

Address by Minister of Science of Montenegro, Dr. Sanja Damjanović, made in the Parliament of Montenegro on 29 July 2020

LAW ON INCENTIVES FOR RESEARCH AND INNOVATION DEVELOPMENT

Dear MPs,

The Government of Montenegro encourages the development of innovative economy and has so far invested a lot of effort in improving the business environment and creating the conditions for development of entrepreneurship. However, the key elements were missing for the implementation of a functional innovation ecosystem, first and foremost a stimulating legislative framework for innovation and technological development.

With this legal solution, Montenegro opens new opportunities through a wide range of support measures and incentives. The goal of the act is to create an environment that will facilitate the commencement of operations for start-ups, but also lead to further development of innovative companies and scientific research institutions. In addition, this law will stimulate the private sector to invest more in its own research and development, as well as in innovative projects implemented by others and identified as promising in the market. As a result of the application of the law, we expect an increase in the competitiveness of our economy, but also an increase in the number of companies and employees in the technology sector.

Through the proposed law, using the practices of the most successful countries, while predominantly observing the specifics and needs of the national economy, Montenegro aspires to become an attractive destination for technological entrepreneurship and testing of new technologies.

Due to its geographical location, political stability and extremely attractive environment for living and working, the new legislative framework will make Montenegro a very interesting destination for foreign investors, as well as for foreign start-ups and freelancers, the so-called digital nomads.

The development of innovative companies will also improve the traditional industries by which Montenegro has been recognised so far. In this way, Montenegro affirms itself as a country ready to invest in innovation, research and development, which is a prerequisite for the transformation of society from traditional to modern, open to the challenges encountered in the 21st century.

The law provides for a wide range of incentives and support measures, including the following:

- Facilitated start of business operations – tax exemption from significant portion of taxes for start-ups for a period of up to five years after their establishment
- Facilitated employment in innovation activities – significant reduction in taxes and contributions of up to 50%

- Exemption from significant portion of taxes and contributions for work on innovative projects
- 100% income tax exemption for reinvestments in innovations
- 100% income tax exemption for investments in start-ups and funds for financing innovative projects
- 100% income tax exemption for donations to scientific research institutions and innovation infrastructure entities
- Reduction in real estate tax and the fees for building infrastructure for innovation activities of up to 50%

For the most part, this proposal for a law is also aimed at solving an important problem of our society, which concerns the issue of brain-drain as a structural and decades-old problem. By creating favourable conditions for national experts, we expect to attract foreign experts to live and work in Montenegro as well. This result can be achieved only through the development of an affirmative, stimulating and creative environment in terms of innovation and entrepreneurial initiative.

IMPACT AND EFFECTS OF THE LAW

The adoption of the law is expected to create a new economic value that can be expressed through:

- An increase in the number of start-ups with export potential and their success rate;
- Growth in the number of innovative companies and new jobs in the technology sector;
- An increase in export and export-oriented products/services;
- Reduction in costs for scientific research institutions when implementing scientific and innovation projects;
- Significantly larger investments in innovative economy and boost in foreign investments;
- An increase in investments in new start-ups and attracting foreign companies to Montenegro;
- Reduction in outflow of young talents (brain-drain) and attracting talents and start-ups to Montenegro (digital nomads);
- Strengthening the innovation ecosystem by creating new innovation infrastructure entities.