

Saša Ivanović, State Secretary for Innovations in the Ministry of Science

# More stimulating environment for innovative businesses and strong economy

» The new reform regulation provided the regulated and established functional national innovation system.

Laws in the area of innovations and technological development provide an extraordinary opportunity to use various facilities and incentives, which are equal for domestic and international companies operating in Montenegro, says **Saša Ivanović**, the State Secretary for Innovations. He adds that the implementation of legal incentives will also contribute to greater private sector investments in research, development and innovations. Foreign investments in Montenegro are also expected to increase significantly. Modern and unique financing models offered by the new law will solve the problem of providing funds for the realization of venture projects with high growth potential, Ivanović states.

**Glasnik:** Two reform laws in the area of innovations and technological development have recently been adopted: the Law on Innovation Activity and the Law on Incentives for the Development of Research and Innovations. What is the purpose of this legislation? What does it contribute to? What could you tell our readers about the significance, essence and the role of these very important acts?

**S. Ivanović:** These are really reform laws, because their adoption ensured much more stimulating environment in Montenegro for starting and developing new innovative businesses and strengthening of the economy as a whole. By means of these two new laws, our goal was to regulate and establish a functional national innovation system in the best possible way. The focus of the first law is to clearly recognize all actors in the system, both those who deal with innovations and those who provide infrastructure and encourage innovations in various ways, either financially or thro-

ugh services, providing space, sharing experience and knowledge etc. In addition to the above said, these laws provide an excellent opportunity to use various benefits and incentives, applied equally to domestic and international companies operating in Montenegro, which represents a big step forward.

In this way, new opportunities are opened and there will be a significant increase in foreign investments in Montenegro. In addition to all the natural beauties and excellent climate conditions, our country is becoming an attractive destination for technology companies and an ideal market, which offers great advantages for testing new technologies.

The implementation of legal incentives will also contribute to greater private sector investments in research, development and innovation, both directly and through the establishment of venture capital funds. These modern and unique financing models offered by the new law will solve the problem of providing funds for the implementation of venture projects with a high growth potential.

**Glasnik:** The new laws have recognized the concept of start-up, a term which will be used in an adequate way in the Montenegrin legislation for the first time. Why is this so important?

**S. Ivanović:** The term start-up is for the first time defined in the Law on Innovation Activity and its definition is worded: "A start-up is a newly established company that has existed five years or less and creates, develops and puts into use innovations with high international market growth potential". The essence lies in



the fact that the business idea of a start-up company is based on a certain innovation with the potential for rapid growth and great ambitions to expand and win new markets. The term start-up is usually associated with technology companies, but that may not always be the case.

This is extremely important, because, thanks to the Law on Incentives for the Development of Research and Innovation, those newly established companies i.e. start-ups will have the opportunity to use incentives and facilitations in starting a business in order to further stimulate and accelerate their growth and development. Our country also has the necessary competitive advantage, which gives entrepreneurs not only a chance, but also an encouragement to start and develop their fast-growing businesses from Montenegro.

Accordingly, in a couple of years we expect that the effects of the new legislative framework will result in an increase in the number of start-ups with export potential, the increased number of employees in the technology sector, a decrease in the outflow of highly qualified young people, significantly greater investments in the innovative economy, which ultimately contributes to increasing the competitiveness and growth of our economy.

**Glasnik:** The Law on Innovation Activity will enable the creation

of the Innovation Fund, as a new institution, which will finance innovations in a focused way. What does it mean?

**S. Ivanović:** An extremely important step for the establishment of a functioning national innovation system represents the establishment of a new institution, which will implement and finance state policy measures in the field of innovation in a focused manner. The Law on Innovation Activity envisages the establishment of the Innovation Fund of Montenegro as an umbrella institution, which will encourage innovative entrepreneurship, contribute to more efficient implementation and monitoring of the Smart Specialization Strategy, as well as raising absorption capacity in attracting EU funds and preparing for the European structural and investment funds.

The support instruments of the Innovation Fund will contribute to greater investments in the innovative projects, the focus of which are the commercialization of research and the creation of innovative products and services with export potential. The goal is to cover the whole chain of innovations through various support instruments of the Fund and to finance all quality innovative projects, no matter whether they are in the initial or later phase of development. This will accelerate the process and enable many innovative solutions to be implemented and to reach the dome-

stic and international market. The Innovation Fund will also be the body for the implementation of the Smart Specialization Strategy, through which budget but also EU funds will be directed to the important structural projects.

**Glasnik:** The new legal framework enables start-ups to have more significant financial support, i.e. they will not have to seek investments beyond Montenegro as it has been a situation so far. This regulation also allows start-up companies to reduce their costs, which are the same as of the large companies. Would you please explain?

**S. Ivanović:** A start-up is a company that begins its operations with high costs and a constant minus, because it is an initial phase of development during which it has very limited income or no income at all for some time. For this reason, the start-up relies on external sources of funding and is forced to seek investments from various sources for its next phase of development, such as various development funds or investors who decide to support its further development, but in return, in most cases they take part of the ownership of that start-up. And that is exactly the basic difference between a classic company and a start-up, which is scalable and it has the potential to develop quickly and move from phase to phase.

The new law stipulates that start-ups, which have acquired the status of beneficiaries of incentive measures, have the possibility and the right to exemption from personal income tax as well as contributions for compulsory social insurance, thus significantly reducing their costs and encouraging their faster development. In practical terms, this means that the burden on the net earnings of an employee in a start-up will be approximately half less than it has been the case so far.

The law also allows all entities dealing with the investment activity, including start-ups to use more incentive measures at the same time, provided that the total amount of incentive measures does not exceed the allowed upper limit of state aid for the development of research and innovations.

**Glasnik:** To conclude: the Government has created a good regulatory framework for the operation of start-up companies. To what extent will this motivate new business initiators in our country to step into the business world more courageously? The future and the existing entrepreneurs will be able to count on the services of the Science and Technology Park of Montenegro, which is of great importance. Would you please comment on this?

**S. Ivanović:** Now we can certainly say that this regulatory framework, together with other support instruments, provides an additional assurance that all those who have ideas can step into this world much more courageously. I think primarily of young people, because they will face a very challenging, but extremely beautiful and dynamic path, which opens and provides a wide range of opportunities through which they rapidly develop important personal and professional skills.

People with a high-quality idea in Montenegro can expect full support, which includes not only financial one in the form of project financing, but also professional support through various forms of education, mentorship and share of experience. There are also specialized state-owned infrastructures available, such as the Science and Technology Park in Podgorica and the Tehnopolis in Nikšić, which provide quality support to everyone, regardless of whether they have an idea or have been already developing their

business. Once the construction is finished by the end of the next year, the Science and Technology Park of Montenegro will put its capacities into proper operation and this institution will become an additional impetus for innovation processes in the country.

STP is an extremely important pillar in our system, which contributes to strengthening of innovations, establishing the cooperation between universities and the economy, improving connectivity at the regional and international level, as well as attracting foreign direct investments in the technology sector.

**Glasnik:** The Ministry of Science has also offered the opportunity for beginners in business to work with mentors on the development of their business ideas. Would you please share more details?

**S. Ivanović:** Even before the new laws were adopted, we worked intensively on creating a more favourable environment, which stimulates the development of innovations and increases the competitiveness of our economy, so in December 2018 we adopted a special Program for encouraging innovative start-ups (2019-2021), thanks to which we have created new support instruments. Among them, I would like to mention the support to the activities aimed at encouraging innovation culture, the program "guest lecturers" at universities in Montenegro, as well as the support to the implementation of intensive educational programs (summer and winter schools for students and young professionals), through which several very successful activities have been realized so far.

In particular, I would like to single out the Pre-Acceleration Program, as our most important and most successful instrument for entrepreneurs or innovators in the early stages of an entrepreneurial venture, which aims to help them bring new products or services to market. This pre-acceleration program lasted from January to September this year and had the task of supporting about 10 teams from Montenegro through an intensive training period.

Two great programs have been implemented by our strategic partners: the first is BoostMeUp implemented by the Innovation and Entrepreneurship Center Tehnopolis in cooperation with the Science and Technology Park of Montenegro and the company Amplitudo, and the second pre-acceleration program is "Startup Activator", which was launched and realized by M:tel digital factory in cooperation with the NGO Digitalizuj.Me and ICT HUB from Belgrade. The selected participants in these two programs had a unique opportunity in recent months to develop their innovative business ideas with the support of national, regional and European mentors. In addition to the knowledge, the teams also had financial assistance, as well as the opportunity to use all available capacities of our strategic partners.

Selected teams were offered a range of instruments, thanks to which they learned to understand better the needs of their clients, evaluate and improve their entrepreneurial project. Various trainings, mentorships and external expertise were available to them as well as assistance in market research and identification of opportunities. At the end of the program, participants had the opportunity to present their ideas before a panel of experts and potential investors.

We are extremely satisfied with the program and I think it is important to continue and strongly support the early phase of the development of ideas, either through this or some similar program in the coming period.