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Recommendations for the improvement of environment for women entrepreneurship in Montenegro

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1. INTRODUCTION

In September 2012, Regional Development Agency for Bjelasica, Komovi and Prokletije has started implementation of project 'Facilitating responsible innovation in South East Europe countries (FaRIInn) under SEE transnational cooperation program. The project has been implemented in cooperation with partners from Italy, Slovenia, Greece, Bosnia and Herzegovina, Romania and Hungary.

Responsible Innovation is completely new concept in Montenegro and the project includes the analysis of the current situation in the domain of the responsible innovations in the northern region of Montenegro as well as the promotion of the concept among relevant stakeholders.

Women entrepreneurship is in the focus of the project while target population are women from the rural areas in the north of Montenegro. They run small businesses which could be put in the category of the green entrepreneurship and include the following activities: food production according traditional recipes, providing tourist services and crafts (souvenirs etc.)

As women entrepreneurs are facing numerous difficulties during the registration of business, the recommendations outlined in this document are directed towards decision-makers at national and local level, with the aim of improving the environment for development of women entrepreneurship in the context of facilitating and simplifying the registration process.

CEED Consulting from Podgorica, the research and consulting agency with years of experience in the development of women entrepreneurship, has been involved in the preparation of this document.

2. WOMEN ENTREPRENEURSHIP IN MONTENEGRO – SHORT REVIEW OF THE CURRENT STATE

The activities related to development of the women entrepreneurship have been intensified in the recent years in Montenegro.

- *Many projects for support to women entrepreneurship have been implemented, including various actors, among which are the following: UNDP, Montenegrin Chamber of Commerce, and Institute for Entrepreneurship and Economic Development (IEED), Women's Alliance for Development, Union of Employers, etc.*
- *The National Network of Mentors for Women Entrepreneurs have been established, as part of the European Network of Mentors.*
- *The Strategy for Development of Women Entrepreneurship, the strategic document which shall define development paths, is in process of drafting.*
- *Several associations that gather business women have been established (Association of Women Entrepreneurs, Women Entrepreneurship Committee, 'Business Woman' etc.).*
- *Numerous seminars, workshops and roundtable have been organized, where women had the opportunity to improve their knowledge and skills, as well as present their attitudes about problems they are facing with.*

Although there have been intensive activities for improvement of the business climate, women entrepreneurs primarily show fear of registration and the obligations deriving from it; they indicate to the complicated administrative procedures and illogical regulatory solutions. Also, they address remarks to the amount of state and local taxes and fees, as well as to the problem of access to finance due to the lack of guarantees in the form of assets on their name. And finally, as a significant problem, they point out to the unfair competition due to unregistered businesses in their line of business¹.

In Montenegro, every tenth company is owned by woman. Although they make up the majority of the population (51%)², they are in unfavorable positions compared to men who are running the businesses. Traditionally, the role of mother and housewife is of priority for women in Montenegro, which hinders their significant involvement in carrying out the economic activities.

Those women, who start their own business, usually do it out of necessity for acquiring the additional family income. Accordingly, they often engage in simple small-scale businesses. Very few of them are registered, and as the reasons for doing business in the gray zone, they have stated the following:³

- Complicated procedures and documents;
- Avoiding costs related to registration and business operation;
- Relief from paying taxes and contributions;
- Flexible working conditions (work at home);
- A secure process of going out of the business.

However, they are aware that business in the gray zone limits the possibilities for expansion of the operations, and they are interested in the registration process. According to the survey data⁴, the advantages of the registration process are primarily reflected in the benefits provided by total years of experience and insurance, as well as in the economic effects that large-scale job provides.

¹ Research results, conducted by the Institute for Entrepreneurship and Economic Development (IEED), as well as conclusions after interviews held with entrepreneurs from Berane, Kolašin and Mojkovac.

² Monstat, Census 2011

³ Publication 'The challenges faced by women entrepreneurs in Montenegro', CEED – today IEED, 2012

⁴ Ibid

Specifically, the registration process provides the possibility of advertising of these products/services which makes them known to the general population and is directly reflected on the sales volume and the amount of earnings. Furthermore, the availability of financial resources provides an opportunity for expansion and further development of the business operations. Finally, it is indisputably that only legal business is acceptable model of economic behavior, and as such has a perspective of sustainability, which can be confirmed by numerous examples of successful entrepreneurs.

Based on the experience from FaRIInn project, the document has been prepared with the aim to provide contribution to development of women entrepreneurship in Montenegro. The document contains a set of recommendations related to the business registration process in order to include more women in legal trade flows.

3. RECOMMENDATIONS FOR THE IMPROVEMENT OF WOMEN ENTREPRENEURSHIP IN MONTENEGRO

Based on the findings of desk analysis, which included a review of studies dealing with the topic of women entrepreneurship, then statistical reports, regulations and procedures for registration of businesses, a set of recommendations has been prepared, which, after the interviews with women entrepreneurs and representatives of relevant institutions (municipalities, ministries, associations of women entrepreneurs etc.) was further elaborated.

The recommendations, proposed in this publication, are classified according to the areas, in the context of the registration of businesses and intensifying women entrepreneurship in Montenegro.

3.1. Promotion of entrepreneurship among women population

- *Launch a campaign aimed at popularization of women entrepreneurship*

In order to encourage more women to think about entrepreneurship, it is necessary, both on the local and national level, to initiate the activities to popularizing women entrepreneurship. In this part, the support of the media is of great importance.

The organizations of discussions and public debate, the topic of 'Women in Business' could, appropriately, be closer to the target population. Also, the promotion of examples of successful entrepreneurs from Montenegro is a way to motivate women to think about the business, women who have no confidence and support to deal with it. Having the opportunity to be assured that the most successful Montenegrin women entrepreneurs are quite ordinary women who were facing with difficulties, how to provide start-up capital, how to adjust family responsibilities and career etc. many women from the north of Montenegro, but also from other regions, could run their own businesses.

The great economic resource is in women from rural areas, which are primarily engaged in agriculture. These women are at least aware of the economic contribution which they make to their family and to the community through their work. Very often, they experience the production of cheese or a similar type of processing in the rural holding as a regular part of their house works, and not as an economic activity. It is necessary to work on emphasizing the importance of the role of women in rural areas as an economic potential. And also, it is necessary to support them in expanding their regular activities towards some new sectors such as, for example, rural tourism.

- *Organize thematic workshops and seminars*

In the context of the promotion of women entrepreneurship, the education of potential and existing women entrepreneurs occupies a key position. In this regard, it is proposed to organize the following workshop/seminars:

- *Entrepreneurship and business management basics* (the goal is to encourage an entrepreneurial mindset),
- *Business registration process* (low familiarity with the procedures of registration. It is advisable to organize these workshops in all municipalities in the north of Montenegro),
- *Basics of accounting and tax liability* (This is an area that entrepreneurs can be of great benefit to resolve the enigma of the obligations assumed by business registration),
- *Computer skill course* (taking into account the business trends and internet technologies in all areas, this training is becoming inevitable),
- *Vocational trainings and crafts*-organized according to the needs of women entrepreneurs (some of them may be related to the processing and candying of fruits, traditional crafts, etc.),
- *The importance of associating* (of individuals, businesses, clusters, cooperatives and other forms).

With the support of relevant institutions, local self-governments, addressing the issue of women entrepreneurship, can be the initiators for the organization of mentioned trainings. There is a business center in Bijelo Polje, while in Berane the establishment of the Regional Center is underway. In addition, there is a number of local business centers operating, which could dedicate a part of their activities to these topics. Certainly, mentioned activities could be carried out with the initiative of the Municipal Secretariats for the Economy and Finance.

- *Organize fairs*

The placement of products is often a problem for women from the northern Montenegro due to the limited quantities of products they produce (a small number of livestock heads, limited accommodation capacities in rural tourism, etc.). The reasons for this are usually found in the lack of access to financial sources and lack of information about the process of labeling the products, introduction of the protection system (Designation of Origin - PDO, geographical origin - PGI, Traditional Specialty Guaranteed - TSG), introduction of standards etc. As there is no awareness of the importance of associating, along with the lack of initiatives by state and local governments, these women are left to themselves and find hard to handle the procedures, which, in order to develop business, need to be followed⁵.

For this reason, fairs present a place for connection and associating, to seeking business partners for long-term cooperation (especially in the case of rural tourism-travel agencies etc.) as well as investors (for the purposes of increasing the production, investment in technology etc.) and donors. In addition to the above mentioned, the fairs are a good opportunity for the promotion of women entrepreneurship, through motivation of female population to start their own business inspired by the examples of their fellow citizens. The target population for fairs would include both women who provide tourist services and those involved in food production and hand-made products (jewelry, souvenirs, etc.). Regarding the fact that there is a number of products that traditionally have roots in Montenegrin culture, this is the way to save crafts which could die out. In the implementation of these events, the local self-governments could support it providing exhibition halls.

⁵ Problems are identified based on the life-long cooperation of RDA Bjelasica, Komovi and Prokletije with local women entrepreneurs

- *Encourage women associating, especially within a particular sectors*

In order to overcome some of the barriers in business operating and have the opportunity to advise and consult with each another, it is necessary to encourage women associating. This is especially important for women who are engaged in similar business operations. For example, a group of women who are engaged in hand-made production or production of souvenirs, it will be easier to bear the costs and efforts when it comes to marketing if they cooperate among themselves. As a group, they will have easier access and enhanced position in negotiations, for example with the local authorities, if they, associated, ask for space to exhibit the products.

3.2. Simplifying registration process

- *Simplify the administrative procedures for company registration*

During the activity registration process, future women entrepreneurs, particularly those engaged in agriculture and tourism, often face with the following problems:

- Processing of specific documents takes too much time,
- For some sectors, such as agro tourism, officers in local self-governments don't have an exact picture what it takes for registration procedure,
- Obtaining certain certificates is made quite difficult,
- Required documentation contains certain certificates/proofs, which can be considered irrelevant,
- There is a contradictory between national and local regulations, etc.

In order to reduce administrative barriers and make registration process easier, the following is suggested:

- Cancel the need to submit evidence on education in tourism when obtaining the work permit for catering facilities (given that specific education is not required for starting up a business) and copy of Identity Card (since documentation contains Unique Personal Identification Number),
- Make ownership transfer procedure more flexible, given that physical presence of all legal heirs is unfeasible for a long period of time (residence abroad, etc.),
- Consider the possibility to issue a general approval of all inspections at once, not from every individually. In this way, simplification of registration procedure would be ensured.

- *Pay particular attention to clarity of procedure and the ease of registration in sectors that are the most interesting for women entrepreneurship development*

In all municipalities of Northern-Eastern region of Montenegro, which are mainly rural, processing of agricultural products and country tourism are sectors in which women have the leading role⁶. With the view of supporting their activities and facilitating their way towards market as legal and registered actors, it is necessary to pay particular attention to these sectors and to disseminate information on the level of local self-governments an advisory services, as well as to make procedures clear and not too complicated.

⁶ Statement made by representatives of the Regional Development Agency for Bjelasica, Komovi and Prokletije based on the assessment of the situation on the field,

- *Reduce/revoke certain fees*

It is suggested to cancel the local administrative fee: proof of payment of 5€ for the form. This refers to all certificates, decision and approvals issued by the local authority, because, in addition to other fees that need to be paid, this one is regarded as redundant.

- *Set up one stop shops in all municipalities*

Citizens' awareness of registration procedures is low. Specifically, women from the north are mainly not familiar who to address and ask for advice. It often happens that due to insufficient information and prejudice that the registration is too complicated, that it takes too much time (which they, due to their obligations during the season, are not able to dedicate and visit all institutions), they hire a person to complete the registration process for them with certain financial compensation.

In order not to financially burden future women entrepreneurs, it is suggested to open *one stop shop* (window) so that they could obtain all required information regarding the registration process and enable submitting documents in one place.

Having regard that local self-government offices are the place of first encounter of women entrepreneurs and business environment, the further recommendation is to additionally train and inform staff working in *one-stop-shop* in order to be able to provide full and accurate information.

- *Make registration procedure and required forms available on-line*

Since the majority of municipalities from the North of Montenegro do not have registration forms available on-line, in order to speed up the process of collecting necessary documentation, it is necessary to work on web presentations of municipalities in terms of contents.

It is suggested that all municipalities upload the list of all documents required for registration on their web sites and enable their download. Apart from the overview of all permits and licenses that organizational units within local self-government issue, it is necessary to specify all other details regarding their obtaining (amounts to be paid, gyro accounts, time required for processing, etc.). The same suggestion could be applied to the Ministries (Ministry of Agriculture and Rural Development, Ministry of Sustainable Development and Tourism) and other services issues business registration forms.

In case of changes in the registration procedure, it is necessary to regularly update web presentations of local self-governments/ministries. Also, web presentations of abovementioned institutions should have informers on registration procedure available.

- *Reduce the share of grey economy through strengthening awareness of benefits from business registration*

As doing business in grey economy is to great extent present in domain of women entrepreneurship, it is necessary to put the focus on the necessity of the registration as well as to benefits it brings:

- *for women entrepreneurs*-registration enables access to financial resources, implementation of marketing activities, strategic approach to business operating with possibility of expanding, networking with other entities from the same sector, etc.,
- *for local self-government and the state* – means wider tax payer database,
- *for consumers*-safe supply of domestic, adequately prepared and tested product.

Local self-governments with support of relevant institutions dealing with women entrepreneurship may be leaders of the activities aimed to strengthening awareness of female population on advantages of registration.

- *Achieve better coordination between ministries and local self-governments*

Higher coordination between ministries (together with their relevant services) and local self-governments would contribute to facilitating the process of obtaining the necessary documentation for business registration.

3.3. Facilitate access to finance (for start-ups and business development), fiscal and other burdens

- *Adjust credit criteria to the needs of women entrepreneurs*

Considering that women from the north usually opt for starting a smaller businesses and that required credit amounts range up to few thousands, the criteria in terms of minimum amount of credit should be significantly corrected.

The minimum amount of the credit line for women entrepreneurs at Investment Development Fund (IDF), as well as the line for MIDAS beneficiaries is 10,000€, which is substantially high amount given the current situation on the north, which suggests decrease of the scale up to 2,000€.

- *Establish a Guarantee Fund at municipal level*

The owners of immovable property in Montenegro are mainly men. The available data indicate that only 6% of properties are owned by women. This poses a key restraint for providing guarantees for a loan, if a woman wants to start up a business. Therefore, it is suggested that local self-governments establish a guarantee fund for women entrepreneurs who are taking loans.

- *Introduce relief for start ups*

The uncertainty of business operating is something women who enter business inevitably face. They cannot assess in advance whether their income would be sufficient to cover expenses and ensure solid monthly budget. For that reason, it would be of great use to them if they could pay symbolic amounts of taxes and levies for a certain period of time, until their business develops. To that regard, it is suggested to introduce a transition period (half-year-one year) for favorable tax rates for women entrepreneurs.

- *Establish business incubators on the North of Montenegro*

In addition to tax reliefs, women starting up a business could find useful other forms of support as well, such as favorable premise renting conditions, lower rates for utility services, etc., which could be provided through setting up a business incubators.

The establishment of the regional business center with business incubator in Berane is underway, thus the priority beneficiaries of these services could be women in business.

3.4. Provide advisory services for business development

- *Intensify the mentorship concept for women entrepreneurs*

The 'National network of mentors for women entrepreneurs'⁷ was established in 2012 and since then it proved that the mentorship concept is one of the most sophisticated forms of support to women entrepreneurs, who are at the beginning of their career. Guided with the experience and advices of mentors with long-year business career, women entrepreneurs boosted their self-esteem, adopted many practical knowledge and skills. Therefore it is recommended to intensify this concept on the north of Montenegro, with involvement of as many actors as possible.

- *Appoint officers in local self-government to be actively involved in the work on entrepreneurship development*

It is proposed that local self-government appoint an officer (from the Secretariat for economy/entrepreneurship) to be in charge of distribution of information to potential beneficiaries on existing programs and support measures and to be at disposal for any advisory services in defined hours during the week. In addition, it is proposed a more active field work (visit to villages, local communities, putting information on notice boards and organizing meetings in villages when, for example, the call for support to women entrepreneurship is invited, etc.) because it often happens that information do not 'leave' clerk's office or are distributed to only few beneficiaries. Women associations should be more active in this domain as well.

The recommendation raised out of the need that women from rural areas do not have daily access to internet and other means of information and stay deprived of information on available grants, seminars, fairs and other opportunities for business development.

4. CONCLUSION

Considering that the development of women entrepreneurship is to large extent limited with the attitude and belief that the process of activity registration was too demanding, expensive and complicated, and that the access to finance for business startup and business development for average Montenegrin women was made considerably difficult, and if we add to that an evident problem of poor awareness of available support measures and inadequate business knowledge and skills, adoption and acting upon abovementioned recommendations could considerably improve current situation in area of women entrepreneurship.

Considering their share in total population, as well as thoroughness, caution and responsibility with which they approach to business, we do believe that women are a significant potential for development of Montenegrin economy.

⁷ Nation Network of Mentors for Female Entrepreneurs in Montenegro was established within the project having the same name, implemented by the Centre for Entrepreneurship and Economic Development (today's IPER) in cooperation with Montenegrin Chamber of Commerce, with financial support by the European Commission.

Regional Development Agency for Bjelasica, Komovi and Prokletije covers the north-east part of the Montenegro and six municipalities in that region: Kolašin, Mojkovac, Bijelo Polje, Berane, Andrijevica and Plav. It was established in December 2009, with the support of Austrian Development Agency (ADA) and at the initiative of the local partners. The mission of the Regional Development Agency is to enhance the development of Bjelasica, Komovi and Prokletije and six municipalities within the region through close cooperation with local stakeholders in public and private sectors, increased absorption of EU funds, and creation of employment and income generating opportunities through development of tourism and agriculture sectors, in alignment with national and local strategic development plans. The Agency has two offices in the region, in Berane and in Kolašin. For more information, visit the web site: www.bjelasica-komovi.me

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