

**EUROPEAN CHARTER FOR SMALL  
ENTERPRISES**

**NATIONAL REPORT FOR MONTENEGRO**

September 2005

**SECTION 1: IDENTIFICATION OF GOOD PRACTICE**

## 1. EDUCATION AND TRAINING FOR ENTREPRENEURSHIP

### Actions recommended according to the Charter:

- Nurture entrepreneurial spirit and new skills from an earlier age and throughout the education system.
- Develop specific business related modules in education schemes in secondary level, in colleges and universities.
- Promote the entrepreneurial efforts of young to-be entrepreneurs.
- Develop appropriate training schemes for managers in small enterprises.

Extensive reform of education system in Montenegro, in the strategic document “Books of Changes” (2001) defines the achievement of “European dimension of education” as one of the most significant and high priority goals.

Ministry of Education and Science of the Republic of Montenegro, as the bearer of education policy and creator of professional education curriculum, should recognize the significance of introduction of entrepreneurship as compulsory subject in professional education. Basic methodological documents such as: “Basis for Curriculum and Education Schemes Reform”, “Methodology for the Development of Standards for Professions” and “Methodology for Development of Educational Programs” have defined recognition of entrepreneurship within specific occupation as one of the objectives.

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#### *Elementary education*

Second year of realization of the project “Entrepreneurial Clubs in Elementary Schools” has started in 2004, when the program was expanded to 6 more elementary schools, totaling **11 elementary schools** in Montenegro (increase of 120%). Previously, 20 mentors were trained in Slovenia and 260 pupils from Montenegro went through the program. Pupils were educated in development of mini business plans. Their business plans were presented at the end of program completion. Four entrepreneurial clubs have successfully implemented their business ideas and realized profit. Evaluation of the whole project, based on the evaluation of 4 target groups (school principals, parents, mentors and pupils) is 4,69 (of maximum 5). Based on previous evaluation, interest of elementary schools is increasing and the plan is to include 5 additional elementary schools in school year 2005/2006. There are

tendencies to institutionalize the project, however, due to the lack of financial support, discussions with relevant institutions have not been initiated.

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***Secondary Education***

**Junior Achievement Montenegro** is implemented in 15 Montenegrin schools, within formal education, with cooperation of 30 active professors through educational programs that provide students with basic knowledge of economy, entrepreneurship and business ethics. During school year 2004/05, 1000 students have voluntarily attended Entrepreneurship, Business Ethics and MESE (Management Simulation Exercise) classes. Within the implementation of Business Ethics project, student from Niksic high school "Stojan Cerovic" was one of the winners of the international competition that included 16 countries.

Team of students of the economics school from Podgorica and electrical engineering school from Bijelo Polje have visited Brussels in February, where they have participated in the European competition of young entrepreneurs. Students of the high school and electrical engineering school in Bijelo Polje have organized a number of festivities and sports events as a final product of the management of own enterprises. Students from Niksic's high school have made a 35-minute titled ONCE.

During current school year, two trainings for teachers are organized for both semesters, with participation of international lecturers. [www.jaintl.org](http://www.jaintl.org)

Due to the lack of financial means, the number of schools included in the Project has decreased, however, the plan for 2005/2006 is to increase the number of schools by 10, since the funds have been provided.

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***Secondary Vocational Education***

There are 21 educational programs that include subjects "Entrepreneurship" and "Economy and Organization of Labor". Principles of the new concept of vocational education are compliant with basis of educational system of developed European countries. New concept of vocational education has been implemented since 2004/05, while from 2005/06, 2500 students, i.e. 10% of total students in vocational education, are included in education and training based on new educational programs.

Entrepreneurship and Economy and Organization of Labor are studied through 36 or 72 classes per year, while the class depends on educational program.

Since the start of implementation of the new concept of vocational education, 109 vocational standards were developed, defining the knowledge in the area of entrepreneurship, commercial and administrative activities, in compliance with competencies. Based on these standards, 21 educational programs were developed, of which 19 have already started with implementation. Around 200 teachers are involved in implementation of new educational programs. Training in 5 modules of 45 minutes was organized for teachers, prior to the beginning of teaching. Modules for training of trainers were developed within international support and methodology documents for implementation of education and training based on new methods and within target organization of teaching. Previous training of trainers did not include entrepreneurship modules. This was caused by the shortage of funds, expert support and percentage of entrepreneurship included in curriculums for vocational education. Two evaluations of new educational programs implementation were conducted in September 2004 – May 2005, demonstrating positive evaluation of teachers and students. However, some major indicators need more time and termination of the first generation. Evaluation process has demonstrated some deficiencies related to material and personnel conditions for implementation and insufficient involvement in connecting schools and enterprises in order to achieve connection of education and work. Planned activities within the evaluation process are directed at verifying key competencies in order to implement mechanisms for their realization and providing work force that will be competitive on the labor market with entrepreneurship knowledge applicable for the start of own business.

Montenegro is providing vocational education and training for approximately 100 different vocations in 15 occupational areas. In order to provide introduction of new educational programs, compliant with European standards, with competencies competitive on the labor market, it is necessary to introduce 20 educational programs per year and reduce and merge existing programs. Development of methodological basis for creation of educational programs will ensure improved quality of implementation of program elements and recognition of entrepreneurship competencies.

Activities are underway to provide conditions for implementation of new educational programs that include: acquisition of equipment through donor funds, and production of textbooks for vocational theoretical subjects and practical education.

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**Higher Education**

Foundation of the following faculties/departments demonstrates that entrepreneurship is becoming priority in Montenegro. Faculty of Tourism, Hotel Management and Trade in Bar has been founded in 2005, as a private faculty, regional department of Faculty of Economics has been founded in the north of Montenegro ( Bijelo Polje),

Faculty of Business Studies-Montenegro Business School has been founded in 2005 with the special department for entrepreneurship.

Faculty of Economics in Podgorica has the Entrepreneurship <http://www.psee.edu.cg.yu/Preduzetnistvo.htm> and Business departments since 1995/1996 <http://www.psee.edu.cg.yu/Biznis-new.htm>. Each year, program of the departments is innovated and the number of students is increasing. Students can obtain Manager for Corporate Governance Certificate, Broker License, Dealer and Investment Manager License by attending courses and taking exams. Management Studies have Entrepreneurship as a regular subject in the second year. Two-year postgraduate studies "Entrepreneurial Economics" have been established in 1993 <http://www.psee.edu.cg.yu/7th%20generation.htm> that included 233 students in 7 graduating classes, with the increasing number of students in each year (35 students in 2002, and 41 student in 2004).

Each year international magazine "Entrepreneurial Economics" is published <http://www.psee.edu.cg.yu/Library.htm>

Within the teaching/educational process on the Faculty of Economics, in addition to regular 4-year studies and 2-year postgraduate studies, in 1993, two-year Business School has been founded, which has been subsequently transformed in 3-year Management College, in 2004/2005, and further transformed in Management Studies in 2005/2006 <http://www.management.cg.yu/novosti.phtml>

The upcoming years will show results of these efforts.

### ***Informal Education***

Activities related to informal education and vocational training for entrepreneurship are carried out for unemployed persons and redundant work force.

The number of participants established in the Work Program for 2005 is 3.500, while the number of participants in 2004 was 1.800 (51.42% increase). Considering that the number of unemployed persons in 2004 was 59.002, percentage of persons anticipated for inclusion in the program is 3,05%.

In 2004, vocational education programs were implemented for 2.075 (implementation percentage-113.25%), of which 70% have found employment. Planned number of participants in vocational education program for 2005 was realized with 37.14 %, or for 1.300 unemployed persons in the first 5 months of the current year, with the growing trend of employment opportunities of trained persons, compared to previous year (74%).

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Chamber of Economy of Montenegro as a social partner has been included in the education reform process in the area of its jurisdiction, therefore strong cooperation was established with social partners and Center for Vocational Education.

Chamber of Economy is one of the initiators of the introduction of dual system of education in Montenegro. During school year 2004/2005, 4 classes with 92 students were enrolled in 3 Montenegrin towns (Podgorica, Nikšić and Herceg Novi) for auto mechanics and hairdressing occupations. On this basis, agreements have been signed with 76 employers.

Six new education cycles have been planned for 2006.

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Activities on informal education and vocational education for entrepreneurship needs have continued in 2004/2005, which are conducted for future and existing entrepreneurs and persons employees in public administration.

Nine different educational forms (voucher system, cards program, strategic planning, management, marketing, etc.) have been realized and attended by 200 participants. Educational programs do not include vocational entrepreneurial skills; they only generally increase the level of knowledge. Implemented programs increase competitiveness of unemployed persons; provide specific knowledge that facilitate start up of own businesses, however there are no accurate data on how many participants become employed within entrepreneurial framework. Ten new education cycles have been planned for 2006.

Implementation of the new project **Private Sector Development** is in the initial stage. It is being realized in cooperation with Academic Training Association and it will continue until 2007. The objective is development and encouragement of economic cooperation and development of cooperation between public and private sector of regional countries, introduction of European economic standards, improved quality of research and education of entrepreneurs. Project includes numerous activities such as: professional training and competitions in business plan development for advanced university students in the region and 6 training modules per year for business beginner.

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Center for Development of Non-Government Organizations is a non-government organization that implements activities in the area of organizational development, including training and consultations for non-government organizations, public administration and local government, with following topics: «Organizational

Management», «Project Management», «Strategic Planning», «Monitoring and Evaluation», «Public Relations». From September 2004 to September 2005 19 seminars/training and 75 consultations that included 304 participants were organized in relation to above-mentioned topics. Majority of seminars and consultations were provided to members of non-government organizations, and somewhat less to representatives of public administration and local government.

Compared to previous year, there has been a slight increase of activities in this area (20% more activities), partly due to the newspaper introduced by the organization, and interest of service users.

In the near future, we will start working with enterprises in Montenegro in the area of organizational development.

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## **2. CHEAPER AND FASTER START-UP**

### **Actions recommended according to the Charter:**

- **Encourage the evolution of company start-up costs, and the time taken and procedures required for approving new companies, towards the most competitive standards in the world.**
- **Increase on-line access for registration**

### **Development of the Draft Law on Issuing Business Licenses**

Main reasons for the introduction of this law are complete elimination of obstacles that inhibit employment and business development in order to create positive environment for successful economic development. This can be achieved by shortening procedures and decreasing costs of obtaining licenses for performing business activities, as prescribed by this law. In order to achieve main objective, i.e. faster obtaining of licenses, deadlines of 3, i.e. 7 days have been determined for issuing licenses, while for activities under Republic's jurisdiction, licenses have to be issued within 30 days. Additionally, licenses shall be issued in one place, in order to initiate one-counter system.

One-counter system will considerably facilitate company start-up and decrease initial cost.

Defining of above-mentioned deadlines will eliminate »silence« of administration, which was slowing down start-up of future companies. Administration will have limited time to act upon requests, even when license issuing is impossible due to justified reasons (force majeure, incomplete documentation, non-eligibility), applicant has to be notified in the prescribed deadline.

Considering costs, this Law stipulates existence of real costs of authorized bodies and commissions that will be engaged in reviewing meeting of requirements for performing activities, while costs of local and republic bodies will be separated.

Central register of issued licenses is another novelty in this Law, which will facilitate control to inspection services. It should be emphasized that the Draft Law will improve cooperation between public bodies (due to simplified procedures) and more consistent application of current regulations related to the subject of this Law.

Besides representatives of Directorate, working group consisted of representatives of the Ministry of Economy, Ministry of Justice, Legislative Secretariat, as well as representatives from the Ministry of Tourism, Ministry of Agriculture, Ministry of Transportation and Maritime Affairs, Ministry of Environmental Protection and Physical Planning, Association of Municipalities and USAID experts. Working group

finished working on December 12, 2004 and submitted final Draft Law on Issuing Business Licenses to the Ministry of Economy for further procedure.

*(In compliance with Law on Public Administration only ministries have the right to propose laws).*

Working group has obtained opinions on the Draft Law from the Ministry of Justice, Legislative Secretariat, Ministry of Finance, Ministry of Environmental Protection and Physical Planning, Ministry of Tourism, Ministry of Agriculture, Forestry and Water Management, Ministry of Education and Sciences, Ministry of Internal Affairs, Ministry of Health, Republic Secretariat for Development, Ministry for International Economic Relations and European Integrations, Republic Bureau of Statistics, Commission for Economic Freedoms, Union of Employers and Montenegro Business Alliance. All of the above-mentioned was completed in January 2005.

Following the examination of the Draft Law and its adoption, the Law will be submitted for public discussion and opinion of local self-government, after which the Law will be tested on municipality of Podgorica.

On-line registration is still not available.

Principle of “ silent approval” in the registration procedure is still non-existent.

2.3. Please fill in the table (working day hours and amount in €)

	<b>Registration form</b>		<b>Additional procedures</b> (customs, statistics, tax offices, work/health requirements)		<b>Licenses/permits</b> (building, construction, users)	
	<b>Minimum</b> below optimal conditions (e.g. application form)	Estimated real <b>average</b>	<b>Minimum</b> below optimal conditions (e.g. application form)	Estimated real <b>average</b>	<b>Minimum</b> below optimal conditions (e.g. application form)	Estimated real <b>average</b>
<b>Hours in working days</b>	4	3	2	1,5	55 (collecting documentation) 7-30 (obtaining licenses)	45 (collecting documentation) 7-30 (obtaining licenses)
<b>Costs in €</b> excluding investment of initial capital	10€for registration in the Central register and register, 4,5€ court fees for notarization of agreements	10€for registration in the Central register and register, 4,5€ court fees for notarization of agreements	5€for registration in statistics, 0,5€ for the form, 2,56€ for registration in Customs register	5€for registration in statistics, 0,5€for the form, 2,56€for registration in Customs register	Cost depend on the activity (very high)	Cost depend on the activity (very high)

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### 3. BETTER LEGISLATION AND REGULATION

#### Actions recommended according to the Charter:

- **Screen new regulations to assess their impact on small enterprises and entrepreneurs. Simplify rules, wherever possible.**
- **Adopt user-friendly administrative documents.**
- **Consider the exemption of small enterprises from certain regulatory obligations.**

During past 12 months, progress has been made regarding legal framework for the development of small and medium-sized enterprises. Namely, development of this sector implies wide range of business environment reforms (legal environment, regulatory environment, incentive measures, simplification of administrative procedures) that will provide understanding of administration, faster and cheaper start-up, with mechanisms for continuous trend monitoring and securing effective growth.

Current legal environment in Montenegro does not include regulations related to SMSE, therefore their positions and activities can be observed only through general provisions related to general economic subjects.

Adoption of reform laws continued in the period October 2004 – August 2005, namely:

**Law on Changes and Amendments to the Law on Legal Entities Income Tax-** this Law stipulates proportional income tax rate, amounting 9% of the tax base.

**Mortgage Law** has been adopted, and its implementation started at the beginning of 2005. In January and February of the current year, commercial banks have filed 73 requests for the registration of mortgages in the real estate registry. New Law enables creditors to realize mortgage in proceedings outside the court if debtors fail to settle their liabilities. Procedure is free of obligatory evaluation of pledged property by the state and limitations related to the price that are typical; for court settlement (data received from commercial banks).

**Law on Legal Procedure** – this Law implies the reform of legal procedure that will incorporate international standards and increase procedure efficiency, prevent misuse of process authorities and eliminate accumulated uncertainties and legal gaps in legal proceedings.

**Law on Executive Proceeding** conducts fundamental reform of executing proceedings and incorporates new solutions that will enable more efficient execution of court decisions, in compliance with international standards and principles of modern market operations.

**Law on Foreign Trade** regulates foreign trade operations in compliance with WTO and EU regulations.

**Law on E-trade (commerce)** –this Law enables electronic trade, defines electronic conclusion of agreements, electronic payment and its elements, in compliance with international standards.

**Draft Law on Trade** – this Law assumes jurisdiction in this area, considering that it was previously regulated by the federal law, and defines authority of inspection control in this area.

**Law on Changes and Amendments to the Customs Law** reconciles existing solutions with several system laws introduced in the previous period that regulate operations of public administration agencies and improves specific solution which have demonstrated incompleteness and inefficiency.

**Law on Financial Leasing** has been introduced in September 2005 in order to enable interested parties, particularly enterprises, to obtain equipment and other items with small initial investments, due to inability to pay the full price in the moment of purchase. The Law defines framework and definition of enterprises that may perform financial leasing activities, with greater emphasis on mutual rights and obligations of subjects in financial leasing operations.

All of the adopted laws are in the initial implementation, whose results are expected.

Proposal of the Law on Issuing Business Licenses is in the procedure and its adoption is expected until the end of 2005. This Law will regulate deadlines and procedures for issuing of business licenses in order to decrease administrative barriers and simplify license-issuing procedures.

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### **Law on Changes and Amendments of the Law on Banks**

Law on Banks («Official Gazette of RoM», no.52/00 and 32/02) stipulates establishment, license issuing, organization, status changes, ownership changes, operations, management and supervision of entities offering banking and financial services in Montenegro.

Introduction of the Law on Changes and Amendments of the Law on Banks was required due to the need to improve compliance of banking regulations with international standards based on Basel Core Principles for efficient banks supervision and other Basel documents prescribing standards of banking operations.

Introduction of the changes and amendments of the existing Law was also based on recommendations of international evaluators from July 2003 given during evaluation

of the Central Bank Supervision Department compliance with Basel Core Principles for efficient banks supervision, which recommend continuous harmonization of regulations with above-mentioned Basel documents.

Since banking standards are dynamically changing and improving, it is necessary to create legal conditions for changes and amendments of the existing regulations, particularly in the area of supervisory function of the Central Bank, based on risk management that banks are facing in their operations.

Also, practice and experience in previous implementation of the Law on Banks, demonstrate the need for amendments and detailed definition of specific provision of the existing law.

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#### 4. AVAILABILITY OF SKILLS

##### Actions recommended according to the Charter:

- **Ensure that training institutions, complemented by in-house training schemes, deliver an adequate supply of skills adapted to the needs of small business, and provide lifetime training and consultancy.**

Active employment policy measures are regulated by the Employment Law (2002) and are directed towards: decrease of unemployment, increase of employability, providing new employment option through knowledge and skills adjustments to variable requirements of labor market, stimulating entrepreneurship, etc. Following results were achieved in 2004/2005 through the implementation of projects:

Project »**Training of Artisans**«, enabled employment of 193 participants.

Project »**Training of Unemployed Persons for Occupations in the Area of Tourism and Hotel/Restaurant Management**« has been realized for 446 unemployed persons, that were professionally trained for independent performance of scarce occupations. Training was organized at employers in the area of tourism and hotel/restaurant management, according to training programs that include standard occupations comparable with same occupations in developed countries, particularly EU. After successfully completed training, 90% of trained persons (401 persons) found employment in tourism industry in Montenegro.

Training programs were realized for 32 trainers to prepare them for education of future training participants.

**Project »Education for Further Qualification of Unemployed Persons «**

Educational programs for acquiring further qualification and increasing employment prospects included 1.458 persons looking for employment.

IT literacy programs included 1.043 persons, while foreign language courses were realized for 305 unemployed persons.

Further qualification enabled employment of 60% (846 persons) of participants.

Therefore, from May 2004 to June 2005 vocational education was organized for 2097 unemployed persons. Realization of the above-mentioned programs has enabled employment of 1.440 successful program participants.

For 2004, training was planned for 1800 unemployed persons, however, 2.075 persons participated in training programs, which represented 115.3% realization.

In the following period (2005 year-end) new training programs will be implemented, in compliance with development direction of Montenegro, in the areas of comparative advantages (tourism, wood processing, agriculture), therefore, these programs will include entrepreneurial subjects (these areas include large number of SMSE).

Education of specialists is required in order to provide more information in this area. Establishment of Center for Professional Information is underway, which will strengthen counseling and information function of the Bureau.

Preparation is underway for including around 1830 persons in training programs (vocational education and further qualification programs).

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In compliance with "Economic Development Strategy for 2002-2005", and Strategy for Development of Small and Medium Sized Enterprises, Directorate for Development of Small and Medium Sized Enterprises is continuing with implementation of the following measures:

**“Institutional Support to Development of Small and Medium Sized Enterprises”**

– local business center was opened in Zabljak (August) and regional business center in Berane (November). Therefore, business center network has been broadened from 7 to 9, and now there are **6 regional and 3 local centers**.

Education of persons employed in regional/local business center has continued, particularly in the following areas: marketing planning, market research, information systems, integrated entrepreneurship and local development, internationalization of small and medium-sized enterprises, consulting methodology and general development of entrepreneurial skills. Confirmation of improved services is the fact that network of regional/local business centers has provided 732 consulting services in 2004 (recommendations, business plan preparation, marketing plans, standards, export, etc.). This represents significant growth in comparison with 2003, when these services amounted 524 (39.6% increase). Additionally, network of regional/local business centers has realized different education cycles for entrepreneurs, and it participated in the implementation of educational programs organized by Directorate for Development of Small and Medium Sized Enterprises.

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**Bas program** represents business-consulting program for support of small and medium-sized enterprises, through offering business/consulting services for improving enterprises quality and competitiveness.

Program is directed towards development and promotion of local consulting market.

During 2004, 52 projects that included 25 consulting companies and individual consultants were implemented in 50 enterprises.



Realization of 30 projects engaging 20 consulting firms in 29 enterprises started in June 2005.

With the objective of supporting enterprises with potentials for increasing sale on the local level and export, BAS has, in 2005, started with marketing part of its program entitled "BAS Marketing". Besides increasing export, the objective of this part of BAS program is development of marketing functions of enterprises with potential for development and profitability increase.

BAS Marketing program consists of two phases 1) Development of marketing strategies and companies profile and development of marketing capacity to enable enterprises stronger access to local and foreign markets, 2) implementation of marketing strategies, i.e. access to selected markets, establishing contacts with prospective buyers and partners, development of distributor networks and starting practical sale programs.

In the period January – June 2005, BAS program included 30 enterprises, of which 14 enterprises have been included in BAS Marketing program.

There are 14 local BAS consulting firms, which employ several consultants and additional 17 individual consultants.

Until June 2006, BAS program in Montenegro is planning to support 20 new enterprises.

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Within the CEFE (Competency-based Economies through Formation of Enterprises) cycle, 3 modules were organized from *February to March* 2005, where 7 local trainers were trained, who continued training 60 business beginners within **CEFE** course.

**Seminar contents:** business plan development, SWOT analysis, market research, risk analysis, production organization, value engineering, costs categories, financial indicators, business analysis, balance sheet and financial reports analysis.

Business center Podgorica has organized new cycle of CEFÉ course in the period from May 23 to June 30, 2005. In addition to marketing and management skills, candidates were trained in the business plan development, which they have presented to representatives from commercial banks. Credit support is planned for 3 of the best business plans.

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## 5. IMPROVING ON-LINE ACCESS

### Actions recommended according to the Charter:

- **Encourage public authorities to increase their electronic communication with the small business sector, permitting companies to receive advice, make applications, file tax returns or obtain simple information on-line.**

Government of the Republic of Montenegro has its web site, that offers to the public information on its activities and all significant information, such as: taxes, procedures, proposals [www.vlada.cg.yu](http://www.vlada.cg.yu) . New regulations and information on preparation of new regulations can be found on the Government web site [www.crf.vlada.cg.yu](http://www.crf.vlada.cg.yu) Directorate for Development of Small and Medium Sized Enterprises web site provides information on work and activities of the Directorate [www.nasme.cg.yu](http://www.nasme.cg.yu) . Employers Union of Montenegro also has its web site [www.upcg.cg.yu](http://www.upcg.cg.yu) that offers free legal services and useful information for small and medium-sized enterprises. Internet site of the Commercial Court Central Registry offers information to entrepreneurs on registration of enterprises [www.crps.cg.yu](http://www.crps.cg.yu) . Web site [www.sudovi.cg.yu](http://www.sudovi.cg.yu) has all information and advices related to courts and court jurisdiction.

Euro Info Correspondent Center (EICC) web site [www.euroinfo.cg.yu](http://www.euroinfo.cg.yu) provides information and advice on Montenegrin companies in the area of wood-processing, meat industry, tourism and agriculture, on –line registration for offers of business cooperation with international companies, events and fairs in the country and abroad, information on loans, etc. data on Montenegrin companies by industries are available on the web site [www.enterprise-montenegro.com](http://www.enterprise-montenegro.com) . Directorate for Development of Small and Medium Sized Enterprises in cooperation with Euro Info Correspondent Center has prepared electronic newspaper EICC CLUB with daily information to entrepreneurs on various economic issues (tenders in the regional countries, supply, demand, fairs, seminars). Chamber of Economy web site [WWW.PKCG.ORG](http://WWW.PKCG.ORG) provides guidance and information on tenders, supply, demand, fairs, education, etc.

All web sites offer possibility to ask questions and request additional information.

Pilot project "E-business web site" has started with the objective to create and maintain web site with the topic of e-business, which will represent a starting point for Montenegrin enterprises who want to modernize their operations and start e-business. Web site will be interactive – visitors will be provided with information on all aspects of e-business and ask questions and receive answers and exchange information about this area.

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## 6. GETTING MORE OUT OF THE SINGLE MARKET

### Actions recommended according to the Charter:

- **Pursue reforms aiming at the completion in the EU of a true internal market, user-friendly for small business, in critical areas for development of small businesses, including electronic commerce, telecommunications, utilities, public procurement and cross-border payment systems.**
- **Apply European and national competition rules to make sure that small businesses have every chance to enter new markets and compete on fair terms.**

“Improvement of Competitive Abilities of Domestic Companies” program has been realized within the program “Stimulation of New Employment”, which is extension of “Legalization of the Existing and Opening of New Jobs” program. This project supports companies in 3 sectors: agriculture, tourism and wood processing.

From September 2004 to September 2005, this project has provided loans in the amount of 5.495.000€ to enterprises in the area of agriculture and wood processing. In addition to loans, project has provided consulting services related to the introduction of standards, technical and technological development of production and processing, marketing, relations with neighboring countries, etc.

Monitoring of approved loans is underway, therefore, upon its completion, project will be accurately evaluated.

Support to tourism industry is envisaged until the year-end 2005.

Marketing campaign “MADE IN MONTENEGRO” is continually conducted within the project “**Improvement of Competitive Abilities of Domestic Companies**”, whose main objective is to create awareness about the necessity to introduce brands and all preconditions necessary for the product to become a brand. Emphasis is on EU standards, because they are crucial in the process of creating brands and increasing export. Campaign aims to encourage development of marketing function in enterprises, as significant instrument of business development. With that objective, 12 presentations were prepared, which included 35 enterprises and over 500 types of products.

Serial program on Montenegrin products was made in cooperation with national television – TVCG and private televisions Montena and MBC, in which standards, technology and brand is presented.

Daily newspaper Pobjeda publishes weekly supplement »Economy and Business«, that includes articles on marketing, management, stock exchange (cooperation of

SMSEs from Europe with Montenegrin SMSEs), presentation of successful enterprises, different experiences, etc.

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## 7. TAXATION AND FINANCIAL MATTERS

### Actions recommended according to the Charter:

- **Adapt tax systems to reward success, encourage start-ups, favour small business expansion and job creation, and facilitate the creation of and succession in small enterprises. Apply best practice to taxation and to personal performance incentives.**
- **Improve the relationship between the banking system and small enterprises by creating appropriate access conditions to credit and to venture capital.**
- **Improve access to the Structural Funds. (*Not relevant*)**

Bureau of Employment of Montenegro is implementing active employment policy that is regulated by the Law on Employment (2002). Active policy measures include stimulation of entrepreneurship development.

**Project 14 Credit Lines for Stimulation of Employment and Development of Agriculture and Tourism** has been implemented within the Government program “Legalization of Existing and Creation of New Jobs” since 2004, which anticipates project support in the amount of 13.2 million €. This project has been implemented in cooperation with 6 commercial banks. Credit lines are realized through banks with interest rates that are lower than bank’s interest rates, where banks assume credit risk, while Government subsidizes banks with the difference between market interest rates and interest rates on granted loans.

Within this project the Government of the Republic of Montenegro has following objectives:

- Opening of 1000 new jobs,
- Development of entrepreneurship and small businesses as generators of economic growth in Montenegro,
- Restoring banks role in financing entrepreneurship and small and medium-sized enterprises,
- Development of agriculture and tourism as strategic industries of our economy.

Bureau of Employment represents implementation unit of the project, up to the level of banks’ credit boards. Public bid was closed on April 30, 2004. Bureau of Employment received 2095 loan requests and municipal commissions positively evaluated 1.865 requests, while the expert team submitted 1.790 business plans for final decision. Up to 01.06.2005, banks have approved 633 loans in the amount of 9.760.150€ which has created 148 new jobs. Project realization related to the planned number of employed persons was 141.8% in at the time of report preparation, while in relation to engaged funds, plan was realized 74%.

Project 14 Credit Lines has significantly contributed to the development of business start-up. Only 44.37% of loans were given to enterprises and registered entrepreneurs, while 55.63% of loans were approved to physical entities starting own business.

Project 14 Credit Lines is continuing its implementation in 2005.

Bureau of Employment has been implementing **Program for Continuous Stimulation of Employment and Entrepreneurship in Montenegro**, known as Self-employment Program, since February 1999. Main objective of this Program is stimulation of entrepreneurship development and creation of new jobs. Loans are approved under term that are more favorable than market terms: 3068€ per job, maximum of 5 jobs, at the 3% interest rate, with one year grace period and payment period of 2 years for legal entities and 3 years for individuals. All business plans have to undergo two levels of decision-making: regional and Republic commission (that passes final decision on loan approval).

So far, 10963 loan requests were submitted, while 8377 were positively evaluated by the regional commissions.

From the beginning of the program implementation until June 2005, 5477 loans were given, which has created 9.016 new jobs. Loan funds for these purposes amount 26.884.925€

Realization of Self-employment Program in 2005 is exceeding planned dynamics. Plan for 2005 anticipates approval of loans in the amount of 3 million € From January 01 to June 1, 2005 loans were approved in the amount of 2.548.847 € i.e. 85% of planned loan funds for 2005.

From May 2004 to June 2005, 638 loans were approved, in the amount of 3.238.510€ Realization of these loans created 1072 new jobs.

Self-employment Program has significantly contributed to the development of business start-up. Only 9,58% of loans were given to legal entities, while 90,42% of loans were approved to individuals who are starting own business and who did not have registered companies during submission of loan application.

Realization of Self-employment Program will continue in the following period.

In the following period, Bureau of Employment will dedicate significant efforts to education of entrepreneurs in the areas important for successful business management. Education of entrepreneurs has the objective of providing required knowledge for management of private business, which will contribute to creation of economically efficient, successful and promising small and medium-sized enterprises.

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Amendment of the Law on Personal Income Tax (“Official Gazette of RoM“ no. 37/04), were introduced in 2004 in order to decrease fiscal charges of citizens, particularly in relation to their income. Income tax rate was decreased in two stages (from July 1 to December 1, 2004 by 5%, and from December onwards by 10%). This Law provides for additional tax relief for investments for entrepreneurs who perform independent activity (calculated tax can be decreased in the amount of 50% of investments, and maximum of 70% of calculated tax) and employment of new persons.

Law on Changes and Amendments of the Law on Pension and Disability Insurance (“Official Gazette of RoM no. 39/04) and Law on Health Insurance (“Official Gazette of RoM “ no. 39/04), include decrease of contribution rates for pension and disability insurance and health insurance paid by the employer, which were implemented in two stages (from June 1 to December by 5%, and from December 1 onwards, by 10%).

Also, changes and amendment were made to the Law on Company Income Tax at the end of 2004 (“Official Gazette of RoM” no. 80/04), which have decreased tax rate to 9% and enabled the use of tax relieves (for the investment in securities and employment of new employees).

Changes of the Law on Value Added Tax are underway to introduce reduced VAT rate for accommodation services in tourism, in order to stimulate tourism industry (also for a number of products and services significant for living standard of citizens). Also, procedures are underway for the introduction of the new Law on Customs Tariff and Law on Changes and Amendments to the Law on Excises, and new Law on Communal Fees, in order to remove existing business barriers observed in most municipalities.

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## 8. STRENGTHEN THE TECHNOLOGICAL CAPACITY OF SMALL ENTERPRISES

Actions recommended according to the Charter:

- Strengthen programmes aimed at promoting technology dissemination towards small enterprises as well as the capacity of small business to identify, select and adapt technologies.
- Foster technology co-operation and sharing among different company sizes and particularly between European small enterprises, develop more effective research programmes focussed on the commercial application of knowledge and technology, and develop and adapt quality and certification systems to small enterprises.
- Support actions at national and regional levels aimed at developing inter-firm clusters and networks, enhance pan-European co-operation between small enterprises using information technologies, spread best practice via co-operative agreements, and support co-operation between small enterprises in order to improve their capabilities to enter pan-European markets and to extend their activities in third country markets.

Directorate for Development of Small and Medium Sized Enterprises, in cooperation with GTZ, has prepared Strategy for opening of business incubators, technology parks, and innovative centers. Center for Entrepreneurship, University and private sector business associations were involved in development of this Strategy. The existing conditions were determined as well as eventual organizational forms of these institutions, in order to enable easier transfer and availability of technologies to small businesses, particularly from the private sector.

Strategy has been adopted, and objectives defined until September 2005 (formation of one business incubator and one technological park). However, Project was not realized, due to the lack of financial assets. Efforts will be made to provide funds in cooperation with other donors.

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## **9. SUCCESSFUL E-BUSINESS MODELS AND TOP-CLASS SMALL BUSINESS SUPPORT**

**Actions recommended according to the Charter:**

- **Encourage small enterprises to apply best practice and adopt successful business models that enable them to flourish in the new economy.**
- **Develop information and business support systems, networks and services which are easy to access and understand and relevant to the needs of business.**

Law on Electronic Signature and Law on Electronic Trade have been adopted. Two rulebooks on implementation of the laws have been published

- a) Rulebook on recording, registry and compulsory insurance of certificate issuers,
- b) Rulebook on measures and procedures of use and protection of e-signature and certification system. Rulebook on technical rules and conditions of e-signature certification system networking is expected.

There are some problems in the implementation of this Law, due to undeveloped institutional infrastructure and inappropriate IT sector position within the Government, small number of IT companies and insufficient support to entrepreneurship in this area. Government has adopted proposal of the Agreement on Strategic Partnership of the Republic of Montenegro and Microsoft Corporation, which relates to cooperation in the IT area.

Considering the need to continuously create IT experts, the plan is to introduce postgraduate studies in the area of telecommunications, e-health and e-government at the University.

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## **10. DEVELOP STRONGER, MORE EFFECTIVE REPRESENTATION OF SMALL ENTERPRISES' INTERESTS AT UNION AND NATIONAL LEVEL.**

**Actions recommended according to the Charter:**

- **Review how the interests of small businesses are represented at national level, including through the social dialogue.**

At the end of 2004, agreement was signed between the Parliament and Employers Union, MBA, Center for Entrepreneurship and Institute for Strategic Studies, with the aim of improving cooperation between public institutions and private sector.

In 2005, Employers Union has also signed the agreement with Directorate and Euro-info center, as a basis for better quality institutional support, and agreement on cooperation with University of Montenegro.

This agreement enables business associations to be involved in discussions of legal solutions related to economy, propose and give recommendations for improvement of regulations, provides wider access to business information, education support, organized presentations at fairs, etc.

Employers Union participates in working groups' activities related to revision of existing laws in economic and financial areas, with the aim to create more favorable business environment and eliminate business barriers. Adoption of revised laws is expected by the end of 2006.

Additionally, Employers Union is working on the Law on Economic and Social Status, Law on Peaceful Resolution of Working Disputes, which are in development phase, while the adoption is expected in 2006.

Employers Union has established Declaration on Competitiveness of Montenegrin Economy and formed its Commission for Development of Small and Medium-Sized Enterprises in December 2004..

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## SECTION 2: RANKING OF AREAS

*Please rank the areas of the Charter according to a certain number or criteria.*

- 1 = least important / lowest priority
- 2 = low importance/ low priority
- 3 = average importance/ priority
- 4 = high importance / high priority
- 5 = top importance /highest priority

Area of the Charter	In which area do the expressed needs of the small enterprise sector tend to fall - i.e. what are small firms most asking for?	What is your government's assessment of the relevance of the different areas - i.e. which areas do you think will have the highest structural impact on improving the business environment in your country ?	How does your government estimate where your country's small business environment is currently most developed – i.e. where do you think you have most good practice to offer?	In which area do you foresee most policy action in the coming 12 months?
1. Education and training for entrepreneurship	<b>2</b>	<b>5</b>	<b>5</b>	<b>5</b>
2. Cheaper and faster start up	<b>4</b>	<b>5</b>	<b>5</b>	<b>5</b>
3. Better legislation and regulation	<b>4</b>	<b>5</b>	<b>4</b>	<b>3</b>
4. Availability of skills	<b>2</b>	<b>4</b>	<b>4</b>	<b>3</b>
5. Improving online access	<b>1</b>	<b>3</b>	<b>1</b>	<b>2</b>
6. More out of the single market	<b>4</b>	<b>3</b>	<b>4</b>	<b>4</b>
7. Taxation and financial matters	<b>5</b>	<b>4</b>	<b>3</b>	<b>4</b>
8. Strengthen the technological capacity of small enterprises	<b>1</b>	<b>3</b>	<b>1</b>	<b>3</b>
9. Successful e-business models and top-class business support	<b>2</b>	<b>2</b>	<b>2</b>	<b>3</b>
10. Develop stronger, more effective representation of small enterprises interests	<b>3</b>	<b>4</b>	<b>4</b>	<b>4</b>

### SECTION 3: PLANS AND BENCHMARKS

Optional part of the questionnaire

The Commission's services deem that the definition of targets/benchmarks can be useful in the implementation process of the Charter. Therefore, the countries who share this opinion are kindly invited to set targets and/or benchmarks, preferably over the forthcoming 12 months, or, if preferred, over a longer period.

**Field of the Charter: ENTREPRENEURIAL EDUCATION AND TRAINING**

**Objective/comparative point (benchmark)** Implementation of 20 educational programs in secondary vocational education, in which entrepreneurship will be included as obligatory subject

**Deadline/period of realization :** June 2006

**Objective/comparative point (benchmark):** implementation of 20 training programs for SMEs and training for 300 start up entrepreneurs in business knowledge

**Deadline/period of realization :** December 2006.

**Objective/comparative point (benchmark):** implementation of informal education and vocational training for 1000 participants

**Deadline/period of realization :** December 2006.

**Field of the Charter: BETTER LEGISLATION AND REGULATION**

**Objective/comparative point (benchmark):** By approving Law on competition protection aiming at manners and procedures for protecting competition on the market and define responsibilities of competition protection bodies

**Deadline/period of realization :** June 2006

**Objective/comparative point (benchmark):** approving Law on certification system aiming at valorization of knowledge and skills on national level.

**Deadline/period of realization :** June 2006