

REGIONAL ACTION PLAN

On improving the framework conditions for alternative finance
for start-ups and social enterprises

Montenegro



Symbolic map

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Table of Content

1. Introduction	4
2. Main regional challenges and development needs	5
3. Visions.....	7
4. Proposed actions to address the regional challenges	7
5. Further recommendations to improve regional and transregional framework conditions	9

Montenegro

Regional Action Plan

(Output 3.1)

1. Introduction

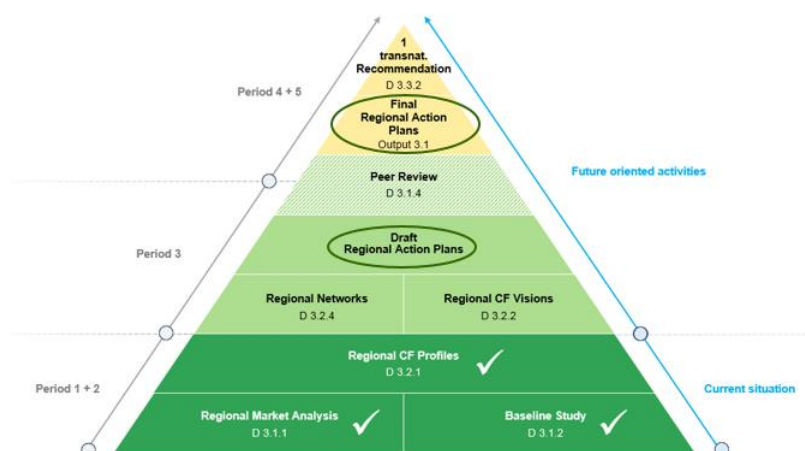
Within the CrowdStream project, each partner region has implemented a process of analysis of local conditions, stakeholder involvement and definition of long-term targets on Crowdfunding. These activities lead to the formulation of the Regional Action Plan (RAP) on the basis of the following inputs (available on <http://www.interreg-danube.eu/approved-projects/crowdstream>):

- Regional Market Analysis on Crowdfunding (D 3.1.1)
- Baseline study (D 3.1.2)
- Regional Profiles (D 3.2.1)
- Regional Stakeholder meetings (D 3.2.3)
- Regional Crowdfunding Visions (D 3.2.2)

The Regional Action Plan provides concrete measures for improving the access to alternative finance for innovative businesses and social enterprises. A peer review process was established to develop the final version of the Action Plans.

RAPs will be linked to the Pilot Actions that will be organized at partner region level in order to showcase solutions how public business support organisations can support CF campaigns of start-ups and social enterprises.

Inputs from the Regional Action Plans of all Danube area partner regions will feed into Policy recommendations aiming at improving the access to alternative finance for innovative businesses incl. social and creative entrepreneurs.



2. Main regional challenges and development needs

Main Challenge #1: ***CROWDFUNDING is not explicitly regulated by the positive legislation of Montenegro.***

CROWDFUNDING is not explicitly regulated by the positive legislation of Montenegro as referred to in Montenegro Regional Profile. At the moment, crowdfunding is regulated by following Montenegrin laws: Law on Obligations, Law on Enterprises, Law on Property Relations, Law on Collateral Security Claims, Law on Prevention of Illegal Businesses and the group of tax related laws. For example, crowdgiving in Montenegro is based solely on the goodwill of donors to support crowdfunding initiative without any obligation of the applicant towards the donor. Loan or crowdlending is allowed, but the law doesn't provide the mandatory form of the contract between parties and allows it to be concluded informally thus putting at risk all parties. Crowdfunding users can be individual and legal entities, but also it could be unregistered organisation, making it difficult for some users to participate in legal business relations.

Participants of the stakeholder meetings emphasised the importance of legal framework for crowdfunding, especially for reward based crowdfunding campaigns which is at the moment not regulated in Montenegro. Legal framework should also facilitate the access to major international crowdfunding platforms for Montenegrin crowdfunders and make PayPal for business and other big global payment processors (Braintree, Stripe, Square) available in Montenegro. Furthermore, SWOT analysis of regional crowdfunding potential recognised lack of legal framework as one of the key regional weaknesses. If Montenegro is to create positive crowdfunding ecosystem the first necessary step is to create legal framework which responds to the real needs of Montenegrin crowdfunding market.

Capital Market Commission of Montenegro is the key stakeholder to be addressed as the ones responsible for drafting the future law on crowdfunding. Furthermore, main target group to be consulted in the process are past and potential beneficiaries of crowdfunding in Montenegro.

Main Challenge #2: ***Montenegro does not have an established crowdfunding industry nor institutions/mechanisms to support potential crowdfunders.***

Baseline Study on Crowdfunding in the Danube Region found that Montenegro does not have an established crowdfunding industry yet and that the uptake of crowdfunding might still take some time. Most crowdfunding initiatives are seeking financing via popular platforms such as Indiegogo and Kickstarter.

Apart from necessary funding, Montenegrin Regional profile recognises that enterprises also need support through specialised non-financial services. In the last SME Policy Report Index: Western Balkans and Turkey 2016, OECD, recognises that Montenegro has adopted strategies to stimulate private business support services funded from both budgetary and donor contribution. Websites providing information about private business support are not comprehensive or regularly updated. In this sense, offering business-consulting service, information and trainings are key

tools for stimulating the competitiveness of their businesses. Still, these services, information and trainings, are not accessible throughout the entire territory of Montenegro and also are not at the same quality and scope. Some intermediaries can be valuable stakeholders for crowdfunding in Montenegro since they can potentially offer support in creating and implementing pitching campaigns or can offer information about crowdfunding opportunities. However, having in mind that the crowdfunding is basically a novelty in Montenegro the support can be limited. The SWOT analysis also identified the lack of support organizations for crowdfunding as one of weaknesses in Montenegro.

On stakeholder meetings, when successful crowdfunding campaign was presented, they emphasised the importance of experienced mentors from the US. Since there are still not enough experienced people in managing a successful crowdfunding campaigns, participants were talking about a possibility of having an organisation or an institution as a place to get that knowledge. All individuals or organisations who organised a crowdfunding campaign agreed that the main problem for someone running a crowdfunding campaign from Montenegro is a lack of knowledge and low awareness about crowdfunding in the general population, the potential backers.

If Montenegro would establish the institution/mechanism that would provide non-financial support to crowdfunding, more individuals, start-ups and enterprises would initiate campaigns to raise funds for their ideas. If this institution is to inform citizens and promote crowdfunding as a positive model of financing business ideas, Montenegro would create stable and long-term sustainable crowdfunding ecosystem.

Capital Market Commission of Montenegro is again the key stakeholder to be addressed in order to include such support institution/mechanism in the future law on crowdfunding. Like for the Main Challenge #1 main target group to be consulted in the process are past and potential beneficiaries of crowdfunding in Montenegro.

Main Challenge #3: ***Montenegro doesn't have a focal point for crowdfunding.***

Montenegro doesn't have focal point for crowdfunding that could provide all relevant information to potential crowdfunders. Within Main Challenge #2 we already explained the lack of support to crowdfunding campaigners and the potential ones coming from Montenegro. Furthermore, potential beneficiaries of crowdfunding do not have single source of information and support for seeking alternative financing. Their main source of information is Internet, that can provide basic and superficial information, but without individual and systematic approach to every idea within Montenegro, they are forced to search support in other countries, mainly from experts in the US. IEC Tehnopolis was established with the mission to become a place where you can find the necessary information and support for the development of business ideas, launching of a private business and obtaining necessary financial resources. Tehnopolis is engaged in the promotion and development of entrepreneurship in order to create enabling environment for fostering new business ideas and innovation. Tehnopolis mission is also to be a source of new ideas and knowledge that are constantly being improved.

Key actor for this challenge is off course IEC Tehnopolis which has to develop internal capacities for crowdfunding support. Since IEC Tehnopolis is the first organisation to initiate systematic solution of problems and challenges related to crowdfunding in Montenegro, we believe that in

the period of 5 years we could strengthen our capacities as a business support organisation in order to become regional focal point for crowdfunding. This process is complementary to Vision 2 – to establish non-financial crowdfunding support institution/mechanism until 2023 and should be parallel process along with defining and adoption of legal framework for crowdfunding in Montenegro, as defined in Vision 1.

3. Visions

Vision #1: *Until 2024, Montenegro will have defined and adopted legal framework for Crowdfunding – Crowdfunding Law (Law on alternative ways of financing), thus it will adapt existing legal framework accordingly.*

Vision #2: *Montenegro will establish non-financial crowdfunding support institution/mechanism until 2023.*

Vision #3: *IEC Tehnopolis will become regional crowdfunding focal point for Montenegro until 2023.*

4. Proposed actions to address the regional challenges

IEC Tehnopolis will implement following activities in order to respond to main challenges of crowdfunding in Montenegro.

Main challenge #1

1.1. **International conference** - will be held in IEC Tehnopolis on December 18-19, 2018. This two-day event will consist of set of events designed for knowledge exchange and networking of regional and international stakeholders: academics, policy makers, practitioners, start-ups and businesses. All of IEC Tehnopolis local, regional and international partners and potential partners will be invited to participate and contribute to the Conference Agenda, thus creating the powerful tool for lobbying during and after the conference. Important part of the conference will be event aimed at development of CF in Montenegro. Tentative budget needed – 3000 EUR

1.2 **Meetings with stakeholders** – we will organise a set of meetings with relevant stakeholders, namely Capital Market Commission that is in charge of drafting future Montenegrin law on crowdfunding and potential crowdfunders. These meetings will be organised at least once in three-month period, in order to be timely informed about the

progress made by the CM Commission and to have feedback from the potential CF beneficiaries on the process. Tentative budget needed – 1200 EUR

1.3 Written initiative towards key institutions – we will prepare a written document in form of official initiative which will contain all relevant needs for the development of CF in Montenegro that we identified through CrowdStream project activities and recommendations from International Conference to be held in December 2018. This document will be signed by IEC Tehnopolis, and all of the signatories of Memorandum of Understanding for establishment of regional stakeholders' network to improve access to finance business will be invited to support the Initiative. We plan to deliver this initiative to Government of Montenegro, Capital Market Commission and other relevant institutions that could support the process of adopting legal framework for CF in Montenegro (Ministry of Economy, Ministry of Finance, Ministry of Science, Municipality of Niksic...). This initiative is planned to be prepared and delivered by the end of March 2019.

Main challenge #2

2.1 Pilot Actions – We will implement pilot actions in order to support local, national and regional start-ups interested in alternative financing models for their business ideas. To do so, we will conduct pilot actions through following activities:

- Education (training) on development of CF pitching strategies with local, national and regional interested startups;
- Public call for presentation of ideas, crowd selection and jury selection of 2 best ideas for further development;
- Creation of pitching video and CF campaign of 2 selected ideas by national creative industry;
- Presentation of prepared ideas on selected CF platform.

This action will be implemented by the end of March 2019. Tentative budget needed – 8000 EUR

2.2 Motivational events – IEC Tehnopolis will organise at least 3 motivational events by the end of 2018, in order to promote crowdfunding as good example of alternative finance for business ideas. Promotional activities with motivational speakers will promote start-ups, show best practice examples and attract potential CF users. This will be complementary to the actions defined to respond to the Main challenge #1 since all actions will be aimed at promotion of CF in Montenegro. Tentative budget needed – 2000 EUR

2.3 Trainings for CF beneficiaries – We will organise one set of trainings that will focus on innovative enterprises to develop crowdfunding campaigns & digital pitches. The main purpose will be to increase the awareness of what is needed for a successful campaign and how to reduce wrong expectations from CF campaigns. The trainings on crowdfunding campaigning will kick-start an entirely new tactic on how to boost the development of small companies. Those elementary trainings will give an overview on different alternative

financing strings and will enable the beneficiaries to identify the ideal way of financing for their business ideas. These trainings will be conducted by the end of February 2019.

Main challenge #3

3.1 Trainings for BSO - One set of trainings will be organised to support public actors to develop qualitative services to support SMEs approaching crowdfunding platforms. We will select business support organisations, including IEC Tehnopolis, interested to receive specific trainings on how to develop, implement and capitalise services for start-ups & social enterprises seeking alternative financing opportunities. Through this we will strengthen our capacities to support crowdfunding campaigns and provide all relevant information about potentials of alternative finance. These training will be organised by the end of February 2019. Tentative budget needed – 7500 EUR

3.2 Fundraising for CF development – IEC Tehnopolis will fundraise for further development of crowdfunding in Montenegro. This will include applying for national and international funds through calls for project proposals and direct request for financial support for strengthening our capacities to become the regional focal point for crowdfunding.

3.3 International networking – IEC Tehnopolis will work on development of international network of CF supporting partners. We will benefit from partners' experiences, know-hows and practice through continuous exchange. This activity is already under way through study visits implemented within CrowdStream project and will be further developed and proposed to all relevant partners we have on the international level. We will strive to engage relevant regional institutions in the process in order to develop better crowdfunding environment in Montenegro. This action does not have a time limit as it will be continuous. Tentative budget needed – 4000 EUR

5. Further recommendations to improve regional and transregional framework conditions

IEC Tehnopolis defined three main visions as the regional development goals for crowdfunding. Having in mind its long-term character and the time needed to achieve them, the actions described in previous section are only the first steps to be taken in this process. These activities need to become part of institutional reply to the need for alternative finance in Montenegro and we will try to develop further activities based on experiences we get during its implementation. Thus, we expect to be able to define long-term actions after implementation of most of the activities described.