

CASE STUDY: ADDITIONAL STATE AID PROGRAMS IN THE ELECTION PERIOD

I: INTRODUCTION: After having announced parliamentary elections,¹ the Government of Montenegro activated two projects of financial support to entrepreneurs and small and medium enterprises, which were related to streamlining operations and increasing employment by improving innovation. The total amount of the state aid earmarked for projects initiated during the election period was €130,000.

II: CALL FOR SUPPORT OF MODERNIZATION OF INDUSTRY PUBLISHED IN AUGUST: The first project for which the public competition was open on 12 August 2016, or a month after the elections, envisaged the provision of state aid to entrepreneurs, micro, small and medium enterprises in the process of modernization of the industry, for which the allocated budget was €100,000.² In this particular case it was a pilot project, which means that it had never been carried out before.



Illustration: One of the processing plants

The Ministry of Economy and the Investment and Development Fund, which were in charge of the project, prepared the state aid program in May 2016, but activated it in August, when the election campaign had already begun.³ The opening of the competition for funds was preceded by the conclusion of the Protocol on Cooperation between the Ministry of Economy and the Investment and Development Fund at the beginning of August, after the elections were called.⁴ The amounts of state aid were from five to 20 thousand euro.

The project facilitated the participation of non-repayable state funds in the procurement of equipment for entrepreneurs, micro and small enterprises of up to 20 percent of its value, while the state could allocate up to 10 percent of the funds for the purchase of equipment to medium-sized enterprises. The rest of the funds needed for the modernization of industry was funded by the Investment and Development Fund through loans of up to 70 percent of the value of procurement for small and 60 percent for medium-sized enterprises.

II: NEW CALL FOR ALLOCATION OF AID A MONTH BEFORE ELECTIONS: The Ministry of Economy announced the competition for the second project at the beginning of September 2016, and then closed in early October, only ten days before the parliamentary elections. The project concerned the improvement of innovation in the manufacturing industry, for which €30,000 was budgeted, while a single company could have been awarded a maximum of €2,500.⁵

¹ Parliamentary elections in Montenegro were called on 11 July 2016 and held on 16 October 2016

² Public call for participation in the Pilot Program of Support to the Modernization of Industry, published on the website of the Ministry of Economy on 12 August 2016, link: <http://www.mek.gov.me/vijesti/164074/Saopstenje-Raspisan-Javni-poziv-za-modernizaciju-industrije-100-000-eura.html>

³ Decision of the Commission for the State Aid Control on Compliance of the Pilot Program for Support to the Modernization of Industry with the Law on State Aid Control No 01-37/1 dated 20 May 2016

⁴ Conclusion of the Government of Montenegro No 08-1624/2 dated 5 August 2016

⁵ Public call for application of small and medium-sized enterprises in the area of processing industry for participation in the Program for Improvement of Innovation in Small and Medium-Sized Companies for 2016, published on the website of the Ministry of Economy on 5 September 2016, link: <http://www.mek.gov.me/vijesti/164586/Saopstenje-Raspisan-Javni-poziv-za-ucescu-u-Programu-za-unapredenje-inovativnosti-u-MSP.html>

The most important condition for participation in the project provided that a potential awardee bore the costs of external consultants for the implementation of innovative activities, after which it could request the State to reimburse 50 percent of the costs. One of the criteria for the evaluation of applications was the change in the number of employees.

This project was also prepared in May 2016⁶ and launched in June, when the allocation of funds was granted to a single company, after which the Ministry of Economy relaunched the competition.⁷

*Author: MANS Investigation Center
Podgorica, October 2016*

⁶ Decision of the Commission for the State Aid Control on Compliance of the Project of Financial Support to Small and Medium-Sized Enterprises in the Area of Processing Industry No 01-32/1 dated 20 May 2016

⁷ Public call for application of small and medium-sized enterprises in the area of processing industry for participation in the Program for Improvement of Innovation in Small and Medium-Sized Companies for 2016, published on the website of the Ministry of Economy on 25 June 2016, link: <http://www.mek.gov.me/vijesti/162467/Saopstenje-Raspisan-Javni-poziv-za-ucesce-u-Programu-za-unapredenje-inovativnosti-u-MSP.html>