

**March 2022**

***In focus: Law on Innovation Activity***

At the end of December last year, the National Assembly of the Republic of Serbia adopted the new Law on Innovation Activity (hereinafter the "**Law**"). The Law entered into force on 5 January 2022, except for the article relating to the establishment of the Register of Subjects of the National Innovation System, whose implementation is postponed until 31 December 2022.

The goal of passing the new Law is to improve conditions for the development of innovation activities and integration of the innovation system of the Republic of Serbia into the European Research Area and the Innovation Union. In order to create preconditions for achieving the goals set by the Strategy of Scientific and Technological Development of the Republic of Serbia for the period from 2021 to 2025 "Power of Knowledge" and the Strategy for Development of Startup Ecosystems of the Republic of Serbia for the period from 2021 to 2025, it was necessary to upgrade the existing regulatory framework through the adoption of a new Law which would regulate this area in a comprehensive, systematic and modern manner, in line with global changes in the innovation sector and create a framework for new financial models, as well as adapting the existing system to new forms of infrastructure support.

The **most important innovations** brought by the Law are the defining of *new innovative entities* (startup and spinoff), *investors in innovation activities* (business angels), establishing a *network of science and technology parks* as an advisory body within

the Ministry of Education, Science and Technological Development, establishing a new Register of the National Innovation System, formalized approval of the annual agenda of beneficiaries of subsidies related to innovation, emphasizing the importance of intellectual property management within the scientific research organization, with harmonization with regulations governing this area, as well as improving business and expanding the competence of the Innovation Fund, including managing a unified Register of the National Innovation System.

The Law regulates the goals and organization of the application of scientific knowledge, technical and technological knowledge and inventions in the function of improving products, processes and services as drivers of development of the Republic of Serbia, and in particular:

1. subjects of the national innovation system;
2. organization and competencies of the Innovation Fund;
3. financing of innovation activities and economic incentive measures;
4. Register of Subjects of the National Innovation System.

Within the meaning of terms used in the Law, **innovation** is defined as the application of a new or significantly improved product, process, or service with the aim of creating new added value, and as such may be product innovation, process innovation, organizational innovation, or marketing innovation. On the

other hand, **innovation activity** implies developmental activities that are undertaken to create new products, technologies, processes, and services or significant changes to existing ones, in accordance with market needs.

The **subject of the National Innovation System** includes innovative subjects, subjects of innovation structure and investors in innovation activity, while the **national innovation system** consists of a set of organizations, institutions, subjects of the national innovation system and their connections in the function of developing innovation activities in the Republic of Serbia.

An **innovative subject** is defined as a company, other legal entity, part of a legal entity, entrepreneur, natural person, or group of natural persons ("startup team") that develops innovations, i.e., places its own or other people's innovations on the market or in use. Innovative subjects can be:

1. **centers – holders of innovation activities** (development and production center, research and development center, innovation center and technology transfer center);
2. **startup** - a newly established company or entrepreneur who develops an innovative product or service and who has the potential for rapid and large growth;
3. **spinoff** - a startup founded by an existing legal entity with the aim of developing and commercializing innovations;
4. **other innovative entities** - legal and natural persons engaged in innovation activities and who are entered in the Register of Subjects of the National Innovation System.

The **subjects of the innovation structure** are legal entities that provide innovation subjects with professional, administrative, logistical and other support to develop, put into use and place their innovation on the market, and whose key role is to create an environment for cooperation between science and economy. The subjects of the innovation structure can be organized as:

1. **organization of support for startups** - a company whose predominant activity is the implementation of support programs for startups, as well as making available business space, professional, administrative, technical and other services to startups, with the aim of developing innovative activities;
2. **science and technology park** - a company whose goal is to encourage economic development by way of promoting and developing innovation activities through stimulation and management of knowledge and technology flows between universities, research organizations, businesses, and markets, as well as by supporting the creation and growth of innovative economic subjects. Science and technology parks provide services for the use of business premises, laboratories and telecommunications equipment, administrative and bookkeeping services, training services, financial and business consulting, as well as services related to intellectual property rights, support for the development of innovative products and services, preparation and connection with potential investors, networking and consulting and other services aimed at supporting the development of innovation activities;

3. **other subjects of innovation infrastructure** - organizations and legal entities that provide support for the implementation of innovation activities and as such are entered in the Register of Subjects of the National Innovation System.

In accordance with the law, the Republic of Serbia, the autonomous province, local self-government units, companies, scientific research and educational organizations, other legal and natural persons may be founders or co-founders of innovation infrastructure subjects.

An **investor in innovation activity** is a legal or natural person who invests financial resources in innovation subjects and/or in innovation infrastructure subjects. The Law also recognizes the term of a **business angel**, defining him as an investor in an innovation activity who invests financial resources in a startup.

The **Ministry of Education, Science and Technological Development** is responsible for determining and implementing innovation policies, encouraging the development of innovation activities, transfer of knowledge and technology to the economy, as well as for the development and improvement of the national innovation system in the Republic of Serbia. The Law stipulates that the Minister shall establish the **Network of Science and Technology Parks** as an advisory body that aims to monitor and coordinate the work of science and technology parks and to assess the need for establishing new science and technology parks, respecting the principle of balanced regional development.

On the other hand, the **Innovation Fund** is in charge of encouraging and financing the development of innovation activities. It is also responsible for maintaining the **Register of Subjects of the National Innovation System** (hereinafter: the "**Register**"). The purpose of this Register is to have a numeric record of the subjects of the national innovation system, as well as facilitated access to financing of innovation activities, economic incentives and incentive procedures and processes. Entry in the Register is not mandatory, except in the case of other innovative subjects and other subjects of the innovation structure. The Innovation Fund will register all persons entered in the existing Register of Innovation Activities in the Register, whereby business-technological incubators will be registered as support organizations for startups.

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