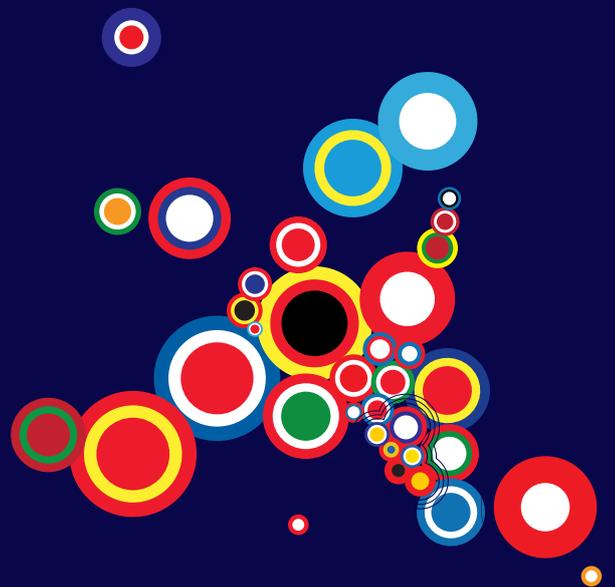




INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA II) 2014-2020

MONTENEGRO

Enhancement of Business
Environment and
Competitiveness of the
Private Sector



Action summary

The overall objective of the Action is to enhance the business environment and competitiveness of the private sector in Montenegro. The purpose of this action is to strengthen administrative capacities and framework for coordination, planning and implementation within Competitiveness and Innovation sector through targeted support for development, research and innovation.

It is expected that this Action will result in the development of an Operational Programme for Competitiveness and Innovation 2016-2020, and the establishment of a comprehensive strategic and operational framework for implementation of Industrial and SME policy.

This will support meeting the economic accession criteria through development of a functional market economy as well as the capacity to cope with competitive pressures and market forces within the Union.

Action Identification	
Action Programme Title	Annual Action Programme for Montenegro (2014)
Action Title	Enhancement of Business Environment and Competitiveness of the Private Sector
Action Reference	IPA/2014/032-803.13/ME/Competitiveness
Sector Information	
IPA II Sector(s)	Competitiveness and Innovation
DAC Sector	32130 – SME Development
Budget	
Total cost	EUR 1.66 million
EU contribution	EUR 1.5 million
Management and Implementation	
Method of implementation	Indirect management
<i>Indirect management:</i> National authority or other implementing body	Directorate for Finance and Contracting of the EU Assistance Funds (CFCU)
Implementation responsibilities	/
Location	
Zone benefiting from the action	Montenegro
Specific implementation area(s)	/
Timeline	
Deadline for conclusion of the Financing Agreement	At the latest by 31 December 2015
Contracting deadline	3 years following the date of conclusion of the Financing Agreement, with the exception of the cases listed under Article 189(2) Financial Regulation
End of operational implementation period	6 years following the date of conclusion of the Financing Agreement.

1. RATIONALE

PROBLEM AND STAKEHOLDER ANALYSIS

Small and medium-sized enterprises in Montenegro contribute around 60% of GDP. Economic growth in Montenegro is currently constrained by several factors and one of them is the low level of competitiveness and innovation affected by the fact that in 2012 gross expenditure on research and development (R&D) represented some 0.4% of GDP, roughly the same as a year before. The private sector accounts for barely 27% of this figure.

Based on global competitiveness index for 2013-2014, Montenegro has been ranked as the 67th out of 148 countries within the *Global Competitiveness Report* of the World Economic Forum. In order to enhance competitiveness and stimulate economic growth, Montenegro has produced a number of strategies and policy documents which address the competitiveness of its economy (e.g. *Montenegro Development Directions 2013-2016*, *Strategy for Regional Development of Montenegro 2014-2020*, *Strategy for Development of Small and Medium Enterprises 2011-2015*, *Strategy for Enhancement of Competitiveness at the Micro Level 2011-2015*, *Development Strategy of the Manufacturing Industry in the Montenegro 2014-2018*, *Strategy for Sustainable Economic Growth in Montenegro through the Introduction of Business Clusters 2012-2016*, *Strategy for Scientific Research Activity of Montenegro 2012-2016*).

Responsibility for design and implementation of the policy is shared among various institutions. Despite the fact that Montenegro has developed a set of sectoral strategies, the lack of administrative capacity and fragmentation still impede the policy implementation, and does not favourably affect competitiveness. In order to resolve this problem it was recognised the need for further improvement of the implementation and coordination of above mentioned strategies and institutions as well as for strengthening capacities for their implementation.

Respectively, further enhancement of business environment and competitiveness of private sector through improvement of various mechanisms to increase capacities to promote modern competitiveness policy will be needed. In addition, it is very important to strengthen capacities of key stakeholders in the creation and the implementation of policies (Industrial policy, SME policy and Regional policy) and programmes. In line with this, it has been recognised that it is necessary to prepare *Operational Programme for Competitiveness and Innovation 2016-2020*.

In parallel with development of key strategic documents related to competitiveness as well as capacity building on the level of policy making institutions and implementing agencies, it is necessary to provide direct support to productive sector SMEs in order to prepare them to cope with the competitive pressures within the EU through targeted support in accession-related aspects of their development. Above mentioned targets are in line with key national strategies in this area.

Additionally, this Action addresses a number of priorities within the Accession Partnership and represents continuation of the ongoing activities and support to the relevant negotiations chapters such as: Chapter 1 - Free movements of goods, Chapter 3 - Right of establishment and freedom to provide services, Chapter 7 - Intellectual property rights, Chapter 8 - Competition policy, Chapter 20 - Enterprise and industrial policy, Chapter 25 - Science and research and Chapter 22 - Regional policy and coordination of structural instruments.

There are several studies and overviews of the problems in the SME sector, especially in SMEs in tourism, agriculture, energy, industry, rural development and other relevant branches, related to the lack of innovation, investments in modern and energy saving technologies, internationally recognised standards, quality management etc. These are bottle necks for SMEs to enhance their competitiveness and increase their production on domestic and international market. The process of alignment with the EU *acquis* in various fields, related to operations of business, have to be introduced and strictly followed. This actually put new challenges in front of SMEs as their need to obtain certificates in different areas of their businesses what causes high level of costs for them, problems of production and sale of products and services and creates the need for increase of their competitiveness.

Accordingly, there are several programmes of the Government (mostly provided through the state aid rules) for the support of innovations, introduction of standards, business clusters development, etc. in order to support competitiveness enhancing of Montenegrin SMEs. However, these programmes as well as their budgets are not sufficient to contribute in overcoming above mentioned problems of

Montenegrin SMEs sector and co-financing through IPA would be crucial. One of the results expected to be achieved through the IPA 2014 assistance is to increase the competitiveness of SMEs through preparation of competitiveness support grant schemes which should be related to the assistance to Montenegrin SMEs to comply with quality and other EU requirements from the EU and international market.

This Action will contribute to resolving previously stated problems and positively affect Montenegro's efforts in reaching top 30 - ranking in *Doing Business Report* as well as top 50 - ranking in *Global Competitiveness Report*.

The lead institution for coordination of this Action is the Ministry of Economy. The key stakeholders affected by the problems in this sector, which will benefit from this Action, are the Ministries of Economy, of Finance, of Agriculture and Rural Development, of Science, of Sustainable Development and Tourism, the Directorate for Development of Small and Medium Enterprises as well as the Intellectual Property Office of Montenegro (IPOM), the Investment Development Fund, local self-government units, civil society organisations, the Chamber of Economy, Union of Employers of Montenegro and the Montenegrin Investment Promotion Agency and quality infrastructure institutions. Additionally, SMEs are targeted by this Action since strengthening capacities for coordination and implementation of key policies in the area of competitiveness shall directly influence their development.

RELEVANCE WITH THE IPA II INDICATIVE STRATEGY PAPER (OR MULTI-COUNTRY STRATEGY PAPER) AND OTHER KEY REFERENCES

The Action falls in the scope of Sector 5 - Competitiveness and Innovation of the *Indicative Strategy Paper for Montenegro (2014-2020)* (ISP), which outlines the IPA funding priorities for the period 2014-2020. According to the *ISP*, Montenegro has developed a set of sectoral strategies but the lack of administrative capacity and fragmentation still impede the policy implementation at times, thus negatively affecting competitiveness. **Section 5.1** of the *ISP* outlines that Montenegro is in the process of developing a comprehensive industrial competitiveness strategy in line with *Europe 2020* and the EU's integrated industrial policy. Furthermore, it is also stated that: "Another important mechanism to increase the competitiveness of the economy of the country includes improving the quality and efficiency of the research and innovation policy, and strengthening its links with business". Additionally, in the section 5.2 of the *ISP*, one of the main results to be achieved under the Sector 5 - Competitiveness and Innovations with this Action supported through the IPA 2014 is related to the *Comprehensive Industrial Competitiveness Strategy* prepared and implementation well on track and *Small Business Act recommendations* (SME Policy Index) regularly followed up and implemented".

In parallel with preparation of this Action, Montenegro has commenced preparations on developing framework for future *Industrial policy*. The development of the Industrial Policy should be based on relevant best Montenegrin and EU policies and practices linked to *Europe 2020 strategy*. A framework contract from IPA has foreseen assistance to design of Industrial Policy document, with the expected start of the activities by the end of Q3 2014 and finalisation by the end of Q3 2015. *Industrial policy document* should include implementation arrangements while monitoring and evaluation activities should be elaborated in the adjacent action document for implementation of the Industrial Policy.

The link between the Action and *Strategy for Development of SMEs 2011-2015* has been addressed in the: "aims to achieve a more favourable business environment which would reflect positively in the strengthening of SME competitiveness, innovation and export, as well as lead to an increase in employment and uniform regional development", specifically stated in Strategic objective 1 Improvement of the business environment and 3 Strengthening SME competitiveness and promoting entrepreneurship.

Additionally, the Action is related to all priorities of the *Strategy for Enhancement of Competitiveness at Micro Level 2011-2015* aiming at developing productive and export-capable small and medium enterprises which make a significant contribution to overall economic growth of Montenegro and the competitiveness of the economy, specifically in regard to strengthening innovation and quality.

The Action relates also to the *National Intellectual Property Strategy 2012-2015* in the goal related to "improving Government competence and modernizing systems". The link between the Action and *Development Strategy of the Manufacturing Industry in the Montenegro 2014-2018* can be recognised

in terms of: „increasing competitiveness and GDP growth“, while link with the *Strategy for Sustainable Economic Growth in Montenegro through the Introduction of Business Clusters 2012-2016* is related to the overall objective to contribute to a more balanced regional development through strengthening of competitiveness and capacities for employment in micro, small and medium enterprises especially in less developed areas of Montenegro. In addition, enhancement of competitiveness is one of priorities recognised in the *Strategy for Regional Development of Montenegro 2014-2020*.

The link between the Action and *Strategy for Attracting Foreign Direct Investment 2013-2015* has been addressed in the first and second priority that could contribute to the attracting foreign direct investment, as follows: regulatory reforms and improving of the business environment as well as competitiveness improving.

The link between the Action and *Montenegro Development Directions 2013-2016*, has been addressed in the overall goals of the Strategy for policy areas in Montenegro related to the creation of a competitive SME sector based on the knowledge, technological innovations and modernization of the existing capacities, promotion of foreign direct investment and internationalization as well as increasing the quality of scientific research. Additionally, *Strategy for Scientific Research Activity of Montenegro (2012-2016)* specifies three strategic goals of the Ministry of Science which will contribute, not only to the development of the scientific research community of Montenegro, but also to development of entire Montenegrin economy. One of them is related to strengthening of cooperation between academy and industry sector. Under this goal, certain number of activities is in progress. One of them is establishment of the first Scientific and Technological Park in Montenegro which first phase is establishment of the first Innovation-entrepreneurial centre „Technopolis“ in Nikšić.

The Action relates also to the regional strategy *South East Europe 2020* which focuses on achieving Sustainable Growth – through its aims “to boost growth and jobs by supporting a strong, diversified and competitive economic base, while becoming better connected, more sustainable, and more resource efficient” as well as on achieving Integrate and Smart Growth.

The Action relates also closely to the findings in the *Montenegro 2014 Progress Report*, which specifies that “The lack of administrative capacity and fragmented strategies impede the effectiveness of the instruments that have been put in place.”

SECTOR APPROACH ASSESSMENT

Sector “Competitiveness and Innovation” is recognized as one of the key priorities at the national level. Therefore, the sector’s policy objectives are coherent with national development objectives defined in *Montenegro Development Directions 2013-2016*. A Country Sector Policy does not exist, neither the sector budget, but there are many national strategies in various fields which support this sector, such as e.g. *Montenegro Development Directions 2013-2016*, *Regional Development Strategy of Montenegro 2010-2014*, *Strategy for Regional Development of Montenegro 2014-2020*, *Strategy for development of SMEs 2011-2015*, *Strategy for Enhancement of Competitiveness at Micro Level 2011-2015*.

The Ministry of Economy is the lead Ministry in the sector which coordinates the work of the Sector Working Group and which will coordinate activities among partners and stakeholders and define the time frame for the implementation of certain activities. The Sector Working Group is consisted of members from ministries, government bodies and institutions, non-governmental and business associations. Coordination between involved institutions is ensured via regular meetings, subgroup meetings, etc.

Funds for co-financing of IPA actions will be allocated from the budget of ministries and other beneficiaries. IPA funds will be used as a complement to the funds provided for the national programmes and policies.

Other donors providing support in this sector are UN organisations (Support for overcoming regional disparities actions, Regional Development Strategy of Montenegro 2010-2014), the Kingdom of Norway (Development of tools related to Implementation of the Law on Regional Development of Montenegro Project). GIZ was also a significant donor in this sector (Economic Development and Employment Promotion Programme, Support project for Economic Growth and Employment 2005-

2010) etc. Ministry of Economy and UNDP have launched the *Programme for strengthening capacity of local government in managing and promoting of business zones*.

Ministry of Economy has taken the decision to support local governments in Montenegro and facilitate their implementation of decision on establishing and managing business zones (together with the UNDP Office in Montenegro it is planned to act on strengthening the capacity of management of business zones, establishment of a standardized management of business zones as well as promotion of business zones already established).

LESSONS LEARNED AND LINK TO PREVIOUS FINANCIAL ASSISTANCE

Bearing in mind the experience accumulated over previous funded project (IPA 2008 Project *BESRE – Technical Assistance to improve the Business Environment for Small and Rural Enterprises*), there are a number of specific lessons learnt through previous assistance related to strengthening the administrative capacity in Montenegro that will ensure better coordination, implementation and evaluation of policies targeting this sector.

It should be noted that the progress in the area of creating a practical and actionable national policy framework and in developing staff skills has been recognized. But, while strong in-principle support for a proactive SME support programme remained, in practice there was little practical support. It has been recommended to continue with started activities in areas of further improvement of coordination, increasing of administrative and monitoring capacities and also, to continue with more concrete support to SMEs.

The need of implementation of new business model and recommendation to local government and local stakeholders to put emphasis on providing business information and advice to new entrepreneurs was also recognized.

Implementation of an ongoing project IPA 2011 Project *Inter-municipal development grant programme - Establishment of Regional Business Centre and Incubator for North-East Montenegro* will be continuation of activities in the area of business infrastructure improvement on municipal and regional level.

As far as current IPA projects are concerned, IPA 2011 Project *Enhancing the competitiveness of local SMEs in Montenegro through cluster development* has been launched in March 2014 with the purpose to strengthen the competitiveness and market access of selected clusters of SMEs and networks in Montenegro, with a special emphasis on the more impoverished Northern region and less developed municipalities.

The projects of Intellectual Property Office, funded from IPA 2007 *Regional Programme on Intellectual and Industrial Property Rights in the Western Balkans and Turkey* and IPA 2009 *Strengthening Intellectual and Industrial Property Policies in Montenegro* were implemented in sequence thus providing for achieving results: increased capacities of the IPOM staff (improved skills and knowledge of the IPOM's staff); improved IPOM's IT infrastructure (and improved IPR legislation harmonized with the EU acquis).

As far as the second IPA component is concerned (Cross Border Cooperation), there is a number of ongoing actions related to enhancing of competitiveness.

2. INTERVENTION LOGIC

LOGICAL FRAMEWORK MATRIX

OVERALL OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (OVI)	SOURCES OF VERIFICATION	
To further enhance the business environment and competitiveness of the private sector	Doing Business - distance to frontier	World Bank - Doing Business	
SPECIFIC OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (OVI)	SOURCES OF VERIFICATION	ASSUMPTIONS
To strengthen the administrative capacity and framework for coordination, planning and implementation within Competitiveness and Innovation sector through targeted support for development, research and innovation	Number of institutions capacitated to implement competitiveness and innovation policy	Annual Report on Ministries activities SBA SMEs policy index	Full commitment and support of the process by the responsible institutions/stakeholders and the Government.
RESULTS	OBJECTIVELY VERIFIABLE INDICATORS (OVI)	SOURCES OF VERIFICATION	ASSUMPTIONS
<p>R1: Developed Operational Programme for Competitiveness and Innovation 2016-2020 and established comprehensive strategic and operational framework for Industrial and SME policy;</p> <p>R2: Strengthened institutional capacities for the implementation of Operational Programme for Competitiveness, as well as for the implementation of the Industrial Competitiveness Policy and SME development policies are strengthened, including through actions targeting the research and innovation capacity</p> <p>R3: Developed measures fostering competitiveness and innovation</p>	<ul style="list-style-type: none"> - Number of strategic and operational documents prepared - Number of persons trained within responsible institutions - Number of designed documents for grant scheme implementation - Number of Montenegrin SMEs participating in COSME, Horizon 2020 and EUREKA actions - TM software for the Intellectual Property Office of Montenegro developed and installed 	<ul style="list-style-type: none"> Final action report Reports from relevant ministries 	<ul style="list-style-type: none"> Sufficient number of staff involved in the activities of the Action Adequate coordination of the institutions and stakeholders involved
ACTIVITIES	MEANS	OVERALL COST	ASSUMPTIONS

<p>R.1 – A.1: Developing Operational Programme for Competitiveness and Innovation 2016-2020 and developing proposal for OP implementation structure</p> <p>R.1 – A.2: Drafting the study on the situation in key development branches (tourism, energy, wood processing, agriculture) for SMEs development and identification of the main areas for implementation of grant schemes (e.g. quality standards, innovations, etc.)</p> <p>R.1 – A.3: Finalising The SME Development Strategy 2016-2020</p> <p>R.2 – A.1: Delivering of trainings and technical support to policy makers and implementing/business support institutions at the national and local level for successful planning and coordination of policies within the competitiveness and innovation sector</p> <p>R.2 – A.2: Delivering of trainings and technical support to strengthen administrative capacities for Industry and SME development policies implementation</p> <p>R.2 – A.3: Providing technical support for developing capacities to conceive and design actions for utilizing COSME, HORIZON 2020, EUREKA and other programme support</p> <p>R.2 – A.4: Technical support for strengthening collaboration between science and industry</p> <p>R.3 – A.1: Designing the Competitiveness Support Grant Scheme</p> <p>R.3 – A.2: Developing and installing TM software for the Intellectual Property Office of Montenegro</p>	<p>Grant to Member States</p>	<p>EUR 1 660 000</p>	<p>Willingness for the effective cooperation of all participating institutions on the policy making level as well as implementation level;</p> <p>Sufficient motivation of the participants on training, seminars, etc.</p> <p>Willingness of stakeholders to participate in grant schemes preparation</p>
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ADDITIONAL DESCRIPTION

Through this Action, in order to enhance competitiveness, the business environment will be improved especially by creating and implementing Operational Programme for Competitiveness and Innovation and private sector policy documents. Therefore, it is needed to develop *Operational Programme for Competitiveness and Innovation 2016-2020* and to continue with development and adoption of relevant strategies and programmes. Furthermore, through this Action, strengthening of administrative capacities for successful planning and coordination of policy documents will be continued.

1. The first result in this Action Document is related to development of *Operational Programme for Competitiveness and Innovation 2016-2020* as well as to the establishment of comprehensive strategic and operational framework for implementation of Industrial and SME policy. Furthermore, this result encompasses the preparation of the implementation system (structure) for the OP, based on the analysis of the current implementation setup in Montenegro and experiences of other countries (comparable to Montenegro).

Activities to achieve the first result are reflected in the development of *Operational Programme for Competitiveness and Innovation 2016-2020*, including proposal of the implementation system for the OP, as well as finalising the *SME Development Strategy 2016-2020*. This result also refers to activities of drafting the study on the situation in key development branches for SMEs development and identification of the main areas where assistance through the grant schemes to SME should be concentrated (to be further developed under result 3).

2. The second result is related to strengthening institutional capacities for the implementation of Operational Programme for Competitiveness, and as well as for the implementation of the Industrial Competitiveness Policy and SME development policies are strengthened, including through actions targeting the research and innovation capacity .

Activities related to this result refer to the delivery of trainings and technical support to policy makers and practitioners at the national and local levels to increase capacities in planning, coordination and implementation of policies within the sector -Competitiveness and Innovation. In addition, technical assistance should provide support to policy makers for successful design and coordination of policies. Main activities include strengthening of administrative capacities for Industry and SME development policies implementation, as well as technical support to ministries and competitiveness/innovation actors for developing capacities to conceive and design actions for utilizing *COSME*, *HORIZON 2020*, *EUREKA* and other support programmes.

In line with this, activities are related to capacity building of Ministry of Economy, industrial and SME policy implementation institutions, agencies and bodies on national and regional level, organization of trainings, awareness raising activities for industrial and SME policy among public administration, business sector and knowledge providers on national and regional level. Additionally, activities are related to trainings of the staff from MoE and other relevant line institutions for coordination and implementation of annual programmes, measures and its activities regarding programming, monitoring and evaluation during the project life cycle. In order to strengthen collaboration between science and industry, technical assistance for Ministry of Economy and Ministry of Science (Capacity Building and Technical Standards) is envisaged. In order to strengthen collaboration between science and industry, technical assistance for capacity building of staff is needed. In line with this, *Strategic Plan for Development of Scientific-Technological Park (STP) of Montenegro* is adopted by the Government of Montenegro on December 2012. This strategic plan should streamline business support through innovations. It will support commercialisation of research and internalisation of research, consolidate entrepreneurial, innovative, science and industry capacities, establish strong link between local and regional business centres, incubators and clusters and arising demands for consulting, business procedures, new organisational models and marketing as well. Strengthening HR component for staff of the Innovative-Entrepreneurship Centre „Technopolis“ Nikšić as well as staff of the Ministry of Science directly engaged for activities of mentioned Centre.

3. The third result - fostering competitiveness and innovation, combines activities to prepare and implement a pilot grant scheme supporting SMEs' certification of business process and/or products, as well as developing and installing of the TM software for the Intellectual Property Office.

Grant scheme activities are defined within operational goal 2.3. of *Strategy for development of SMEs 2011-2015*, regarding to Improving access to grants. In previous period, grant schemes were allocated from the state budget for improving marketing activities for SMEs, introduction of standards, support to clusters development etc. Grants are also defined as one of mechanisms for the implementation of the *Strategy for Sustainable Economic Growth in Montenegro through the Introduction of Business Clusters 2012-2016* as well as of the *Strategy for Enhancement of Competitiveness at Micro Level 2011-2015*. Additionally, grant schemes are treated with the *Strategy for Regional Development 2014-2020* under the sector Competitiveness and Innovation on regional level. Therefore, the main activities for achieving this result refer to the preparing and designing the *Competitiveness Support Grant Schemes*.

Based on the survey conducted by the Ministry of Economy on the applying the standards by the business entities in Montenegro, out of total number of participant who took part in the research, 61% have a certificate for applying one or more international standards. Half of them (53%) apply HACCP and ISO 9000 standards, while 17% apply standards related to environmental protection, safety at work, production of food intended for special markets. The remaining 30% of the participants possess certificates for other standards (ISO 22000, ISO 9001 and ISO 14000). Implementation of the three modalities of the *Competitiveness Support Grant Scheme* for the support to production SMEs or clusters of SMEs will be related to key necessary activities for funding of the implementation/certifications concerning following standards: MEST OHSAS 18000; ISO 22000/HACCP, implementation of MEST EN ISO 9000; implementation of GMP and GDP; MEST EN ISO 14001, ISO 13000, HALAL, KOSHER and other sector specific internationally recognized standards; improvement of quality control of products and services, etc.

Following the activities devoted to the designing of the grant schemes, a pilot competitiveness grant schemes will be implemented within this action. Later on, implementation of grant schemes is foreseen to be supported by IPA through the implementation of the *Operational Programme for Competitiveness and Innovation* prepared under result 1.

The provision of TM Software for the needs of the Intellectual Property Office of Montenegro will improve IPOM's IT infrastructure, i.e. enable for the completion of their IT infrastructure in whole. In fact, the TM Software (when provided and installed) will be a continued and up built activity onto the results of previous IPA actions (IPA 2007 *Regional Programme on Intellectual and Industrial Property Rights in the Western Balkans and Turkey*'; IPA 2009 - Component III - Accession to Internal Market: '*Strengthening Intellectual and Industrial Property Policies in Montenegro*'). The TM software will subsequently increase efficiency of work of the IPOM staff, facilitate client's approach to the IPOM when filing applications for trademarks, and thus provide for clients to contribute to the competitiveness of their enterprises (once TMs registered).

The procurement and installation of the TM Software is an activity which does not anyhow duplicate any activities from the Twinning light action *Enhancing the Protection of Intellectual Property Rights in Montenegro*'. The action will enhance capacities of IPOM staff (through seminars and on-the-job trainings, and a study visit) and support the Office (together with other enforcement bodies from Montenegrin public administration) in raising awareness campaigns, and also in further harmonisation of the IPR legislation.

Preconditions for this Action document are:

- Commencement of the activities on IPA 2012/2013 project of designing of Industrial Policy document;
- Commencement of the activities on drafting *SME Development Strategy 2016-2020*;
- Commencement of the activities on *Strategy for Scientific-Research Activity in Montenegro 2012-2016*;
- Allocation of staff for Action activities.

3. IMPLEMENTATION ARRANGEMENTS

ROLES AND RESPONSIBILITIES

The following institutions have the key role in implementing of this Action: Ministry of Economy, Ministry of Finance, Ministry of Agriculture and Rural Development, Ministry of Science, Ministry of Sustainable Development and Tourism, Directorate for Development of Small and Medium Enterprises as well as Intellectual property office of Montenegro and Montenegrin Investment Promotion Agency. Ministry of Economy is the lead institutions in this Action.

Directorate for Finance and Contracting of the EU Assistance Funds (CFCU) being the Implementing Agency under IPA bears the sole responsibility for the proper implementation of all contracts in line with the relevant contractual provisions and the requirements governing the indirect management of EU assistance. The Project Implementation Unit (PIU) of the Ministry of Economy will provide support to the CFCU whereby ensuring the proper technical implementation of the contract activities. In this regard, the CFCU and the PIU will closely cooperate throughout the contracts implementation process.

Implementation monitoring will be performed in order to obtain information on progress achieved and collect data required to prepare relevant reports for the National IPA Coordinator (NIPAC) Office and the CFCU, providing advices to contribute to tackle any issues and possible mistakes which could endanger the successful completion of the implementation. The major tools of the PIU for performing monitoring are: monitoring visits, participation in the regular progress meetings, participation in the Steering committees meetings, review of regular progress reports and participation at on-the-spot checks, carried out by the CFCU.

A Steering Committee (SC) will be established to review the Action progress, comprising of representatives of PIU of the Ministry of Economy, beneficiary institutions, CFCU, NIPAC Office and the EUD. The SC may invite other organisations to attend meetings in cases where this will bring added value to discussion, direction and outcomes of the Action. Representatives of the other key stakeholders may also be invited to attend SC meetings.

IMPLEMENTATION METHOD(S) AND TYPE(S) OF FINANCING

Action will be implemented under indirect management through a call for proposals restricted to EU Member States institutions or mandated bodies in charge of design and implementation of private sector and industrial development policies, and competitiveness and innovation programmes. This choice of implementation method is the most appropriate considering the strong EU approximation aspects of the action in the area of industrial and SME policy design and implementation, design, implementation and management of operational programme for competitiveness and innovation to be further financed by the EU.

Total amount of the grant will be up to EUR 1 660 000. The grant will be funded by the EU (EUR 1 500 000) and national co-financing (EUR 160 000). No co-financing from the applicants will be required. The national co-financing will be provided jointly with the EU funds from the budget Ministry of Economy, Intellectual Property Office and Ministry of Science.

4. PERFORMANCE MEASUREMENT

METHODOLOGY FOR MONITORING (AND EVALUATION)

Monitoring and evaluation of the implementation of this Action will be conducted in accordance with the rules of indirect management and respecting the requirements and provisions of IPA II regulations and those that will be laid down in Framework Agreement and in respective Financing Agreement. Achieving of the Action results will be regularly monitored by the responsible national implementing body and National IPA Coordinator.

Implementation of this Action will be subject of special attention of Sectoral Monitoring Committee and IPA Monitoring Committee which shall measure progress in relation to achieving the objectives of the actions and their expected outputs, results and impact by means of indicators related to a baseline situation, as well as progress with regard to financial execution. The sectoral monitoring committee

will report to the IPA Monitoring Committee and will make proposals on any corrective action to ensure the achievement of the objectives of the Action and enhance its efficiency, effectiveness, impact and sustainability.

Moreover, in accordance with Article 8 of Commission Implementing Regulation (EU) no 447/2014 NIPAC shall take measures to ensure that the objectives set out in the Action are appropriately addressed during the implementation of EU assistance. Procedures for implementing monitoring activities will be set out in the revised Manuals of Procedures aligned with new IPA regulations. Best practices from the monitoring of implementation of previous actions and recommendations given by external monitoring in this sector will be also taken into consideration.

This Action shall be subject to evaluations, in accordance with Article 30(4) of Regulation (EU, EURATOM) No 966/2012 and with Article 22 of Commission Implementing Regulation (EU) no 447/2014. The results of evaluations shall be taken into account by the IPA Monitoring Committee and the Sectoral Monitoring Committee.

INDICATOR MEASUREMENT

INDICATOR	DESCRIPTION	BASELINE (2010)	LAST (2014)	MILESTONE 2017	TARGET 2020	SOURCE OF INFORMATION
DOING BUSINESS - DISTANCE TO FRONTIER	The ease of doing business index ranks economies from 1 to 189. For each economy the ranking is calculated as the simple average of the percentile rankings on each of the 10 topics included in the index in Doing Business 2014: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. The employing workers indicators are not included in this year's aggregate ease of doing business ranking.	63,21 (2010)	70,36 (2014)	73,63-78,49	76,9-86,62	World Bank – Doing Business
Number of institutions capacitated to implement competitiveness and innovation policy	Following institutions will be capacitated to implement competitiveness and innovation policy: Ministries of Economy, of Finance, of Agriculture and Rural Development, of Science, of Sustainable Development and Tourism, the Directorate for Development of Small and Medium Enterprises and Intellectual Property Office of Montenegro (IPOM).	0	2 (2013)	3	5	Annual Report on Ministries activities SBA SMEs policy index
Number of strategic and operational documents prepared	This indicator measures number of strategic and operational documents prepared with the support of this Action	0	0	3	3	Final action report Reports from relevant ministries
Number of persons trained within responsible institutions	This indicator measures number of persons trained within responsible institutions under this Action	0	5 (2013)	at least 15 (2013)	20	Final action report Reports from relevant ministries
Number of designed documents for grant scheme implementation	/	0	0	1	3	Final action report Reports from relevant ministries
TM software for the Intellectual Property Office of Montenegro developed and installed	/	0	0	1	1	Final action report
Number of Montenegrin SMEs participating in COSME, Horizon 2020 and EUREKA actions	/	0	0	15	20	Reports from relevant ministries

5. CROSS-CUTTING ISSUES

ENVIRONMENT AND CLIMATE CHANGE (AND IF RELEVANT DISASTER RESILIENCE)

The activities envisaged under this Action should not negatively affect the environment. The respective Montenegrin and EU legislation will be taken into consideration. During the design and implementation phase, the Action production of printed material will be kept to the strictest minimum and therefore have positive influence on environment.

ENGAGEMENT WITH CIVIL SOCIETY (AND IF RELEVANT OTHER NON-STATE STAKEHOLDERS)

Civil Society is involved in the development of the Action Document through the wide process of consultations and meetings on the level of the sectoral working group as well as the subgroups. In addition some of the action activities will aim to improve and strongly support communication and cooperation between public authorities and the business community, associations and civil society.

EQUAL OPPORTUNITIES AND GENDER MAINSTREAMING

The action will ensure that all cross cutting issues are appropriately incorporated in the Action, particularly equal participation of women and men will be secured throughout the design and implementation process. An appropriate balance will be sought on all the bodies and activities of the action. Institutions benefiting from the action are equal opportunity employers. Institutions benefiting from the Action are equal opportunity employers.

MINORITIES AND VULNERABLE GROUPS

With this Action document, minorities and the rights of the vulnerable groups are taken into consideration and special attention related to them will be integral part of any activity of the Action.

6. SUSTAINABILITY

This Action will contribute to the development of the private sector in Montenegro through the strengthening of administrative capacity and framework for coordination and planning in the sector, as well as increase the competitiveness of the SME sector through targeted support in accession-related aspects of their development.

The sustainable perspective and benefits of the Action, in order to maintain results of the Action after finalisation of IPA support, will be reflected through strengthened Montenegrin institutional capacities as well as policy documents which should continue to be used after EU support has ended and trained staff can continue to disseminate knowledge.

Acquired expertise and skills of the staff and increased capability will be continued to be used for further alignment with European standards and best international practice after the action has finished. The development and practical use of these skills during the action will also ensure sustainability in the future operations of the beneficiaries.

In addition, the implementation of a pilot grant scheme will contribute to the improvement of SMEs production capacity, access and competitiveness on international markets.

7. COMMUNICATION AND VISIBILITY

Communication and visibility will be given high importance during the implementation of the Action.

The implementation of the communication activities shall be the responsibility of the beneficiary, and shall be funded from the amounts allocated to the Action.

All necessary measures will be taken to publicise the fact that the Action has received funding from the EU in line with the Communication and Visibility Manual for EU External Actions.

The use of *Communication and Visibility Manual for EU External Actions* is compulsory. The contractor shall use the appropriate stationery in letterheads or fax headers sheets and report presentation

format, but should add the phrase “*This Action/programme is funded by the European Union*” as well as the EU flag when relevant. Elements of the communication strategy may include: press release, press conferences, leaflets and/or brochures, newsletters, web pages, vehicle panels, promotional items, reports, audio-visual productions. Any supplies or equipment delivered under an EU-funded Action must be clearly identified and must visibly carry the EU logo and the mention “*Provided by the support of the EU*” in the operational language of the EU programme and in the local language.

Visibility and communication actions shall demonstrate how the intervention contributes to the agreed programme objectives and the accession process. Actions shall be aimed at strengthening general public awareness and support of interventions financed and the objectives pursued. The actions shall aim at highlighting to the relevant target audiences the added value and impact of the EU's interventions. Visibility actions should also promote transparency and accountability on the use of funds.

It is the responsibility of the beneficiary to keep the EU Delegation fully informed of the planning and implementation of the specific visibility and communication activities.

The beneficiary shall report on its visibility and communication actions in the report submitted to the IPA Monitoring Committee and the Sectoral Monitoring Committees.

LIST OF ANNEXES

1. List of reference documents.

ANNEX 1

List of reference documents

- Strategy for Development of Small and Medium Enterprises 2011-2015,
- Strategy for Enhancement of Competitiveness at Micro Level 2011-2015,
- National Intellectual Property Strategy 2012-2015,
- Strategy for Sustainable Economic Growth in Montenegro through the Introduction of Business Clusters 2012-2016,
- Strategy for Attracting Foreign Direct Investment 2013-2015,
- Montenegro Development Directions 2013-2016,
- Regional Development Strategy of Montenegro 2010-2014,
- Strategy for Regional Development of Montenegro 2014-2020,
- Strategy for Scientific Research Activity of Montenegro (2012-2016),
- Montenegro Tourism Development Strategy to 2020,
- Development Strategy of the Manufacturing Industry in the Montenegro 2014-2018,
- Montenegro Industrial Policy until 2020 (under preparation, to be adopted by Q4 2015).