



**30%** more

conformity assessment bodies were nationally accredited in 2021 than in 2019



**86%** of EU

standards were adopted in Montenegro in 2022, up from 70% in 2019





## Standards and technical regulations – Way forward

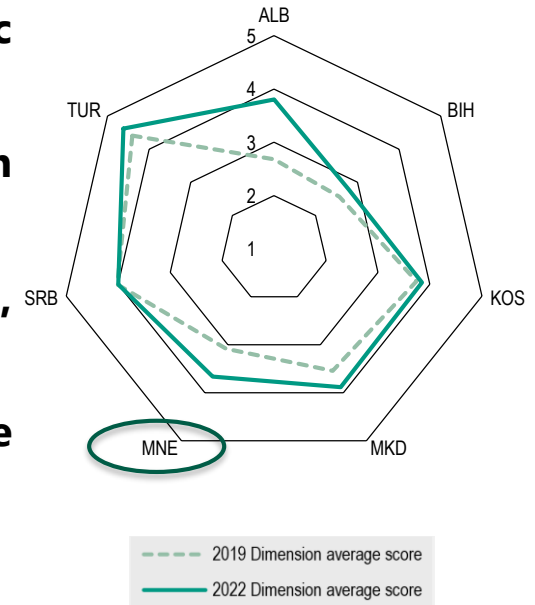
- **Finalise the creation of a centralised information portal for exporters**, which provides key information on standards, regulations and the conformity assessment process.
- **Focus and uphold efforts to become a full CEN/CENELEC member** and European Cooperation for Accreditation Multilateral Agreement signatory.
- **Increase financial and human resources for quality infrastructure institutions.**





# Strategic framework for export promotion and global value chains has been strengthened

- 1 Efforts to define framework and provide SME-specific incentives for export promotion have intensified
- 2 Monitoring and evaluation of internationalisation programmes was enhanced
- 3 Cluster formation and development were highlighted, though with challenges within the supplier base
- 4 Programme implementation in the area of e-commerce advanced



36 cluster initiatives

are currently active in Montenegro



35% of surveyed SMEs in Montenegro

use e-commerce to sell their goods and services



48% of surveyed SMEs in Montenegro

quote **lack of export capacity** as a major deterrent to exporting







## Internationalisation of SMEs – Way forward

- **Facilitate access to information** on support services available to SMEs, encouraging their internationalization
- **Reduce reliance on external development programmes**
- **Broaden the export offer of SMEs and enhance the supplier base in the economy** to match the inflowing foreign direct investment
- **Introduce non-financial support for SMEs aiming to form a cluster**
- **Develop a legal framework governing e-commerce and online services**



ProColombia is an export promotion agency that governs export and investment promotion, including tourism. Its export promotion function focuses on designing market expansion strategies, identifying potential export destinations and designing action and business plans.

**Colombian companies, both larger enterprises and SMEs, have facilitated access to a broad range of in-depth information and tools at their disposal.** Potential exporters have access to a number of capacity-building projects, training and skills development initiatives, as well as tailored consultancies to assess their potential and market opportunities.

## Export portal

- Export guides
- Information on support policies
- Trade statistics, market analysis
- Information on promotional events and trade fairs

## B2B portal

- Online marketplace
- Matching with potential buyers
- Live and virtual match-making events
- Trade fair assistance

## Cost visualization tool

- Assessment of logistics costs
- Market access information
- Simulation of trade costs based on Incoterms

## ProColombia App

- Applications with notifications of business opportunities in real time
- Increased MNE exposure for SMEs to become suppliers



## What can Montenegro learn from this example?

### Relevance for Montenegro

- The information on available SME support is fragmented and often published directly on the Ministry of Economic Development's or dedicated programmes' websites, **limiting the availability of the information flow among SMEs**
- **Facilitating access to information for Montenegrin SMEs** is key to increasing the awareness and thus uptake of available support programmes.
- **SMEs in Montenegro should have access to information about prospective export destinations and market reports** with a comprehensive analysis of foreign markets, as well as barriers to entry and trade facilitation measures.
- The implementation of the **Single Access Point is a step in the right direction**, as the government could build on outreach to disseminate relevant resources on internationalization.
- Providing SMEs with a **transparent path and procedure for exports** and a visibility of costs and non-tariff barriers would boost export capacity in Montenegro



**Thank you for your attention!**

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