




## **Weekly Briefing**

**Montenegro economy briefing:  
Science and technology innovation mechanisms in Montenegro**  
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## **Science and technology innovation mechanisms in Montenegro**

*During the previous period, Montenegro has made significant progress in the field of science and innovation, primarily through the adoption of strategic and legislative framework that are in line with the orientation towards these issues. First of all, the improvement in the field of science and innovation is reflected through the adoption of the Smart Specialization Strategy, development of innovative ecosystem, financing of programs and innovative projects in order to encourage scientific research, but also initiating significant projects, including The South East European International Institute for Sustainable Technologies (SEEIIST) project.*

### **Science development in Montenegro**

During the previous period, the Ministry of Science of Montenegro implemented a number of activities and policies related to the encouragement of scientific research. Gross domestic expenditure on research and development (GERD) has increased in recent years. Namely, according to the data of the Ministry of Science, the total domestic spending on research and development for 2018 amounted to EUR 23.5 million or 0.5% of GDP. Compared to 2017, the amount increased by 56.7%, while the share in GDP increased by 15 percentage points. Compared to 2015, higher growth was recorded. Namely, total domestic spending on research and development in 2018 increased by EUR 9.8 million or 71.5% .in comparison to 2015.

Within the policies in the field of science and innovation, many programs and measures have been launched, which are implemented through project financing and other support mechanisms. These programs and measures primarily are related to the development of human resources and the improvement of their research capacities, innovation policy, the promotion of excellence and multidisciplinary, internationalization and others. Namely, through the co-financing of projects during 2020, EUR 0.6 million was allocated for the co-financing of scientific research and innovative activities, which is one of the important mechanisms of support to the scientific community. First of all, these funds are intended for participation in programs such as Horizon 2020, The International Atomic Energy Agency (IAEA), COST, EUREKA program, ICGEB activities, co-financing of scientific activities (mobility of researchers, participation in scientific and other events, organization scientific congresses and other activities). An important mechanism to support the development of science and

innovation is the doctoral research scholarship program, where in addition to the scholarship, doctoral research and student mobility are financed, which is an important segment of this program.

Also, the Ministry of Science awards grants for scientific research projects. Projects for which a grant is awarded should be in accordance with the priorities defined by the Strategy of Scientific Research of Montenegro. This mechanism to support the development of science aims to strengthen the capacity of the research community in Montenegro, with a special focus on young researchers. In that case, the Ministry of Science awards grants to scientific research institutions in Montenegro in the amount of EUR 70,000 to EUR 100,000, while the total amount of the overall program is EUR 1.5 million for 2020. In addition to this mechanism of encouraging scientific research, the Ministry of Science also awards grants for innovative projects, which is a support to the start-up community. During 2017-2019, in total EUR 1.4 million was allocated under this program, where 23 innovative projects were co-financed. This mechanism to support the development of science and innovation plays a significant role in connecting the academic community with the economy and business, resulting in a joint solution to the real problems that companies face.<sup>1</sup>

One of the significant projects in the field of science and innovation development is the SEEIIIST project, which was initiated three years ago. This regional project includes all countries of the WB region and Bulgaria and Slovenia. The main mission of this project is related to science for peace, Scientific Excellence, International Collaboration, Sustainable development of society, Education, Technology Transfer, Development of powerful digital network and High performance computing and Big Data handling<sup>2</sup>. The project was initiated and led by Montenegro has significance relevance and prospective and represents an important research infrastructure and platform for the entire region of Southeast Europe. Within this project, the establishment of an international institute for the application of hadron cancer therapy and research in the field of biomedicine using protons and heavier ions is envisaged, and the headquarter of this institute could be in Montenegro, which would be of great importance for positioning Montenegro on the scientific map of Europe. (Macedonia, Slovenia and Bulgaria).

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<sup>1</sup> Work Report 2019, Ministry of Science of Montenegro

<sup>2</sup> <https://seeiist.eu/>

## **The new laws in the field of innovation and technological development**

In the direction of encouraging innovation, during the previous period strategic documents and legislation has been adopted which will accelerate the development of innovative projects and start-ups and in general to support the development of science and creating innovative environments. In July this year, the Third Package of Measures to Support the Montenegrin Economy was adopted. This package of measures refers to the period 2020-2024 whose main goal is to help the economy overcome the problems caused by the COVID-19 pandemic virus. One of the segments of support measures refers to the competitiveness of the economy and the strengthening of economic activity in the field of information technologies. These measures are intended to support digital development and digitization for the purpose of social and economic development.

In July 2020, in order to support the implementation of these measures and the development of the innovative economy in general, Montenegro has adopted two laws: Law on Innovation Activities and the Law on Incentives for Research and Innovation Development, which follow the measures defined by the Third Package. The new regulations follow the measures defined by the Third Package of Measures, i.e. enable the implementation of the measures of this "economic strategy" for the next period. These laws provide incentives for the development of innovative economy and start-up companies, which relate to tax relief (start-up companies are exempt from tax for up to five years; reduction of taxes and contributions up to 50% for employees in innovation activities; tax exemption and contributions for work on innovative projects; exemption from profit tax if profits are reinvested in innovative projects, start-ups and funds for financing innovative projects, donations to scientific research institutions; reduction of real estate tax and taxes for construction of infrastructure for innovation activities, as well as the establishment of the Innovation Fund ). The value of these measures will be almost EUR 30 million over a five-year period<sup>3</sup>.

The adoption of laws in the field of innovation present a positive signal for the creation of a new economic environment. Incentives related to the development of innovations, which are available to both domestic and foreign companies, could contribute to the attractiveness of Montenegro as a country for testing and creation of innovative technologies and favourable environment for starting a business in this area. In addition to improving the innovation environment, laws could also contribute to strengthening cooperation between the private and

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<sup>3</sup> Government of Montenegro, The Third Package of Economic Measures (July 2020)  
<http://www.gov.me/ResourceManager/FileDownload.aspx?rId=410581&rType=2>

public sectors with the scientific research community, improving national support mechanisms for innovation, but also the application of innovation in all spheres of society. The system and structure set up in this way, through the implementation of all activities, will ultimately contribute to greater competitiveness of the economy, greater employment, transformation and modernization of the economy.

In addition, this legislative framework will contribute to the development of innovative companies and scientific research institutions. Through the incentives that have been defined, it can be expected an increase in private sector investments in innovative projects and in general in research and development, which can result in both practical and innovative solutions and new technologies.

In addition to the improvement of legislation in the field of support for innovation and technology development, during 2019, the Smart Specialization Strategy (3S) was adopted, which refers to the five-year period 2019-2024. The goal of the Strategy is to strengthen and enhance the sustainable development and use of technologies in order to improve the competitiveness of the economy. This innovation strategy trace a new path for the development of Montenegro in the future, and at the same time defines the direction of movement in order to achieve the goals of sustainable development of the UN and the new EU2030 agenda. The timing of the adoption of the Strategy and the EU's orientation towards merging sectorial policies with the UN Sustainable Development Goals reflects its additional importance. By passing this document „Montenegro has joined the initiative of the European Union that focuses on the new model of economic development at the national or regional level based on targeted support to scientific research activities and innovations“<sup>4</sup>.

Therefore, in Montenegro there are numerous programs and mechanisms for encouraging scientific research. However, continuous activities and defining other support mechanisms need to be implemented in order to establish and strengthen links between academia and business and generally improve the research infrastructure, which would have the end result of better socio-economic development of Montenegro.

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<sup>4</sup> Smart Specialisation Strategy of Montenegro 2019-2024, Ministry of Science, 2019