



Montenegro

Ministry of Economy

## BUSINESS STIMULATING PROGRAMS



Podgorica, 2017

UNDP

zapošljav

Plje

bizni

inovacije

regionalni razv

Plužine <sup>umješnost</sup> ŽABLJAK B

dobro upravljanje

olakšice predu

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Ministarstvo ekonomije Ko

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Sekretarijat za razvojne pro

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## 1. DECREE PROMOTING DIRECT INVESTMENT

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### Program description

The Decree promoting direct investment (Official Gazette of Montenegro 80/15) creates conditions for a more favourable business environment that will, through promotion of domestic and foreign investment in all areas of Montenegro, contribute to enhancing competitiveness and industry export potential by introducing new technologies and knowledge and enable creation of new jobs. Investors implementing investment projects which ensure job creation and contribute to economic and regional development of Montenegro may be beneficiaries of financial incentives awarded by a decision of the Government of Montenegro on the allocation of funds for direct investment promotion.

### Requirements for economic operators

Investment promotion funds are allocated on the basis of an application at a public notice for participation in the allocation procedure of direct investment promotion funds and the conclusion of use of funds for direct investment promotion agreements with the Government of Montenegro, for investment projects implemented in the manufacturing and services sectors respectively.

- The capital and the southern region - minimum value of investment €500,000 and creation of at least 20 new jobs within three years from the date of conclusion of use of funds agreements;
- Central region (with the exception of the capital) and the northern region - minimum value of investment €250,000 and creation of at least 10 new jobs within three years from the date of conclusion of use of funds agreements.

A newly employed person is deemed to be a person employed for an indefinite period of time in jobs involving implementation of the investment project. The beneficiary of funds is required to keep the number of newly employed persons continuous for at least three years after the end of investment project implementation for small and medium-sized enterprises, and for five years at least for large enterprises.

The funds can not be used for financing investment projects in sectors of: primary agricultural production, production of synthetic fibres, transport, games of chance, trade, primary production of coal and steel, electricity, oil and gas generation, tobacco and tobacco products, weapons and ammunition, genetically modified organisms and hazardous waste.

Investment promotion funds may be allocated to an economic operator which:

- a) is registered in the Central Registry of Business Entities;
- b) has submitted an investment project which, according to the Decree, falls under those projects to which funds for direct investment promotion are allocated;
- c) is not undergoing bankruptcy or liquidation procedure, with the exception of reorganization in accordance with the law governing bankruptcy of economic operators;
- d) has not been convicted of a crime prosecuted ex officio;
- e) has settled all liabilities arising from taxes and contributions ending with the month preceding the month in which the application is submitted;
- f) did not reduce the number of its employees in Montenegro by 10% and more during the 12 months prior to submitting the application;
- g) has not used state aid funds for the same investment project the application is submitted for;
- h) is not in distress in accordance with state aid rules;
- i) is not obliged to refund illegally received state aid.

## Incentives

Direct investment promotion funds will be awarded in the amount of €3,000 - 10,000 per newly employed person based on scores given to the following criteria:

1. economic operator's references;
2. share of other economic operators from Montenegro during and after the investment project implementation;
3. investment project value;
4. effects of the investment project related to research and development;
5. effects of the investment project on human resources;
6. effects of investment project's environmental impact;
7. volume of international trade;
8. economic effects of the investment project;
9. effects of the investment project on regional development and
10. letter of intent of the local government in which the economic operator intends to invest.

The total value of allocated funds may not exceed a certain percentage of investment project's value, depending on the size of the company which is the beneficiary of funds, and may amount to:

- at the most up to 50% of the total investment value into the investment project for large enterprises;
- at the most up to 60% of the total investment value into the investment project for medium-sized enterprises;
- at the most up to 70% of the total investment value into an investment project for small enterprises.

*Small enterprises are companies that have fewer than 50 employees and an annual turnover or total annual balance sheet not exceeding € 10 million.*

*Medium-sized enterprises are companies that have 50 to 250 employees and an annual turnover not exceeding € 50 million or total annual balance sheet not exceeding € 43 million.*

*Large enterprises are companies that have over 250 employees and total annual balance sheet exceeding € 43 million.*

For capital investment exceeding € 10 million which ensure job creation for at least 50 new employees, investment promotion funds may be allocated in the amount of up to 17% of the total investment project's value, without conducting the scoring procedure.

The Decree provides for the possibility of reimbursement of expenses for the development of infrastructure necessary for investment project implementation.

The funds allocated for the promotion of investment will be paid to the funds beneficiary after the conclusion of a use of funds agreement, in three equal instalments:

1. The first instalment will be paid upon submission of a performance bond;
2. The second instalment will be paid after the beneficiary has submitted a report drawn up by an independent auditor certifying that the beneficiary had completed more than 50% of the investment value in the investment project;
3. The third instalment will be paid after achieving full employment envisaged by the investment project and investment project implementation in accordance with the use of funds agreement.

The beneficiary will submit funds disbursement applications to the Secretariat for Development Projects, and attached to those, documents proving the fulfilment of requirements for disbursement. Together with the applications for disbursement of the first and second instalment of funds the beneficiary will submit unconditional/irrevocable on first demand performance bonds on behalf of the Government of Montenegro, issued by a commercial bank registered in Montenegro and stating the amount of funds allocated through the first and second instalments. For the disbursement of the last instalment, the beneficiary is required to provide a performance bond in the total amount of funds allocated, after which the Secretariat will return to the beneficiary two previously submitted bonds.

Also, funds beneficiary has to report once a year to the Secretariat for Development Projects on the investment project implementation for which investment promotion funds were allocated, and it will do so by submitting an independent auditor's report on:

- business operations of the funds beneficiary;
- the value of investment in the investment project and
- the number of employees.

After the investment project implementation, the beneficiary of funds is required to provide the Secretariat with an independent auditors' report on the investment project implementation and the fulfilment of investment and employment commitments.

## Results achieved

On the basis of the 2015 public notice and signed use of direct investment promotion funds agreements, three investment projects are under way, in sectors of wood processing, feed production and provision of security services to persons and things.

On the basis of the 2016 public notice and signed use of direct investment promotion funds agreements, implementation of three investment projects is under way in wood processing, tourism and food industry.

## | **Business stimulating programs**

The total value of investment projects implemented in accordance with these agreements amounts to **€7,182,429**, including a planned employment of **253 persons** for an indefinite period.

Four investment projects are implemented in the territory of the central region, and two investment projects are implemented in the northern region.

**A new public notice** was published on 3 March 2017. Applications may be submitted no later than 8 May 2017, until 12 hours local time at the address: Sekretarijat za razvojne projekte, Bulevar revolucije br.7, 81000 Podgorica.

## 2. BUSINESS ZONES DEVELOPMENT PROJECT

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### Program description

The business zone represents a single entity in the territory of a local government, partly or fully equipped with infrastructure, that provides potential investors, in addition to common area and infrastructure, additional state-level and local tax and administrative facilitations.

At its session of 17 November 2016 the Government of Montenegro adopted the Decree on business zones defining the model of classification, establishment, managing and occupying business zones, facilitations for users, with the aim of attracting new investment, increasing employment - especially in less developed areas of the country, and overcoming regional disparities.

According to their strategic importance, business zones are classified into:

- business zones of strategic importance
- business zones of local importance.

Business zones of strategic importance may be established in locations that meet the following criteria:

- the local government unit in whose territory the location is needs to have more than 20,000 inhabitants;
- surface area of the location cannot be less than 10 ha;
- the location must be in accordance with the end-use determined by the spatial planning documents;
- property relations for the location must be resolved.

Business zones of local importance may be locations that meet the following conditions:

- the location must be in accordance with the end-use determined by the spatial planning documents;
- property relations for the location must be resolved.

Zones may also be established on privately owned land if an agreement has been reached and mutual relations between the owner and the founder of the business zone settled.

Business zones of strategic importance will be established by the Government of Montenegro (hereinafter: the Government), alone or in cooperation with another founder, while the business zone of local importance will be established by local government units, alone or in cooperation with another founder, with prior approval of the Ministry.

Business zone of strategic importance is managed by a company founded by the Government and the business zone of local importance is managed by a manager appointed by the mayor or the company founded by the local government unit.

## Requirements for economic operators

The user of a business zone can be a company, another legal entity or entrepreneur carrying out activity in the business zone. The user of the business zone will conclude a contract on operations in the business zone with the founder or manager of the business zone.

Business zone founder or manager may approve operations in the business zone to users which:

- a) are registered in the Central Registry of Business Entities;
- b) are not undergoing bankruptcy or liquidation procedure, with the exception of reorganization in accordance with the law governing bankruptcy of economic operators;
- c) have not been convicted, under a final court decision, of a crime committed in the performance of business activity;
- d) have settled all liabilities for taxes, customs duties and contributions;
- e) are not in distress in accordance with state aid rules;
- f) are not obliged to refund received state aid.

## Incentives

For persons employed in the business zone business zone user does not pay:

- contributions for compulsory social insurance on earnings (contribution for pension and disability insurance, health insurance contribution, contribution for unemployment insurance) and the contribution to the Labour Fund;
- tax on personal income.

The business zone user may enjoy the said facilitations at the longest for five years from the date of employment of persons in the business zone.

In the Decision establishing business zones local government units lay down additional facilitations for users, as follows: favourable prices of land lease/purchase, exemption from or reduction of utility fees, fees for provision of utility connections, reducing tax rates on real estate, exemption from surtax on personal income, one stop shop.

In addition to these benefits, the user of the business zone will be entitled to other benefits in accordance with the law and separate regulations governing state aid, provided that together these may not exceed the maximum allowable aid intensity of 60% for medium-sized and 70% for small enterprises, in accordance with regulations governing state aid.

## Criteria

Operating conditions for users of the business zone will be laid down in a contract on business operations in the business zone, and the selection of users will be made on the basis of a public notice, organised by the business zone manager.

## Results achieved

So far, business zones of local importance were defined in nine Montenegrin local governments: Berane, Bijelo Polje, Kolašin, Mojkovac, Cetinje, Nikšić, Podgorica, Ulcinj and Rožaje.

### 3. CLUSTER DEVELOPMENT FOSTERING PROGRAM IN MONTENEGRO

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#### Program description

The goal of the program is to provide financial support to entrepreneurs, micro, small and medium-sized enterprises which join into clusters, through investment into tangible, intangible assets and operating costs, in view of strengthening the capacity of clusters and for the sake of positioning in the domestic and foreign market. The program has been continuously implemented since 2012, and the original *Cluster Development Fostering Program in the Northern Region and Less Developed Municipalities of Montenegro* was expanded in 2014 and renamed into the *Cluster Development Fostering Program in Montenegro* covering the period until the end of 2016. Therefore the applicants may be clusters from the entire territory of Montenegro.

The maximum amount of support was increased from €7,000 (2012-2013) to €10,000 (2014-2016), and for 2017 this amount is €15,000. The next significant program change was carried out in 2016, with expansion of the program's object of support: as opposed to the previous years of program implementation, which supported only the purchase of production equipment, the object of support was expanded in 2016 to include tangible and intangible assets, as well as operational costs. The budget of the program for 2017 is €15,000.

#### Incentives

The funds from the said program can be used for:

1. costs of investment into intangible and tangible assets (excluding IT equipment and transport means) up to 50% (increased by 15% to clusters from less developed LGUs<sup>1</sup> of total eligible costs during the period in which the aid is granted;
2. operating costs - up to 50% (increased by 15% to clusters from less developed LGUs) of total eligible costs during the period in which aid is granted. Thereat, justified costs of operating aid for innovative clusters are considered to be personnel costs and administrative expenses (including overhead costs).

Assistance approved by the Ministry of Economy is up to 50% or up to 65% of total eligible costs, in accordance with the project proposal, in the amount of up to €15,000 (excluding VAT) per one project<sup>2</sup>. The subsidy is implemented under the principle of reimbursement, through one or two tranches, depending on the object of support and the time frame of the project.

When scoring, additional 5 points are given to applications of those clusters which have at least one member which has its seat in a less developed local self-government unit.

<sup>1</sup> In accordance with the Rulebook establishing the level of development of local government units (Official Gazette of Montenegro 82/16) less developed LGUs are: Petnjica, Gusinje, Andrijevisa, Šavnik, Bijelo Polje, Rožaje, Kolašin, Plav, Mojkovac and Berane.

<sup>2</sup> The 2017-2020 program enabled one cluster to submit two applications, but having different objects of support.

## Requirements for economic operators/clusters

Since clusters are formed mostly as non-governmental organizations, with an additional possibility of being established as a company, the program specifically defined requirements for both forms. Initially, when the cluster is established as a company, it must have a certificate of registration from the Central Registry of Business Entities (CRBE). In the case where the cluster is established as an NGO, it must be established as a voluntary, non-profit organization, with at least three members of domestic and/or foreign natural and/or legal entities with or without initial assets, in order to achieve common goals and interests of clusters of micro, small and medium-sized enterprises and the cluster must have a decision on registration of a non-governmental organization from the registry of NGOs kept by the competent Ministry.

The following requirements are the same for all clusters, regardless of the form of establishment:

1. they have their seat in the territory of Montenegro;
2. they regularly execute payment of taxes and contributions liabilities, ending with the month preceding the month in which the public notice was published, and in which the application was submitted;
3. they have a person authorized to conclude contracts and take other legal actions on behalf of and for the account of the cluster, having permanent or temporary residence in Montenegro, who is responsible for the exercise of rights and obligations under the contract;
4. that the cluster has not been allocated funds, on the same grounds, from the state budget and the budget of a local government unit;
5. that bankruptcy procedure of the cluster has not been initiated, except for reorganization in accordance with the law governing bankruptcy of economic operators;
6. that the authorized person has not been convicted of a criminal offense which is prosecuted ex officio;
7. the cluster is not in distress under state aid rules;
8. the cluster is not obliged to refund illegally received state aid.

Application documents are presented in detail in the text of the program.

## Results achieved

The program has been implemented since 2012. The program budget was increased from €40,000 in 2014, to €50,000 in the period 2013-2016. The total number of supported clusters in the period 2012-2016 was 16, and the total amount of the subsidy is €99,487 (2012 - 3 supported clusters, amount of subsidy €21,000; 2013 - 5 supported clusters, amount of subsidy €35,000; 2014 - 1 supported cluster, amount of subsidy €10,000; 2015 - 1 supported cluster, amount of subsidy €9,800; 2016 - 6 supported clusters, amount of subsidy €23,687). The year 2016 saw the best results of program implementation, in terms of the number of supported clusters and activities implemented by clusters. That was a result of changes to the program, primarily related to the expansion of the object of support. Specifically, until 2016, the program's object of support were only subsidies for purchase of production equipment, but in 2016 the program allowed provision of subsidies for the purchase of tangible and intangible assets, as well as operational costs. The program's object of support was expanded exactly on the basis of needs of clusters themselves. Cluster members have enhanced mutual cooperation, strengthened their capacities, and implemented a series of joint activities, especially in the field of marketing.

## 4. REGIONAL AND LOCAL COMPETITIVENESS BOOSTING PROGRAM THROUGH ALIGNMENT WITH THE REQUIREMENTS OF INTERNATIONAL STANDARDS OF OPERATIONS

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### Program description

The program is being implemented under the principle of reimbursement and aims at providing financial support to entrepreneurs, small and medium-sized enterprises, particularly from less developed municipalities and the northern region, so as to increase their competitiveness as much as possible, primarily through compliance with the requirements of international standards for products and support for accreditation for conformity assessment. Economic operators strengthen their competitiveness through implementation of standards. Furthermore, results of implementation contribute to the expansion of activities and the development of areas in which the economic operator operates.

### Incentives

The program includes two support components:

- Support to SMEs in terms of reimbursement of costs of accreditation of the conformity assessment body for the series of standards MEST EN ISO/IEC 17000 (17025, 17020, 17021, 17065, 17024). Costs of accreditation activity for conformity assessment bodies may be reimbursed only if the company had received accreditation from the Accreditation Body of Montenegro;
- Support to SMEs in terms of reimbursement of costs of implementation of standards/certification/recertification for: the series MEST EN ISO 900; standard MEST ISO 14001; series MEST OHSAS 18000; HACCP guidance and standard MEST EN 22000.

Assistance approved by the Ministry of Economy amounts to up to 70% of eligible costs for small enterprises, and up to 60% of eligible costs for medium-sized enterprises, in the amount of up to €5,000 (excluding VAT) per applicant. The remaining amount of 30% or 40% of the total investment is financed by the applicant independently.

### Requirements for economic operators

Entrepreneurs, small and medium-sized enterprises entitled to participate include those which:

- are registered in accordance with the Law on Business Organisations and the Decree on more detailed criteria, conditions and manner of granting state aid (Official Gazette of Montenegro 27/2010 and 34/2011) and operating at least for one year;
- were registered in the territory of Montenegro;
- have not had operating losses in the last financial year and regularly execute their taxes and contributions payment liabilities.

Application documents are presented in detail in the text of the program.

### **Results achieved**

The program has been implemented since 2014, when the program budget amounted to €50,000, while in 2015 and 2016 the budget was increased to €100,000. The number of program beneficiaries which have successfully implemented their agreed activities and received a subsidy in 2014 was 8 (€23,360), and in 2015 it was 12 (€48,705). In 2016 subsidies worth €95,000 in total were contracted with 29 economic operators, of which 9 completed implementation of activities by the end of 2016, for which a total of €21,713 was disbursed. The remaining 20 program beneficiaries have a deadline until 18 February of the current year for the submission of reimbursement applications. The exact amount of subsidies paid will be known then.

## 5. MODERNIZATION OF PROCESSING INDUSTRY SUPPORT PROGRAM

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### Program description

In order to eliminate the main obstacles to the development of competitiveness of Montenegrin companies, such as outdated equipment, low flexibility and productivity of manufacture, as well as the unsatisfactory quality level of production systems, the Government of Montenegro is implementing the *Modernization of Processing Industry Support Program*, whose main objective is to strengthen the competitiveness of economic operators, improve business operations, productivity and profitability through investment into technical equipment of production capacities (investment in equipment). The funds committed under the program are intended to co-finance part of the costs of equipment purchase for companies in the field of processing industry, such as: new production equipment/machinery; used manufacturing equipment/machinery (not older than five years); new parts and specialized tools that will be used to put unused machines into operation.

### Requirements for economic operators

The prescribed procedure requires the potential subsidy beneficiaries to pre-apply for a loan for this purpose with the IDF. Once they have met the criteria/requirements for obtaining loans with the IDF, they become entitled to a subsidy/grant.

### Incentives

The program involves co-financing of the eligible costs of equipment purchase up to 20% for entrepreneurs, micro and small enterprises, and up to 10% for medium-sized enterprises. The rest of the necessary funds are provided through a loan arrangement with the Investment and Development Fund of Montenegro (IDF).

The amount of approved grants amounting to 20% of the equipment value cannot be less than €5,000 or more than €20,000. Accordingly, the value of equipment procurement ranges from €25,000 to 100,000. In the event that the total costs of equipment procurement are in excess of €100,000, the beneficiary can either finance the difference through own participation or increase the loan application with the IDF by that amount.

Available funds from the budget of the Ministry of Economy for the program implementation in 2017 were €100,000, and they are available from the publication date of the public notice until the expenditure of available funds, but not later than 15 December 2017. A public notice for all parties interested in this kind of support will be published by the end of March of the current year.

### Results achieved

In 2016, one company was supported from this program in the amount of €9,500.

## 6. INNOVATION ENHANCING IN SMALL AND MEDIUM-SIZE ENTERPRISES PROGRAM

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### Program description

In order to enhance innovative potentials of small and medium-sized enterprises and strengthen cooperation with innovative organizations (scientific and research institutions, scientific-technological park, centre of excellence, innovation-entrepreneurial centre, business incubators, consulting firms), the Ministry of Economy is implementing the *Innovation Enhancing in Small and Medium-Size Enterprises Program*, which is a financial support project to SMEs in the processing industry sector.

The goal of the program providing financial support in the form of grants is to improve the efficiency and competitiveness of companies in the processing industry through the implementation of innovative activities for the improvement of products, business processes, methods, techniques and strategies, changes of habits in business operations, as well as innovative qualifications and potentials of employees, which should lead to increasing market share and ultimately sales and revenue of the company.

### Requirements for economic operators

Registered micro, small and medium-sized enterprises are entitled to participate in the financial assistance program in accordance with the Law on Business Organizations (Off. Gazette of RM 06/02) and the Decree on more detailed criteria, conditions and manner of granting state aid (Official Gazette of Montenegro 27/10 and 34/11, 16/14), which have been operating at least for 2 years, and which:

- operate as 100% privately owned;
- have their seat in the territory of Montenegro;
- have not had operational losses in the last two financial years;
- regularly fulfil their taxes and contributions payment liabilities and
- did not use financial assistance for the same activities from the budget or donor programs in the past.

The financial support program for innovative activities is intended to companies in the processing industry sector, which includes companies in a broad range of areas classified as Sector C in accordance with the Institute of Statistics' 2010 classification of activities (except for sectors of activity which are indicated as uncovered: industry of steel, coal and synthetic fibres; shipbuilding; manufacture of coke and refined petroleum products; manufacture of tobacco products; manufacture and sales of military equipment or services, trade, games of chance, etc.).

## Incentives

Project implementation includes financial support of up to €2,500 for the introduction of innovations such as:

- product innovation;
- business process innovation;
- organization innovation and
- marketing innovation.

The program procedure requires companies which meet the requirements and criteria from the public notice and which are on the ranking list for the implementation of innovative activity, to fund 100% of the costs of external consultant for the implementation of innovative activity and after the completion of activity, to seek reimbursement in the amount of up to 50% of eligible costs, i.e., €2,500<sup>3</sup> excluding VAT. The remaining 50% of costs should be covered from own sources of the company applying for support.

A total of €30,000 has been allocated for the implementation of the innovation boosting program in 2017 for companies in the processing industry which are planning to introduce innovative activity.

## Results achieved

Within the innovation boosting program for SMEs in the processing industry, one company received a grant in the amount of €2,450 in 2016.

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<sup>3</sup> The 2017 proposed program envisaged a maximum grant amount per company of up to €3,500.

## 7. MENTORING FOR SMALL AND MEDIUM-SIZED ENTERPRISES

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### Program description

Mentoring is a comprehensive process of support to companies (business entities) and entrepreneurs aimed at supporting unhindered development and reducing the number of failed enterprises and entrepreneurs. Project implementation constitutes a collaborative work of mentors and companies/entrepreneurs in order to overcome the current situation and find the most suitable solutions for future operations. Mentoring process represents a certain number of hours that a professional - mentor spends in direct contact/work with the company owner/entrepreneur.

### Requirements for economic operators

Requirements from the public notice: The right to participate in the public notice pertains to registered micro and small enterprises, as well as entrepreneurs in accordance with the Law on Business Organisations (Off. Gazette of RoM 06/02), which:

- have their seat in the territories of Podgorica, Bar, Cetinje, Budva, Bijelo Polje and Nikšić;
- operate as 100% privately owned;
- have been operating for 2 years at least;
- have not had operating losses in the last two years;
- do not carry out activity within the defence industry, do not organize games of chance/lottery, are not engaged in the production of tobacco and alcoholic beverages.

Necessary documents:

- application form completed in detail, signed and stamped (can be downloaded from the website [www.nasme.me](http://www.nasme.me) or taken from the premises of the Directorate for Development of Small and Medium-Sized Enterprises);
- set of forms for annual accounts (Balance Sheet, Income Statement) - for the last two years.

### Incentives

- diagnosis - analysis of the current situation in the company or entrepreneur;
- assistance in the preparation of development activities/plans/projects and their implementation, in order to achieve the best business results possible;
- counselling and coordination of activities aimed at accession to funds, government programs supporting the development of businesses, new technologies, consulting services, etc.;
- assistance in finding business partners and establishing business cooperation.

### Results achieved

In the previous cycle a total of 28 enterprises were supported by providing mentoring services.

## 8. ENTREPRENEURSHIP DEVELOPMENT SUPPORT PROGRAM

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### Program description

In cooperation with the Investment and Development Fund of Montenegro JSC, Directorate for Development of SMEs will provide non-financial and financial support in view of improving conditions for the development of entrepreneurship in Montenegro. The objective of this credit line is to support interested persons who plan to register their own business. In this way, they will be given a chance to finance small business and to make it available to the market.

### Requirements for economic operators

Documents required for applicants with registered activity:

- loan application;
- a certificate of successful training completion with the Directorate for Development of Small and Medium-Sized Enterprises and/or with the Employment Agency of Montenegro;
- investment program in accordance with the IDF methodology, or an investment program with acceptable contents;
- decision on registration of the end-user in the court registry, or the registry of the competent municipal authority;
- decision on VAT registration if the end user is a VAT taxable person;
- company's Articles of Association;
- consent to access the data of the Regulatory Credit Registry of the Central Bank of Montenegro (RKR) including founders and related parties;
- form of certified signatures of authorised representatives (OP) and specimen signatures;
- copy of ID card;
- copy of the bank account card;
- certificate of the Tax Administration confirming regular settlement of taxes and contributions, not older than 30 days;
- set of forms for annual accounts (balance sheet, income statement, gross balance (trial balance), accounts receivable subsidiary ledger and accounts payable subsidiary ledger), as well as a breakdown of the above reports for the current year, except for clients which are not obliged to draw up financial statements;
- appropriate form for the last month of payment of taxes and contributions for employees, certified by the Tax Administration, as proof of number of employees;
- proposed collateral;
- pro forma invoices (copy or original) for the purchase of equipment, consumable stores and current assets, cost estimations for construction works, preliminary agreements on the sale of real estate (IDF will not accept offers/preliminary agreements issued by natural persons except for sale of real estate,

offers/preliminary agreements of related parties, nor internal invoices). Such documents may not be older than 3 months from the date of the loan application.

Documents required for applicants who do not have a registered business activity:

- loan application;
- investment program in accordance with the IDF's methodology;
- a certificate of successful completion of training with the Directorate for Development of Small and Medium-Sized Enterprises and/or Employment Agency of Montenegro;
- a certificate of the Employment Agency of Montenegro that the applicant is registered as unemployed with the Agency;
- consent to access the data of the Regulatory Credit Registry of the Central Bank of Montenegro (RKR);
- copy of ID card;
- proposed collateral;
- pro-forma invoices (copy or original) for procurement of equipment and consumable stores, cost estimations for construction works, preliminary agreements on the sale of real estate (IDF will not accept offers/preliminary agreements issued by natural persons except for sale of real estate, offers/preliminary agreements of related parties, nor internal invoices). Such documents cannot be older than 3 months from the date of the loan application;
- statement on household members.

Upon loan approval:

- decision on registration of the end-user in the court registry, or the registry of the competent municipal authority;
- decision on VAT registration if the end user is a VAT taxable person;
- company's Articles of Association;
- consent to access the data of the Regulatory Credit Registry of the Central Bank of Montenegro (RKR);
- form of certified signatures of authorised representatives (OP) and specimen signatures;
- statement on related parties.

## Incentives

Directorate for Development of Small and Medium-Sized Enterprises:

- will prepare and implement specific cycles of entrepreneurial training for each target group;
- will publish a public notice for candidates who will attend training cycles and select them based on pre-defined criteria;
- during the cycle of entrepreneurship training, a business plan and other required documents will be prepared on the basis of which it will be possible to apply to the IDF for a loan;
- will monitor the implementation of business plans that have received loan support.

Investment-Development Fund of Montenegro:

- will provide loan funds;
- will render final decisions on loans.
- the maximum amount of up to €50,000.00;
- 2.50% interest rate annually with the proportional interest calculation method;
- repayment period of up to 12 years (including grace period);
- grace period of up to 4 years.

### | **Business stimulating programs**

Special lending conditions: For entities implementing projects in the municipalities of the northern region and in municipalities that are below the average development level in Montenegro, interest rate amounts to 2.00% per annum, subject to the proportional method of interest calculation.

### **Results achieved**

In the previous cycle, a total of 20 newly established companies were supported.

## 9. TECHNICAL SUPPORT IN DEVELOPING STRATEGIC DEVELOPMENT PLANS OF LOCAL GOVERNMENT UNITS

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### Program description

Committing itself to a regional policy based on the 'bottom-up' principle the Government of Montenegro treats local government units (LGUs) as the main creators of local development, while at the same time intending to find a place for local needs among the national-level priorities. In this respect, strategic development planning of LGUs' development gains in importance and becomes a very important part of local policy. Therefore, the Law on Regional Development defined the obligation of all LGUs to draw up strategic development plans, while in 2011 the Ministry of Economy adopted the Rulebook on the methodology for the development of strategic development plans of local government units. Currently valid strategic plans were developed following that Rulebook, which was revised in 2016. Amendments to the Rulebook relate to simplifying the strategic planning process, aimed at the best possible planning of local economic development by LGUs, having strategic plans based on realistic grounds and possibilities of LGUs, which will summarize the needs and clear courses of development, and those will in turn further decide most of the activities and the provision of funds for implementation.

The Ministry of Economy continuously monitors the implementation of strategic development plans of LGUs. In the framework of *Increasing the Competitiveness of the Economy in Montenegro*, which is jointly funded and implemented by the Ministry of Economy, UNDP, the capital city of Podgorica, historic capital Cetinje and municipality of Bijelo Polje, technical support is provided to 7 LGUs whose strategic development plans have expired and which are developing new documents. These are the capital Podgorica, the historic capital of Cetinje and municipalities: Žabljak, Kolašin, Petnjica, Berane and Tivat.

As for support provided to the local economy, it should be noted that the aim of strategic development plans is exactly socio-economic development of LGUs; therefore the plan integrates both the advantages to be effectively used, as well as shortcomings that need to be addressed. Problems that constitute impediments to economic development are identified among the shortcomings, so that their recognition and actions to overcome them certainly have a positive effect on the operations of entrepreneurs. Likewise, drawing up the Strategic Development Plan is a participatory process, so the participation of representatives of the economy has been envisaged to provide inputs in the preparation of the Plan.

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**NOTE for all programs:** The amount of funds from all programs is awarded by successive additions: to large enterprises up to 50% of eligible costs for the investment project implementation, or up to 60% of eligible costs for medium-sized enterprises and up to 70% for small enterprises.





Montenegro

Ministry of Economy



Empowered lives.  
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MONTENEGRO

SECRETARIAT FOR DEVELOPMENT PROJECTS