



Montenegro is keen to grow its entrepreneurial innovation ecosystem

Montenegro is a young state in the Western Balkans with a population of 624,000. Over a period of 15 years, the country has managed to establish its democratic institutions, build good relations with its neighbours and embark on a process of accession to the European Union. The government is now developing regulations, policies and funding schemes to foster and internationalise its nascent entrepreneurial innovation ecosystem. To achieve this, it called on the Policy Support Facility (PSF).

The PSF Specific Support to Montenegro was carried out by a panel of independent European research and innovation (R&I) policy experts who provided tailored advice and concrete recommendations to the Montenegrin government.

“The PSF has fully met our expectations, providing expert knowledge at the highest level and a structured approach to the issue,” notes Sanja Damjanović, Minister of Science in Montenegro. “The experts have deeply understood the Montenegrin system and even decided to extend the initial focus of the project on the basis of evidence gathered. Our dialogue and mutual understanding were crucial for the success.”

Chair of the PSF panel Daria Tataj confirms the positive experience, saying that the government’s ambition to build a more functional and interconnected entrepreneurial innovation ecosystem as a basis of a new growth model for Montenegro is impressive.

Innovation policy is a very young domain of policy-making in Montenegro – the Strategy was adopted at the end of 2016 and the first funding programme started in 2018. “There are very few experts in the country in this field, so the expertise gained through PSF was crucial for further developing innovation policies and instruments,” explains Dr Damjanović.

Thanks to two field missions, numerous meetings with stakeholders and background research, the PSF provided methodological support, guidance material, evidence-based analysis and good practices to act as building blocks in providing advice and operational recommendations on how the country could address the challenges in its entrepreneurial innovation ecosystem.

Montenegro has only recently exited the transition from a planned to a market economy. It has progressed in building key elements of its ecosystem, but its entrepreneurial communities are still in development and not sufficiently connected. Government authorities thus attached great importance to the PSF as a valuable basis for a national start-up programme being prepared.

Experts tally the challenges...

An immature legislative framework for developing a vibrant ecosystem, different taxes, labour-related complications, and financial hurdles make innovative entrepreneurship challenging. “Improving access to, and use of, online payment systems would foster digital entrepreneurship and help to modernise tourism services in Montenegro,” believes PSF rapporteur Totti Könnölä. Indeed, with the strong bias towards agriculture and tourism, and with SMEs struggling to be more innovative, Montenegro’s digital transformation and modernisation of these sectors will play a key role in its Smart Specialisation Strategy.

Montenegro’s ability to attract foreign direct investment (FDI) is affected by its risk ratings (Moody’s B1, S&P’s B+) and undeveloped intellectual property (IP) framework, hampering industry-academia collaboration. The experts also note that financing innovation and entrepreneurial activities is limited by the country’s poor knowledge-, skill- and industrial base, which is further threatened by brain drain. There is a shortage of entrepreneurial talent and business growth management skills, and a largely absent ‘entrepreneurial culture’ in a country that sees a job in the public service as a safer career choice.

Nearly a tenth of Montenegrins live abroad, and a large percentage of them are university educated. While there are 1766 registered researchers with the Ministry of Science, this

nominal figure translates into only 523 full-time equivalent places, compared with the 236 Montenegrin researchers living abroad. Montenegrin higher education institutions thus have limited research capacity and produce very few academic and scientific contributions. Cooperation between enterprises and scientific and research institutions is also marginal, and not helped by attitudes towards entrepreneurial risk which remain low (Montenegro ranked 100 out of 140 countries on this issue in the 2018 WEF Global Competitiveness Report). While high market barriers and fragmented approaches to global payment/financial systems are forcing start-ups to go abroad.

With policies and programmes corralled into silos, R&I collaboration and integration is stifled. According to Dr Damjanović, the PSF highlighted the need to work on integrated policy development and more collaboration among different line ministries. "Each public policy nowadays needs to have a holistic approach, and maybe it is the most prominent need in the R&I domain," she adds.

This need for joined-up approaches concerns what is going on inside Montenegro's entrepreneurial innovation ecosystem but also how it works with ecosystems in neighbouring countries and Europe. "The success of the Montenegrin ecosystem depends largely on how the activities and communities emerge, and how they are organised and coordinated in the country and beyond," points out panel expert Domen Bole.

Between 2012 and 2018, with a EUR 12 million loan from the World Bank, a project on 'Higher Education and Research for Innovation and Competitiveness' (HERIC) was conducted to help both the Ministry of Science and Ministry of Education improve the situation. "In an ecosystem such as Montenegro, moving forward implies not only a quantitative but also a qualitative approach, where the achievements of a few key projects can do a lot," says PSF expert Jean-Michel Dalle.

The way forward...

Innovative businesses do not emerge in isolation. Diverse actors, factors, funding opportunities and framework conditions come into play. The panel recommended establishing favourable framework conditions to overcome legislative barriers, develop advanced funding schemes and define inclusive governance and organisational models. Such measures stimulate knowledge and value creation and diffusion, and help innovative and entrepreneurial projects gain market access.

Panel recommendations to overcome the regulatory barriers and promote a start-up friendly environment include:

- Create entrepreneur-friendly bankruptcy laws and an e-commerce task force
- Establish clear innovation and entrepreneurship-friendly IP guidelines to enable university-business collaboration
- Implement national policies to internationalise R&I and entrepreneurship activities in universities
- Introduce a start-up visa
- Experiment with pro-innovation regulation

Panel recommendations to improve funding and related mechanisms for stimulating entrepreneurs and the innovation ecosystem include:

- Streamline evaluation processes for public R&I funding schemes
- Launch an honour loan programme for start-ups
- Test a new tax credit system dedicated to innovation
- Commission a study on a new regional venture capital seed fund
- Create a support scheme for major conferences in R&I and entrepreneurship
- Launch a 'visiting fellowship' programme dedicated to innovation and entrepreneurship
- Develop one or two 'moonshot' mission-oriented projects

Panel recommendations to enhance governance models and connectivity for the functional entrepreneurial innovation ecosystem include:

- Set up an alternative cross-ministerial body for innovation and entrepreneurship activities
- Create a registry and website of innovative start-ups and projects qualified for public support
- Co-fund public-private partnerships to promote and support innovation and entrepreneurship
- Establish a new-generation science and technology park
- Provide support and funding to form partnerships starting with EIT KICs
- Refocus FDI policy to promote partnerships for innovation

In particular, the expert panel prioritises the setting up of an alternative cross-ministerial body for innovation and entrepreneurship activities, and creating a registry of innovative start-ups and projects qualified for public support. These actions create momentum for other actions to boost capacities and capabilities in the ecosystem. The panel also draws particular attention to the following key policy messages:

- Stronger inter-departmental synergies and a common agenda
- Showcasing innovation and entrepreneurship to gain wider support for new policies at the ecosystem level
- Targeting bottlenecks to avoid brain drain
- Launching flagship projects to gain momentum

These recommendations were shared and discussed with the Montenegrin authorities and the Minister of Science confirms the policy value of the exercise: “We even developed [a] national Programme for supporting innovative start-ups on the basis of the draft PSF report, and started implementing the recommendations before the formal end of the project”. The resulting ‘Programme for supporting innovative start-ups in Montenegro with the Action Plan’ was adopted by the Government on 27 December 2018.

For further information:

More information on the PSF, the specific support to Montenegro, and the final report of the expert panel is available at:

<https://rio.jrc.ec.europa.eu/policy-support-facility/specific-support-montenegro>

About the PSF:

Seeking to improve the design, implementation and evaluation of research and innovation policies, the Horizon 2020 Policy Support Facility provides expertise and practical support to Member States in a number of ways: Peer Reviews of national R&I systems, Specific Support to policy reforms, and project-based Mutual Learning Exercises to improve policy-making and implementation.