



2019 SBA Fact Sheet

MONTENEGRO

Key points

Past & future SME performance¹:

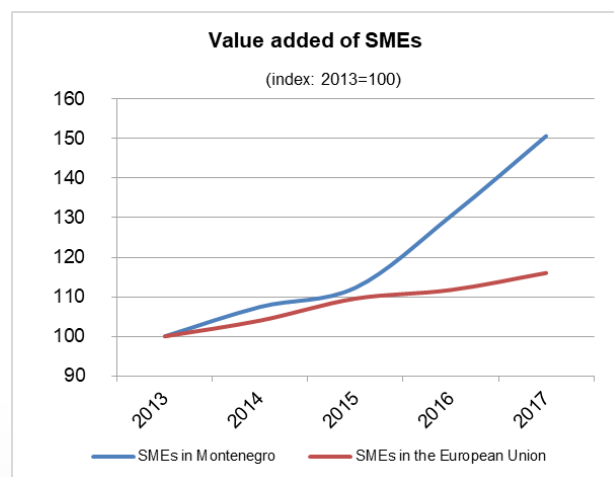
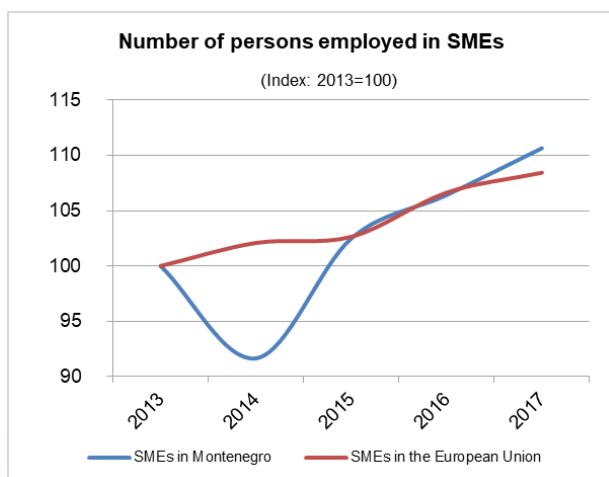
SMEs in Montenegro play a significant role in the Montenegrin 'non-financial business economy'. In 2017, they accounted for 80.1 % of total employment and generated 69.5 % of total value added.

Implementing the Small Business Act for Europe (SBA):

Montenegro's SBA profile is mixed. The country performs above the EU average in the SBA principle on 'second chance'. Internationalisation and environment are aligned with the EU average, while 'responsive administration' achieved below-EU-average results. However, due to limited availability of data the interpretation of these results must be done accordingly.

SME policy priorities:

Continuous improvements in the institutional and regulatory environment should remain in the focus of SMEs policies. These include, among others, a customer-oriented approach by different local and state administrations in order to improve their responsiveness to SMEs and compliance with administrative deadlines in different procedures, ensuring non-arbitrary and consistent interpretation of law by different authorities as well as better enforcement of contracts, laws and administrative decisions. Practical inclusion of SME voices in the public consultations on laws and secondary legislation affecting business, access to finance and to the public procurement procedures should be equally improved.



About the SBA fact sheets:

The Small Business Act for Europe (SBA) is the EU's flagship policy initiative to support small and medium-sized enterprises (SMEs). It comprises a set of policy measures organised around 10 principles ranging from entrepreneurship and 'responsive administration' to internationalisation. To improve the governance of the SBA, the 2011 review of it called for better monitoring. The SBA fact sheets, published annually, aim to improve the understanding of recent trends and national policies affecting SMEs.

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1. SMEs — basic figures

Class size	Number of enterprises			Number of persons employed			Class size	Value added		
	Montenegro		EU28	Montenegro		EU28		Montenegro		EU28
	Number	Share	Share	Number	Share	Share		Million €	Share	Share
Micro	28 578	94,4 %	92,9 %	51 569	39,0 %	29,4 %	Micro + Small	764,7	40,8 %	38,1 %
Small	1 376	4,5 %	5,9 %	26 263	19,8 %	20,2 %				
Medium-sized	284	0,9 %	1,0 %	28 182	21,3 %	16,9 %	Medium-sized	537,7	28,7 %	18,1 %
SMEs	30 238	99,8 %	99,8 %	106 014	80,1 %	66,5 %	SMEs	1 302,5	69,5 %	56,3 %
Large	48	0,2 %	0,2 %	26 352	19,9 %	33,5 %	Large	572,3	30,5 %	43,8 %
Total	30 286	100,0 %	100,0 %	132 366	100,0 %	100,0 %	Total	1 874,7	100,0 %	100,0 %

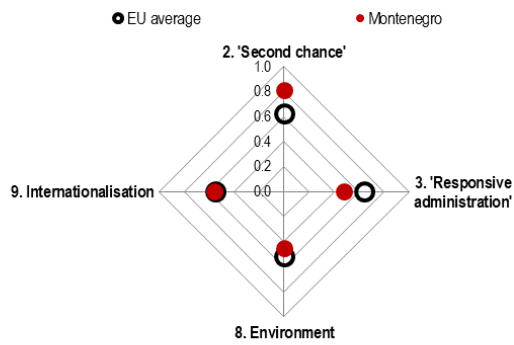
These are data for 2017 provided by the Agency for Statistics of Montenegro, the OECD and Eurostat (Structural Business Statistics Database) and were processed by DIW Econ. The EU 28 data cover the 'non-financial business economy', which includes industry, construction, trade, and services (NACE REV. 2 Sections B to J, L, M and N), but not enterprises in agriculture, forestry and fisheries and the largely non-market service sectors such as education and health. Value added data include additionally to the 'non-financial business economy' section P, Q, R, S. The data on number of enterprises and number of persons employed in Montenegro include additionally to the 'non-financial business economy' section A and S. Data for micro firms in Montenegro exclude self-employed persons (micro: 1-9 persons employed).

In Montenegro, SMEs² are the backbone of the 'non-financial business economy'³. SMEs in the Montenegrin 'business economy' played a more significant role than is average for SMEs in the EU. In 2017, they accounted for 80.1 % of overall employment, corresponding to four out of five Montenegrin jobs, and generated more than two thirds (69.5 %) of overall value added. In comparison, the average contributions of SMEs to employment and value added in the 'non-financial business economy' in the EU were notably lower, at 66.5 % and 56.3 %. The productivity of Montenegrin SMEs, calculated as value added per person employed, is substantially lower than in the EU. It amounts to EUR 12 300 per person employed, roughly one third of the EU SME average productivity of EUR 43 600.

In 2013-2017, SMEs in the Montenegrin 'non-financial business economy' achieved solid growth. SME value added rose by 50.7 % and SME employment by 10.6 %. These growth rates were substantially higher than respective EU averages, as SMEs in the EU generated value added growth of 16.0 % while employment rose by 8.4 % in the same period.

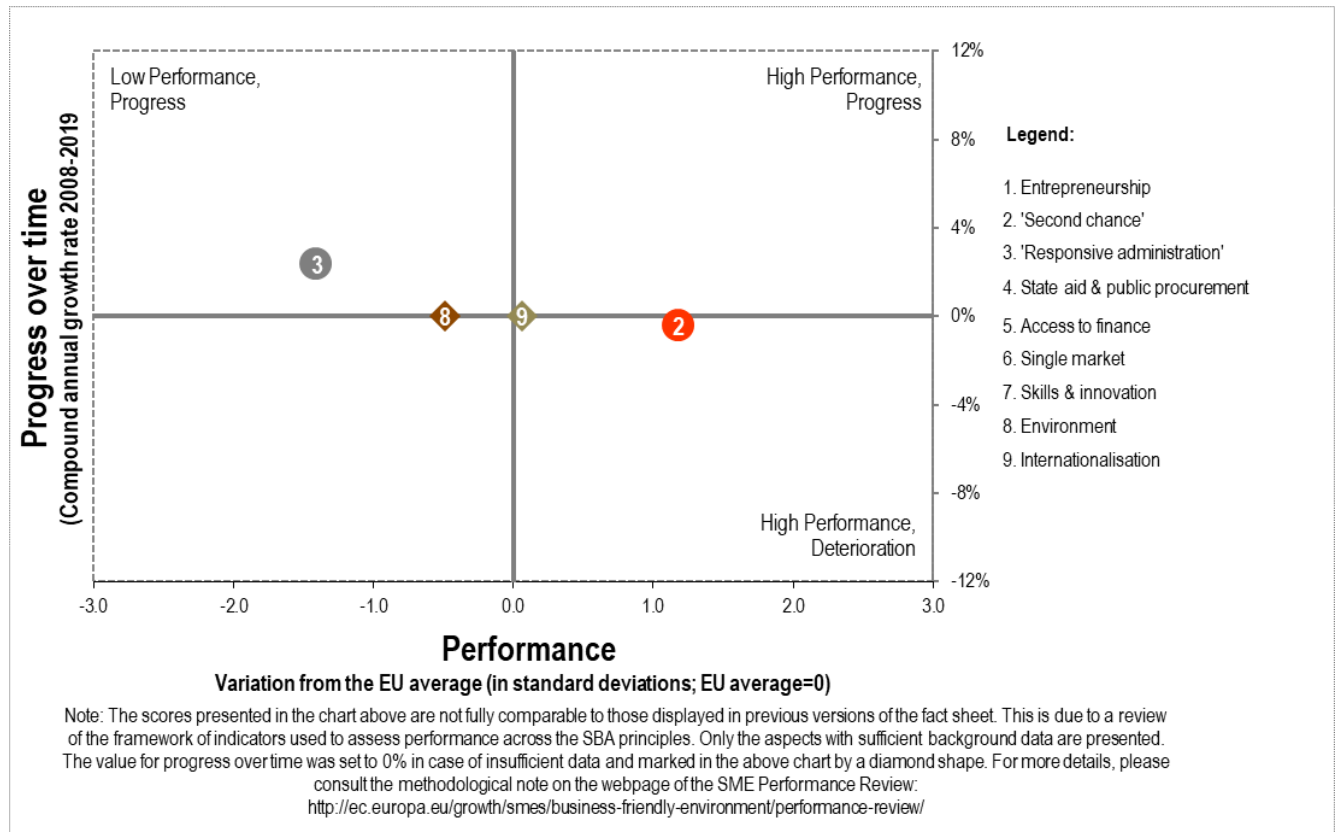
Most recently, in 2016-2017, SME value added increased by 15.5 %, far above EU SME growth of 1.7 %. The growth of Montenegrin SME value added was accompanied by a slight increase of 4.0 % in SME employment and increased productivity of 11.1 %.

2. SBA profile⁴



Montenegro performs above the EU average in the SBA principle on 'second chance'. The country is aligned with the EU average in internationalization and environment, while it achieved below-EU-average results in 'responsive administration'.

SBA performance of Montenegro: state of play and development from 2008 to 2019⁵



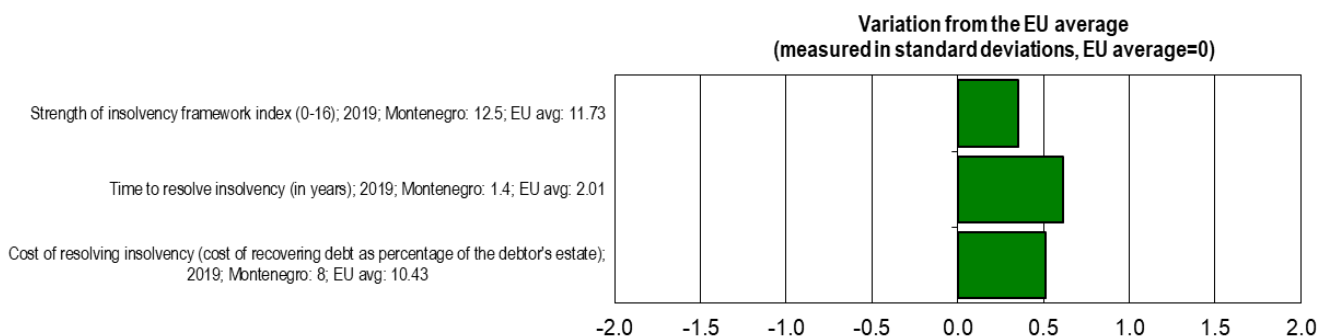
3. SBA principles⁶

3.1 Entrepreneurship

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

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

3.2 ‘Second chance’

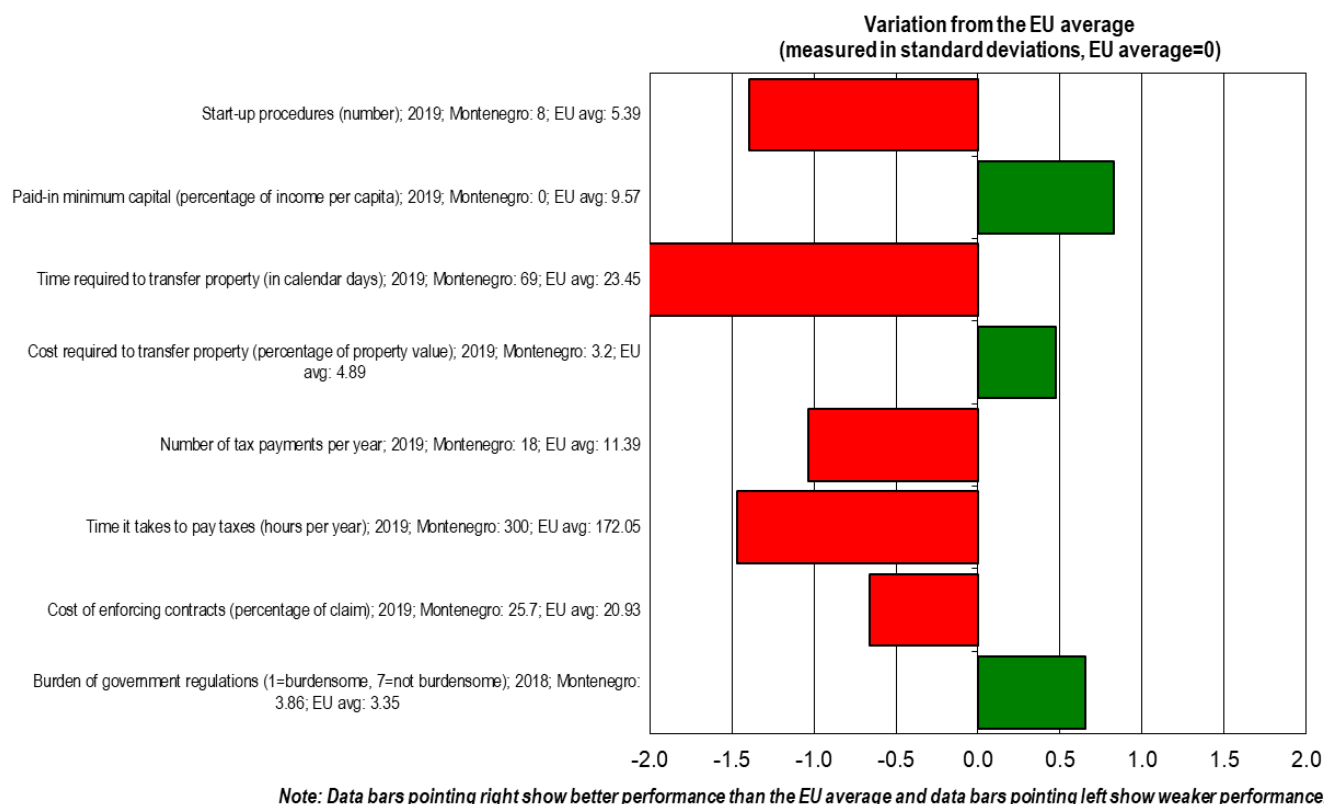


Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

‘Second chance’ refers to ensuring that honest entrepreneurs who have gone bankrupt get a second chance quickly. Montenegro’s performance in this area falls above the EU average, yet is experiencing a slight downward trend since 2008.

The time to resolve insolvency is above the EU average. The strength of the country’s insolvency framework index is with 12.5 index points in line with the EU average.

3.3 ‘Think Small First’ and ‘Responsive administration’



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

Montenegro’s profile in this area falls below the EU average. Since 2008, the country’s performance has been experiencing significant growth. As such, the country continues to perform

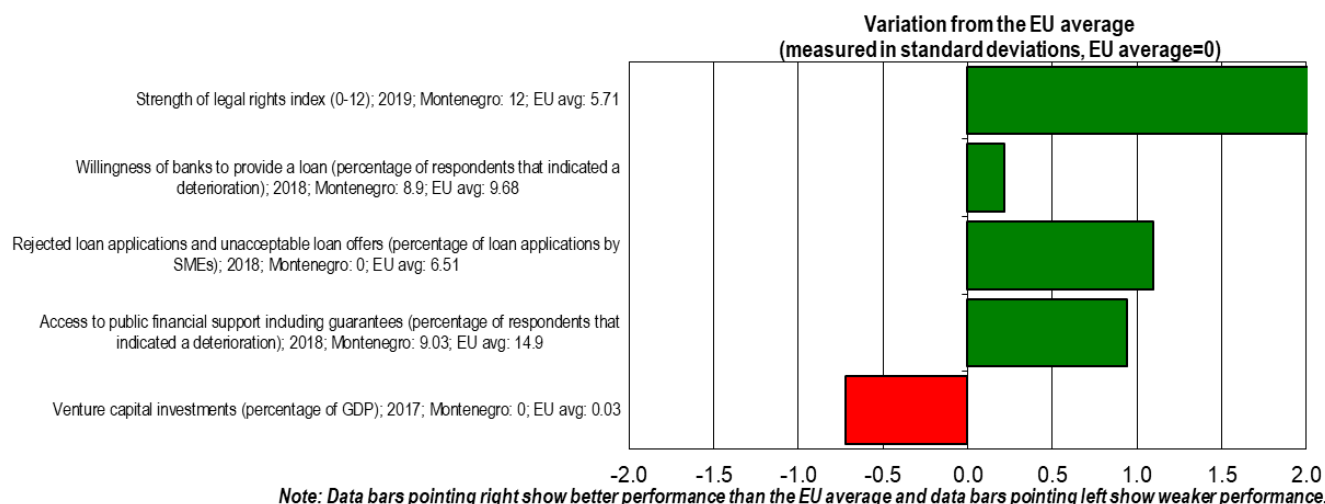
above the EU average in paid-in minimum capital and the burden of governmental regulations. However, it scores below-EU-average results in five of the eight indicators: (i) 8 start-up procedures are required in 2019; (ii) the time required to transfer property is amongst the highest compared to the EU Member States; (iii) the quantity of tax payments per year; (iv) the time required to pay taxes; and (v) the cost of enforcing contracts.

3.4 State aid & public procurement

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

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

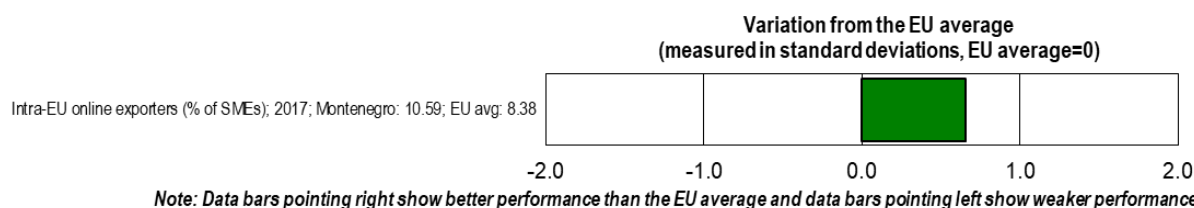
3.5 Access to finance



The data to indicate performance on the principle access to finance is only available for a limited number of corresponding indicators. Montenegro ranks above the EU average in three out of five indicators: (i) the strength of its legal rights index; (ii) the rejected loan applications, which have improved significantly from 11.6% in 2016 to 0 in 2018; and (iii) the access to public

financial support, which has improved from the 15.8% of respondents indicating a deterioration in 2016 to 9% in 2018. Additionally, the willingness of banks to provide loans improved where 15.1% indicated a deterioration in 2016 compared to 8.9% in 2018. On the other hand, the investments made by venture capitals fall below the EU average.

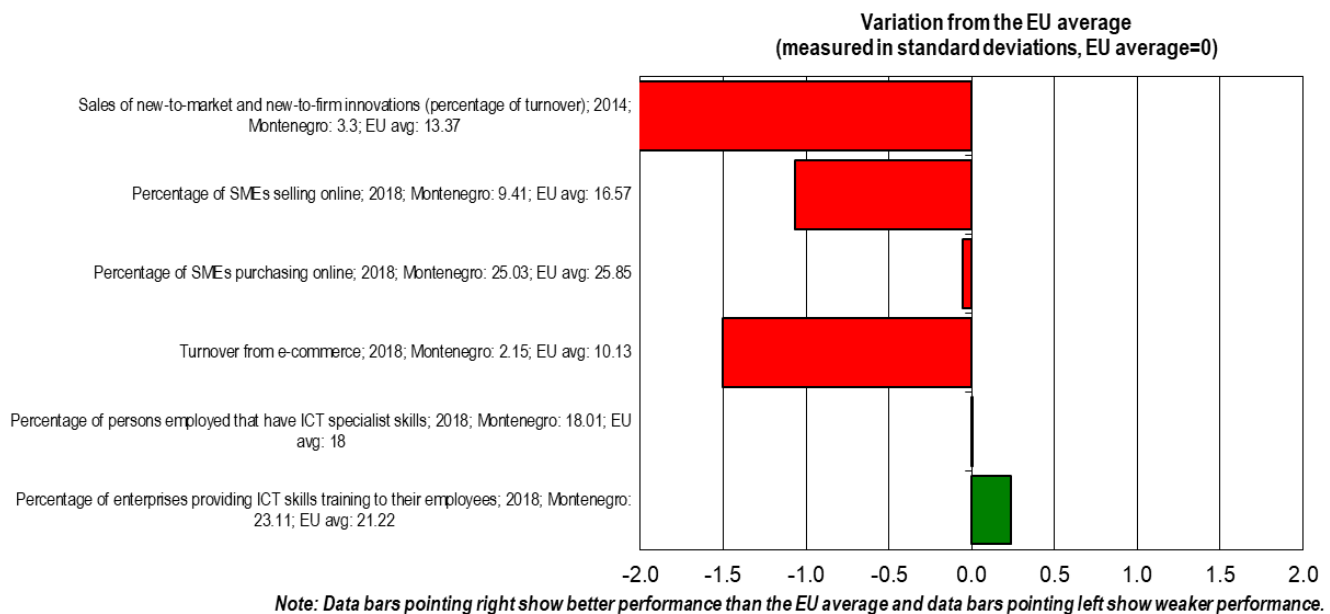
3.6 Single market



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

The one indicator available points to market access above the EU average for firms operating in the online market, where the percentage of Montenegro's intra-EU online exporters decreased from 11.7% in 2015 to 10.6% in 2017.

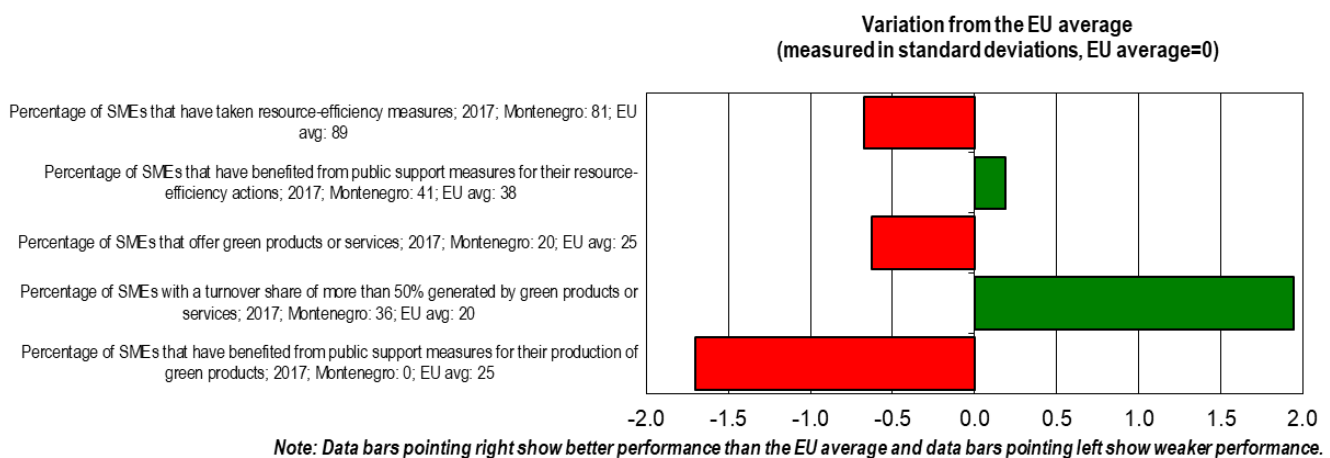
3.7 Skills & innovation



Montenegro's share of SMEs selling online and the resulting turnover from e-commerce ranks well below the EU average. The latter ranks second weakest compared to the other EU Member States. The share of Montenegro's SMEs purchasing online and

the percentage of enterprises provision ICT skills trainings fall within the EU average and increased, the first from 23.8% in 2017 to 25% in 2018 and the latter from 20.2% in 2016 to 23.1% in 2018.

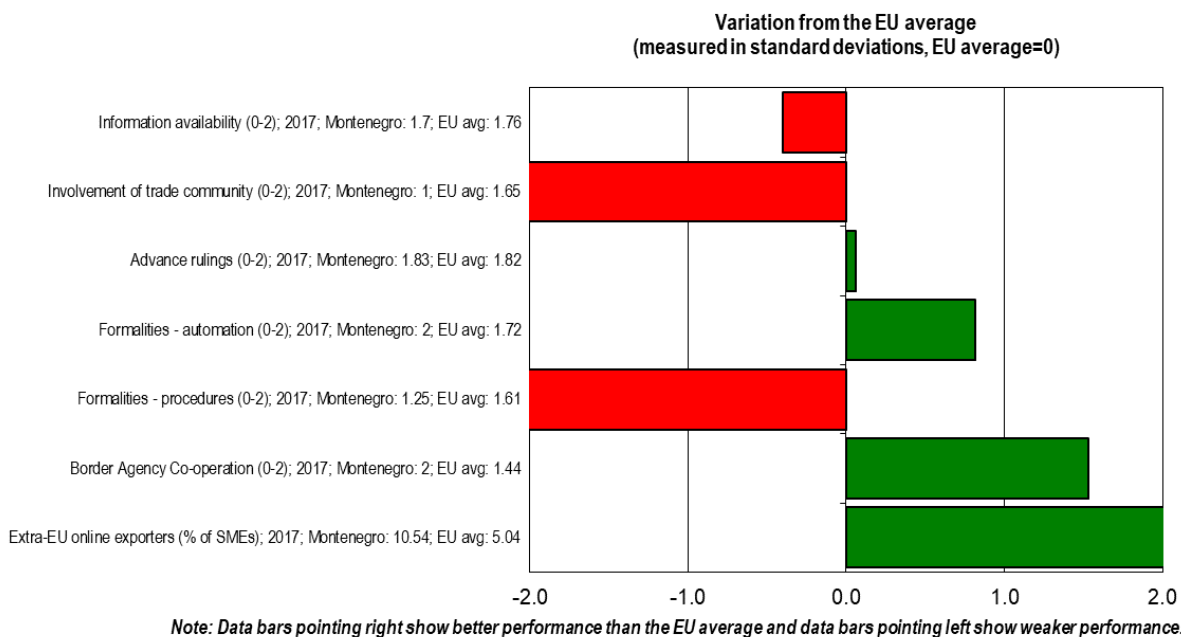
3.8 Environment



Montenegro's profile in the area of environment falls within the EU average. The country ranks second best within the EU in the share of its SMEs, which generate more than half of their turnover from green products and services. However, the share of SMEs that offer green products and who have taken resource-

efficiency measures remain below the EU average. In addition, Montenegro scores the weakest results compared to all EU Member States in the share of SMEs that have benefitted from public support measures to help their green product production.

3.9 Internationalisation



Montenegro's performance is within the EU average in the area of internationalisation. Compared to the EU member states, it ranks amongst the highest performers in Border Agency Co-operation and online exporting SMEs outside of the EU. However,

it also scores the weakest results in the involvement of its trade community and the second weakest in its procedural formalities. The remaining indicators remain within the EU average.

Important remarks

The European Commission produces the SBA fact sheets, which combine the latest available statistical and policy information. Produced annually, they help to organise the available information to facilitate SME policy assessments and monitor SBA implementation. They take stock and record progress. They are not an assessment of national policies. Rather, they should be regarded as an additional source of information to improve evidence-based policy-making. They do not and cannot reflect all measures the government has taken over the reference period. This SBA fact sheet is not related to other SBA assessments carried out with a different methodology.

SME Performance Review:

https://ec.europa.eu/neighbourhood-enlargement/policy/policy-highlights/sme-performance-review_en

Small Business Act:

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

Entrepreneurship and SMEs:

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

Endnotes

¹ The two graphs below present the trend over time for the variables. They consist of index values for the years since 2008, with the base year 2008 set at a value of 100. As from 2017, the graphs show estimates of the development over time, produced by DIW Econ on the basis of 2008-2016 figures from Eurostat's Structural Business Statistics Database. The data cover the 'non-financial business economy', which includes industry, construction, trade and services (NACE Rev. 2 sections B to J, L, M and N). They do not cover enterprises in agriculture, forestry and fisheries or largely non-market service sectors such as education and health. A detailed methodology can be consulted at: <http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

² Data for micro firms in Montenegro exclude self-employed persons (micro: 1-9 persons employed).

³ Montenegrin value added data include additionally to the 'non-financial business economy' section P, Q, R, S. The data on number of enterprises and number of persons employed in Montenegro include additionally to the 'non-financial business economy' section A and S.

⁴ The 2019 SBA fact sheets benefited substantially from input from the European Commission's Joint Research Centre (JRC) in Ispra, Italy. The JRC made major improvements to the methodological approach, statistical work on the dataset and the visual presentation of the data.

⁵ The quadrant chart combines two sets of information. Firstly, it shows current performance based on data for the latest available years. This information is plotted along the X-axis measured in standard deviations of the simple, non-weighted arithmetical average for the EU. Secondly, it shows progress over time, i.e. the average annual growth rates from 2008 to 2019. These are measured against the individual indicators which make up the SBA area averages. Hence, the location of a particular SBA area average in any of the four quadrants provides information not only about where the country is located in this SBA area relative to the EU average at a given point in time, but also about the extent of progress made between 2008 and 2019. All SBA principles, with the exception of the 'think small first' principle for which there is not enough statistical data available, are calculated as composite indicators following the OECD/JRC Handbook guide. A detailed methodology can be consulted at: <http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

⁶ The policy measures presented in this SBA fact sheet are only a selection of the measures the government took in 2018 and the first quarter of 2019. Only those measures were selected which are expected to have the highest impact in the SBA area in question.