



Montenegro
Ministry of Finance



Montenegro



Montenegro
Ministry of Economy
Directorate for Development of
Small and Medium Sized Enterprises

Public policy recommendations in the area of youth entrepreneurship





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FOREWORD

The Public Policy Recommendations in the Area of Youth Entrepreneurship have been developed in the partnership of the UN System, the Ministry of Finance and the Directorate for the Development of Small and Medium Enterprises. The document has been produced in the framework of the Joint UN Youth Empowerment Programme. In addition, the creation of this document has been envisaged in the Youth Strategy 2017-2021, specifically the Action Plan for 2017.

The goal of the document is to map good practices and bottlenecks in youth entrepreneurship, and to propose guidelines for improving the environment, services, programs and attitudes towards youth entrepreneurship.

Preparation of the Recommendations was preceded by a thorough analysis of the legal and institutional framework in relation to youth and entrepreneurship, as well as the analysis of relevant domestic and international reports on the entrepreneurship environment in Montenegro. The existing forms of support are mapped, both financial (loans, tax and other subsidies) and non-financial (programmes for the development of soft skills, entrepreneurial training programs, advisory support, mentoring, entrepreneurial awareness initiatives and various support related measures linked to the education system, and support measures related to providing the necessary infrastructure for potential entrepreneurs, especially in the innovations and IT sector), regardless of whether they relate exclusively to young people or have a wider scope. Within the research, and in particular in direct interviews with representatives of relevant institutions and organizations, good practices that can serve as a model for creating new or linking existing programs have been identified. The analysis also included identification of the barriers for greater involvement of young people in entrepreneurial ventures. In addition to data and information from previously conducted mostly quantitative research, the barriers were defined based on the outcomes of the workshops held with young entrepreneurs and representatives of relevant institutions. The workshops were based on the principles of human centred design.

The draft version of Recommendations was presented at the round table “Youth Entrepreneurship - Challenges and Opportunities”, organized by the National Partnership for Entrepreneurial Learning in June 2017. The received comments and suggestions have found their place in this final version of recommendations, with the aim of making them realistic and applicable.

1. INTRODUCTION

The global financial crisis put young people into the policy focus due to a prominent unemployment rate that is significantly higher than the unemployment rate of the total population. In such circumstances, the promotion of entrepreneurship has become one of the key policies aimed at reducing unemployment and creating new jobs. However, entrepreneurship alone cannot fully solve the problem of youth unemployment. Despite the expressed positive aspirations and popularity which entrepreneurship enjoys in a society, the number of young people opting for self-employment is rather small. The reasons behind this can probably be found in various constraints that young people experience when starting their own business and generally considering entrepreneurship as a career option, which will be discussed later in this document.

The reduction of economic activity affected by the global economic crisis has reduced the absorption capacity of the labor market. The unemployment rate of the total population in the EU28, at the end of 2015, stood at 9.4%, while in August 2016 it was 8.6%¹. In the same period, the youth unemployment rate in the EU28 stood at 20.3%, while at the end of July 2016 it was 18.8%². Trends in Montenegro are similar - the youth unemployment rate is double the unemployment rate of the total population. In addition, the labor market in Montenegro is characterized by a structural unemployment, with a high level of long-term unemployment³, and the high prevalence of employment of foreigners, who come from the neighboring countries and whose employment is dominantly seasonal in nature.

Statistics show that young people in Montenegro are very educated. However, the unemployment rate of young people with a university degree is extremely high and one third of university graduates are unemployed. The employment rate is also very low - only one quarter of young people in Montenegro are employed compared to the EU28 average, where every second young person works (2013). Among those who are employed, the dominant form of employment is salaried employment (90%) while other forms of work (as an employer⁴, independent worker, or working family member) are less frequent. Nearly one in six young people works without the legal protection of a written work contract, while informal employment accounts for nearly 60%⁵.

Montenegro needs policies that can speed up the process of economic development, which involves the creation of new jobs, increasing income, introducing innovation and the creation of knowledge-based economy.

1 For more details and statistics by country, see: www.statista.com/statistics/268830/unemployment-rate-in-eu-countries/

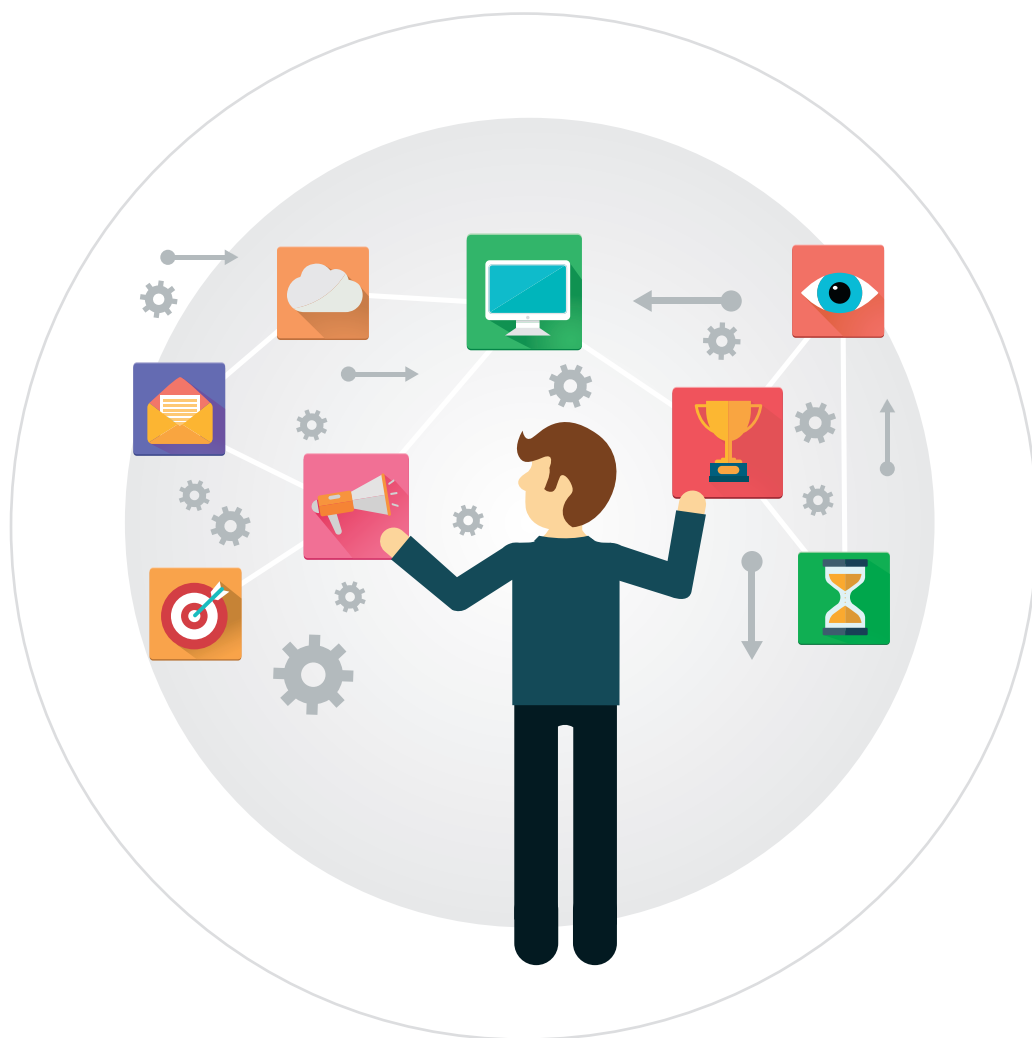
2 For more details and statistics by country, see: http://ec.europa.eu/eurostat/statistics-explained/index.php/Unemployment_statistics The data relate to young people aged up to 25.

3 In mid-2016, the unemployment rate in Montenegro amounted to 17.2%. Out of 39,983 unemployed persons, 37% were younger than 25, 54% were under 30 years of age. 42.2% of the unemployed (total population) has been unemployed for more than a year. Source: Report on the work of EAM for the first half of 2016

4 The terms used in this document physical persons in masculine entail the same terms in feminine gender.

5 Source: Source: Labour market transitions of young women and men in Montenegro, ILO and MONSTAT, 2015

Youth entrepreneurship is recognized as an important leverage of such policies. Although entrepreneurial youth initiatives cannot fully solve the existing problem of high unemployment in this population, motivating young people to become entrepreneurs and improve their knowledge about entrepreneurship and starting their own business, as well as the development of an entrepreneurial culture in Montenegro and improvement of the environment for entrepreneurship, would considerably contribute to the objective of speeding up economic development. Furthermore, the development of entrepreneurial skills in young people contributes to increasing their employability.



2. YOUTH UNEMPLOYMENT AS A PROBLEM

Youth unemployment is one of the leading problems of today, not only in Montenegro, but in Europe as well. Generally, the unemployment rate is an important indicator of the vitality of any economy, which has both social and economic dimensions. Rising unemployment leads to the reduction of income of individuals, increases the pressure on the budget because of the greater demand for social benefits, while there is a reduced income from taxation due to a lower income. At the individual level, research shows that the time of unemployment may have a significant impact on the operating performance of the person in the future (in the form of lower revenue realization and exclusion from society). The longer the duration of unemployment, the more likely it is that the effects of unemployment may be transmitted to the next generation.⁶ In economic terms, the unemployment rate is a reflection of the unused capacity of the workforce. This impacts the lower volume of production in society and generally reduces the potential for economic growth.

Young people aged 15-29⁷, make up a fifth of the population of Montenegro⁸. According to a research conducted by the International Labor Organization⁹, the youth unemployment rate (age 15-24) in Montenegro in the third quarter of 2015 was 34.5%, which was two times more than the overall unemployment rate in the same period (16.5% for persons aged 15-64). Young people across Europe have similar difficulties when entering the labor market as well. However, the percentage of unemployed youth in Montenegro is above the EU average, but is lower than the rate of youth unemployment in the region¹⁰. Looking at the wider age group of 15 to 29, the rate of youth unemployment in Montenegro is higher and stands at 41.3%. The analysis of unemployed youth by gender indicates that the unemployment is more common in young males than in young women (44.8% and 36.4% respectively). As expected, the rate of youth unemployment in urban areas is lower than in rural areas (37.7% and 48.2% respectively). Also, the level of education is crucial for employment, while the unemployment rate of young people with primary school is twice as high compared to young university graduates (65.2% compared to 32%). According to this research, only one quarter of young people are employed (25.2%), which is significantly lower than the average in the European Union (46%), as well as when compared to the figures from the countries in the region¹¹.

Although the economic crisis has affected all age groups, it seems that young people were the

6 Source: Gregg, Paul and Tominey, Emma, 2005, 'The wage scar from male youth unemployment', *Labour Economics*, Vol. 12, pp. 487–509

7 Youth Law (Off. Gazette of Montenegro 42/2016) specifies that young persons are those between 15 and 30 years of age.

8 Source: Census 2011, MONSTAT

9 Source: Report "Labour market transitions of young women and men in Montenegro", ILO and MONSTAT, 2015

10 Youth unemployment in the EU was 20.7% in 2015, while in B&H it was 62.7%. In Croatia it was 45.5%.

11 At the time of writing this analysis, there were available data from the Labor Force Survey conducted by MONSTAT for the second quarter of 2016 (www.monstat.org/userfiles/file/ars/2016/2/Saopstenje%20-%20ARS%20II%20KVARTAL%202016.pdf). In analyzing the data, MONSTAT uses the age group 15+, 15-24, 25-49, 50-64 and 65+, noting that the assessment of the active population and employed persons in the age category 15-24 are "less accurate". Because of the above, but also because of the comparability of the data, we will be using data from the report "Labour market transitions of young women and men in Montenegro."

first to be affected. Due to lack of experience, the first professional engagement of young people tends to be a fixed-term one. It has been significantly easier to terminate these contracts when there was a drop in economic activity. In addition, limited and slow job creation further reduced the chances of employment for young people. At the level of the OECD countries that have detailed statistics, it is evident that the youth unemployment rate has been two times bigger than the unemployment rate of the total population for a longer period (from 2010 onwards). However, what cannot be seen at first is a disturbing fact which relates to the reduction of youth participation in the labor market. In other words, if they experience the problem of unemployment for a prolonged time, young people give up looking for a job¹².

Having in mind the statistics, youth unemployment was recognized as a burning issue in Montenegro, so the policies aimed at solving this problem have been incorporated into its strategic framework. In both broader and narrower context, youth employment has been addressed by the Strategy for Employment and Human Resources Development 2016-2020, Program of Economic Reforms 2016-2018, Development Directions of Montenegro for the period 2015-2018, the Program of reform of employment and social policy 2015-2020, Strategy of the development of Southeastern Europe 2020. One of the outcomes from the National Youth Strategy 2017-2021 (adopted in September 2016) reflects one of the key priorities: "Young people achieve economic and social security through improved access to labour market and employment." However, it is important to note that youth employment policies are closely linked to the results achieved in the education sector, improving the business environment and development of SMEs, industrial policy and so on.



12 Source: Policy Brief on Youth Entrepreneurship - Entrepreneurial Activities in Europe, OECD/European Union, 2012

3. YOUTH ENTREPRENEURSHIP AS A SOLUTION TO UNEMPLOYMENT OR A DEVELOPMENT PARADIGM?

Although it would be logical to conclude that due to lack of experience and lack of funds to start their own businesses, young people are not particularly interested in entrepreneurship, research shows that a significant number of young people in Montenegro do consider self-employment as their preferred life choice. However, these considerations are not effected.

A research on knowledge, attitudes and behavior of young people in relation to employment and social participation, procured by UN System in Montenegro and conducted by IPSOS 2013 (hereinafter referred to as IPSOS 2013) shows that young people¹³, at least declaratively, claim that they would rather for work for themselves than for an employer – with over 60% of them reporting this preference. When it comes to attitudes towards entrepreneurship, the majority of young people (75%) think that starting business is risky, but they also report that entrepreneurs in Montenegro enjoy good social reputation. One third of young people think that in order to start their own business, a young person needs “knowledge/skills/education” (31%), while 27% of them think that it is necessary to secure funds¹⁴. Slightly more than half of respondents believe that they mostly or fully possess the characteristics required for starting a business, while 29% of respondents consider the possibility of start their own business, on their own or with others; 4% are already working on it, while 67% do not consider this possibility at all.

A 2013 research on the lifestyle of young people, carried out by DAMAR also provided interesting information about the preferences of young people in Montenegro towards entrepreneurship. When asked whether they have their own business ideas, two-thirds of the surveyed young people (up to 24 years of age) answered “Yes” (total 67.3%); when asked whether they intend to start their own business someday, 48% of them replied “Yes”, 38.1% said they did not know at that time, while the remaining 13.9% responded with a categorical “No”.

Although it appears that the entrepreneurship is popular and desirable among young people, the study “The transition to the labor market of young women and men in Montenegro” has shown that self-employment is not widely practiced among young people. Namely, self-employed youth represent 9.9% of the total number of employed persons; 1.5% are employers (have their own employees who respond to them), 5.1% are own-account workers while 3.3% are working family members (working in family businesses without being paid).

The most common reason for self-employment of young people is the expressed the need to have greater autonomy (42.2%). This is especially true in the self-employed young people in rural areas (62.2% compared to 36% in urban areas). Equally present motive for self-employment among both young people in rural areas and those in urban areas is the fact that they could not find any paid work. More flexible working hours represent a motive for 6.5% of self-employed youth, while one in five respondents claims that key motive for self-employment was higher

¹³ The research has included young people aged 15 to 30.

¹⁴ Respondents had the option of giving multiple answers.

income (22.8%). It is interesting that the family does not appear to have a decisive influence on the self-employed youth when it comes to optig for entrepreneurial initiative.

Comparative practice in OECD countries shows that the percentage of self-employed young people increases with the age of population. Thus, there are only 5.1% of self-employed men in the age category of 15 to 24 years, while the percentage of self-employed men over 55 years of age is 29.2%. In women, these percentages are 3.6% and 15.9% respectively¹⁵. Although direct comparability is not possible due to different definitions of the categories of young people¹⁶, for illustration purposes, we have to note that the self-employment rate in the EU in the age category of 15 to 24 years, in 2010, amounted to about 4%, compared to almost 15% of the total population. Rates of self-employment in young people and the general population are above average in the countries whose labor market absorption capacity has been significantly weakened (Greece: rate of self-employment among young people up to 24 years - 9%, the total population - 30% of; Italy: 11% and 23% respectively)¹⁷. This tells us that individuals are opting for self-employment when they exhaust all other options, or do not have the second chance for employment.

Although young entrepreneurs often share a similar motivation for entrepreneurship with “adults”, they usually differ in their approach to business and the sector in which they are active. The European practice is that young entrepreneurs more often manage small companies – on many occasions, the founder is the only employee. Only one in ten young entrepreneurs¹⁵ has employees, while this percentage among the “adult” entrepreneurs is 30%. Young entrepreneurs usually choose the sectors which are easier to enter (there are no significant barriers to entry), which usually means a lot of competition and sectors that do not require a significant initial capital. In Europe, these sectors are construction, information technology and other types of services. The range of products/services offered is usually very limited. In addition, young entrepreneurs are most often focused on the local market because they know it best, and at the same time because they do not know the possibilities offered by other markets and how to make use of those possibilities. Nevertheless, research shows that young entrepreneurs are more willing to turn to the international markets compared to the “adult” entrepreneurs¹⁸.

Given that the corresponding statistics are not available for Montenegro, the practice and behavior patterns of young entrepreneurs in the European Union could serve as an important illustration of possible trends in our country. Namely, due to the fact that young entrepreneurs enter the sectors that have no entry barriers and that are characterized by high competition, they tend to run businesses that often do not show significant growth rates and sustainable income. On the contrary, studies confirm that the mortality rate of businesses run by young entrepreneurs is higher than in the general population. However, the same research shows that companies that survive the critical period of the first three years have a higher growth potential

15 For more details see OECD (2016), *Entrepreneurship at a Glance 2016*, OECD Publishing, Paris. http://dx.doi.org/10.1787/entrepreneur_aag-2016-en

16 In a study “Labour market transitions of young women and men in Montenegro”, the category consisted of young respondents aged 15 to 29.

17 Source: Policy Brief on Youth Entrepreneurship - Entrepreneurial Activities in Europe, OECD/European Union, 2012

18 Source: Policy Brief on Youth Entrepreneurship - Entrepreneurial Activities in Europe, OECD/European Commission, p. 9

compared to businesses run by “adult” entrepreneurs. In particular, research has shown that businesses run by young entrepreneurs, which survive the first three years of operation, have the potential for employment growth of over 200%, which is almost two times higher rate than the rate of employment growth in companies run by entrepreneurs who are over 40 years old¹⁹.

For more than a decade, entrepreneurship has been in the focus of the economic policy of the Government of Montenegro (since the Economic Reform Agenda 2002-2007). However, even when the issue of youth entrepreneurship was raised, the focus had been on the development of small and medium-sized enterprises and increasing competitiveness of the overall economy. Only recently we started discussing youth entrepreneurship as one of the instruments for solving the problem of unemployment in this population.

Analysis of current policies, not only in Montenegro, but also in countries of the European Union, tells us that youth entrepreneurship is seen as one of the instruments to mitigate the problem of unemployment of this population, and to a lesser extent, it is being promoted and supported as an element of an overall shift of social development towards a society based on entrepreneurial culture and value system. In order to achieve sustainable results in terms of activation of young people as an important economic and social resource, it is necessary to change this approach.



¹⁹ Source: Eurostat, 2006, “The profile of the successful entrepreneur - Results of the survey ‘Factors for Success’”, Statistics in Focus 29/2006

4. THE ENVIRONMENT FOR ENTREPRENEURSHIP IN MONTENEGRO

Improving business environment is high on the agenda of the state administration since the restoration of independence. Research on the business environment conducted by both domestic and international organizations point to the improvement of the global ranking of Montenegro in the period. However, the last two years saw “*stagnation or even decrease in the ranking of Montenegro*” in the eyes of the international community²⁰. Some of the areas with the lowest ratings in all reports are: the rule of law, fight against corruption, protection of property rights - the execution of contracts, real estate registration, issuance of building permits and fiscal freedom, i.e. the payment of taxes²¹.

4.1 THE REGULATORY FRAMEWORK FOR STARTING AND RUNNING A BUSINESS

Although Montenegro did a quality preparation and adopted the most important legislation related to the above areas, the implementation by the relevant institutions remains a problem. The following causes leading to such a poor practice have been identified:

- Poor communication between state institutions that carry out procedures as independent entities not as the system, particularly when it comes to communication with the investors;
- Arbitrary application of regulations by local governments, cadastral offices, and regional units of state institutions;
- The resistance of the officials in terms of lack of willingness to implement reforms at full capacity²².

The regulation related to starting a business, paying taxes and enforcing contracts is of paramount importance for young entrepreneurs. In the area of starting a business, Montenegro is only less than 10 percentage points behind the countries with the best practices covered by the Doing Business Report. However, the fact that young people are not familiar with the steps in procedures, and the fact that the procedure sometimes takes longer than expected, can be rather discouraging.

Paying taxes is the only area, in which Montenegro, according to the latest Doing Business Report (2017), has made progress in a way that it simplifies doing business. Notwithstanding the positive trend in this area and the fact that Montenegro is very competitive in Europe in terms of the tax system, young entrepreneurs perceive tax and social contributions as great burdens, especially at the very operation beginning of their business. **The uncertainty of revenues in the first months of operations is coupled with a certain list of obligations that a company has to**

20 Source: Analysis of “Montenegro through international economic indicators”, the Council for improvement of the business environment, regulatory and structural reforms, the Government of Montenegro, 2016

21 Source: Analysis of “Montenegro through international economic indicators”, p. 7

22 Source: Analysis of “Montenegro through international economic indicators”, p. 7

settle, which is discouraging. This is the reason that a number of young people do not register their undertakings and remain in the informal economy, or give up on starting a business.

When it comes to the *execution of contracts*, the problems reflect in challenging and lengthy procedures. According to the Doing Business Report, the average number of days to enforce a contract in Montenegro is 545, while in Europe is 486. When it comes to the costs of the proceedings, they were higher by about 20% compared to the OECD countries.

4.2 EXISTING POLICIES TO SUPPORT THE DEVELOPMENT OF ENTREPRENEURSHIP

Policies to support young entrepreneurs can be defined as a set of measures aimed at helping young people in different stages of the entrepreneurial process, so that more young people could go into entrepreneurship and start their businesses. At the same time, these measures are aimed at increasing the employability of young people in general. Also, these policies are specific because they are targeting not only a specific “niche” in terms of the needs of end users, but also certain population (young people). The common practice in European countries is to create such policies in response to a specific problem, such as high youth unemployment. However, experience shows that the effect is much stronger if the support measures are part of the overall “holistic” entrepreneurial policy whose wider goal is developing and strengthening entrepreneurial culture and entrepreneurial approaches through coordinated action²³.

The starting point of any policy to support the development of entrepreneurship is that the market is not functioning in a perfect manner which is why entrepreneurship is not optimally developed. Furthermore, the assumption is that these market failures occur due to asymmetric information which needs to be “corrected” by a public policy intervention. One of the shortcomings of the market, which is at the same time crucial for policies to support youth entrepreneurship is the lack of awareness or limited awareness of young people regarding their entrepreneurial potential, or even the fact that entrepreneurship can be an adequate choice of career. This is “solved” with measures oriented towards the entrepreneurial learning and other various initiatives that establish links between the education system and increasing public awareness, even in young people, about the benefits of entrepreneurial activity.

Policies that aim to facilitate access to sources of funding for potential entrepreneurs respond to market failure relating to the standard loan approval procedure, given that young people often do not have a credit history or property that could be offered as a mortgage when taking the loan. Another market failure, which can also affect policies to support youth entrepreneurship, comes from lack of knowledge about the benefits of external support, primarily training and expert advice, for the development of skills necessary for starting and developing businesses²⁴.

Various measures to support youth entrepreneurship have been implemented and are still being implemented in Montenegro. These can be grouped into different categories, depending on which

23 For more details see Eurofound (2016), Start-up support for young people in the EU: From implementation to evaluation, Publications Office of the European Union, Luxembourg

24 Source: Eurofound (2016), Start-up support for young people in the EU: From implementation to evaluation, Publications Office of the European Union, Luxembourg, p. 19

specific limitations that entrepreneurs experience, these measures are trying to compensate/overcome. These are the categories of support measures:

- Measures solely relating to various forms of financial support (loans, tax and other relieves);
- The development of so-called “soft” skills, entrepreneurship training programs, technical assistance, mentoring;
- The combination of financial and advisory support;
- Initiatives related to raising awareness of entrepreneurial vocation and various support measures connected with the education system;
- Support measures relating to the provision of the necessary infrastructure for potential entrepreneurs, particularly in innovation and IT sector.

Despite the relatively large number of identified initiatives²⁵ aimed at promoting entrepreneurship and supporting start-up businesses, most of them are not exclusively focused on young people. This is reflected in a weaker effect of correcting market failures when it comes to starting a business from a position of a young individual. In addition, most of the identified measures are isolated, relatively small, ad hoc and discontinuous measures that are usually not part of a broader comprehensive policy to support the development of youth entrepreneurship. Precisely for this reason, the scope of such initiatives is limited.

Although this report points to the examples of good practice (with no intention to map all the support measures), there is an evident lack of cooperation between line ministries which in their respective fields do share topics of importance for promoting entrepreneurial activity in young people.

4.3 OPPORTUNITIES FOR SELF-EMPLOYMENT OF YOUNG PEOPLE IN MONTENEGRO - SELECTION OF SECTORS AND BUSINESS IDEAS

Strategic documents recognize tourism, energy, agriculture and rural development, and industry as priority development sectors of the Montenegrin economy²⁶. Sectors which are recognized to have a growth potential, and which may be drivers of industrial development with the potential for increasing the competitiveness of the domestic market and export potential are: manufacturing – food, wood, metal, and pharmaceutical industries; energy and tourism. The sectors that have growth potential and should contribute to the development of modern industrial development are: transport, ICT and creative industry sector, business services and construction. In addition to energy, tourism, and agriculture, the National Sustainable Development Strategy until 2030 recognizes the importance of development of

²⁵ A detailed review of these initiatives implemented both by government institutions and NGOs, was prepared in the research phase that preceded the drafting of this document. A number of initiatives that have been recognized as desirable and good practices are given below as an illustration of the possible actions, depending on the priority of the policy.

²⁶ Source: Government of Montenegro, Montenegro Development Directions 2015-2018

green entrepreneurship for generating new employment and contributing to the development of local communities and overcoming inequalities. Opportunities for development of green entrepreneurship exist in the areas of energy, waste management, organic agriculture, eco-tourism, recycling, eco-products and other activities²⁷.

With the exception of defining sectoral support programs (e.g. when IDF in Montenegro does that, favorable credit lines for priority development sectors are defined, such as ones for agriculture, tourism, etc.), there are no examples of policies that impose or recommend sectors to invest or business ideas to be developed.

Good practices of encouraging youth entrepreneurship in OECD countries also do not recommend particular opportunities for self-employment of representatives of this target group. This is the case only in some projects such as the establishment of centers to provide support to beginners in business or the establishment of business incubators or providing micro-financial support. In these particular cases, defining the narrow sectors from which business ideas can come, aims to facilitate the selection of participants in the program, especially when the amount of financial assistance is relatively small, and intention is to facilitate the networking of entrepreneurs and possible clustering for joint appearance on the market in the future. Thus, for example, project garage Hamburg (www.garagestartups.de) that included micro loans and networking, restricted eligible applications to those related to business ideas in the field of music, art, film, design, production/TV, architecture, media, advertising and software production.

When it comes to the aspirations of young entrepreneurs, there is research that can serve as a reliable source of information regarding the interest and disposition for entrepreneurial activity in a particular sector. The survey conducted among over 50 students of the International School "Entrepreneurial ideas of young people in the EU", which took place in Montenegro in November 2016, within the Erasmus+ Program²⁸, showed that young people see greatest potential for entrepreneurship in tourism and hospitality (30.7%), information technology (12.4%), agriculture (10.9%) and marketing (10.1%).

Startup community has been rather active in Montenegro in the last few years. Although only a couple of the startups have managed to go through international accelerator programs so far (such as the hub:raum's WARP or Bulgarian Eleven), the group of enthusiasts gathered around Digitalizuj.me tries to popularize this business concept in young people and create possibilities for them to get in touch with regional and international platforms which support startups. Startup represents "an innovative technology business with rapid growth potential and far-reaching possibilities."²⁹ This concept of business development has no systemic support in Montenegro. There are no specialized investors, a network of mentors and experts is relatively limited, and the term startup itself is very often equated to the term beginner in business. Startups are

27 Source: Government of Montenegro, the National Sustainable Development Strategy until 2030, p 66

28 Source: The school was organized by the Center for Monitoring and Research (CEMI) in cooperation with partners: the University of Donja Gorica (UDG), Art Communications from Podgorica, the Center for International Studies from Croatia, and the Center for European Perspective from Slovenia.

29 Source: www.digitalizuj.me/2015/12/sta-je-to-startup/

mostly technological in nature and are oriented towards the source, because Montenegro itself is not a market which is big enough. Startup development can be one of the options for young entrepreneurs and an orientation towards regional and international support initiatives, while Montenegro develops its critical mass and a better environment and understanding for their development and necessary support.

It might be interesting here to point out the results of a research³⁰ about the preferred employment sectors among youth (when they are hired for a salary). Most of the young employees in Montenegro (87.7% of them) work in the services, which is especially prominent in women (up 95.1%). This is a consequence of the general trend of the Montenegrin economy in which services dominate at the expense of industry (according to the Labor Force Survey conducted by MONSTAT, 8 out of 10 employees are engaged in the service sector). The industrial sector employs 11.2% of young people, 16.8% of men and only 4.5% of women, while there are only 1.1% of young people employed in the agriculture sector. When we analyze services sector in detail, we see that the greatest number of young people are engaged in wholesale and retail trade as well as accommodation services sector (26.9% and 11%, respectively), followed by public administration (7.3%), health and social work (5.9%), arts and entertainment (6.1%) and other services (6.6%). A significant proportion of young male workers are also engaged in technology sector (8.2%). Two sectors with significant potential for self-employment, in which the proportion of young people is higher than the percentage of total employment (according to the Labor Force Survey), are information and communications and the arts and entertainment.

If we analyze the business ideas of young people supported by IDF in 2016, we can conclude that these are mainly related to the service sector (rent-a-car agencies, trade and craft services, fitness centers, etc.). **Lack of inventiveness in developing business ideas is primarily the result of poor education and weak intensity of life of young people (e.g. lack of mobility).**

On the other hand, a survey among companies in the manufacturing sector³¹ has shown that there is a high awareness of the need to innovate in order to raise the level of competitiveness of enterprises, both in the domestic and regional and international markets. The most significant effects of innovative activities are manifested through the increase of: the range of products and services, production capacity/volume of services, company's productivity and investments and sales in the existing market. The most important limiting factor for innovation appears to be the lack of financial resources since the costs of innovation in processing industry are usually high. However, other limiting factors which have been identified are insufficient innovative potential of the company and the lack of skilled personnel; and low availability of external services / innovation services. These can be the areas in which young entrepreneurs can be engaged, especially when it comes to the following segments: product design, production of promotional material/development Internet presentations; advertising and product placement; digital prototype design and packaging.

30 Source: Report "Labour market transitions of young women and men in Montenegro", ILO and MONSTAT, 2015, p. 20

31 Source: The survey was conducted within the framework of the implementation of the joint project of the United Nations: "Strengthening the competitiveness and innovative capacity of Montenegro through sustainable policies for economic growth" financed by Delivering results together fund.

It has been said that, due to lack of initial capital, young people tend to enter the sectors that do not require significant investment. These are mainly service activities, information and communication technology, and they tend to be linked to the domestic market.

To conclude, when it comes to the choice of sector and business idea, no one can take the responsibility but the entrepreneurs themselves. Forcing an idea to them or recommending a business idea is not an option. Even in optimal conditions, the realization of an idea requires genuine personal interest - passion and commitment. Instead, we will list several characteristics of a good business idea³²:

1. It connects skills and interests of entrepreneurs (those that create sense of pleasure in the entrepreneur);
2. It represents an area which is familiar enough to the entrepreneur so that they can identify at least three key factors for success;
3. It entails the use of knowledge and skills that an entrepreneur already has or can quickly master;
4. It requires funds that can be provided relatively quickly;
5. It promises return on investment that is at least four times greater than that which would be obtained if the funds have been deposited in the bank;
6. It does not require hiring a larger number of workers in the first year of operation;
7. It is aimed at a target market of customers/users with whom the entrepreneur does business with pleasure.

Therefore, we may conclude that a good business idea is a combination of interests and skills of entrepreneurs; it does not require a large initial investment or employment of more workers in the first year of operation; it is directed to a market in which there is an unmet demand and has a defined competitive advantage.

32 For more information, see guidelines "Design and check your business idea", created by a group of authors published by the University of Osijek, Faculty of Economics in Osijek

WHICH BARRIERS DO YOUNG PEOPLE FACE WHEN THEY START ENTREPRENEURIAL ACTIVITY IN MONTENEGRO?

Studies have shown that being an entrepreneur has a positive connotation among young people in Montenegro. Also, most of them admitted having their own business idea. However, practice shows that the percentage of young people who opt for self-employment is much lower than those who decide to “work for salary” (10% of self-employed vs. 90% who work for salary). With greater or lesser discrepancies from country to country, a similar trend was registered in the countries of the European Union. In addition, the experience of developed countries shows that companies founded by young people are three times more likely to fail compared to companies founded by the “adults”.

The key questions are - which barriers do young people face when considering self-employment, and what problems that they face affect the higher mortality rate of their companies.

Broadly speaking, limitations that affect entrepreneurial activity of young people in Montenegro come from their immediate environment, lack of skills which they recognize as important for entrepreneurship, inadequate education that does not prepare young people for market competition, lack of experience, lack of funds for starting a business, lack of social networks and contacts, inadequate entrepreneurial ecosystem, but also market barriers and regulatory burdens. Of course, all the listed limitations are inter-related to a certain extent, which indicates that in order to encourage youth entrepreneurship, it is necessary to take integral and comprehensive approach instead of separate activities focused on only some of the said limitations and without adequate follow-up support.

The following is a preview of the identified constraints for the increase of the representation of youth entrepreneurship in Montenegro and the rationale for each of them³³.

BARRIER 1: THE NEGATIVE ATTITUDE TOWARDS ENTREPRENEURSHIP/ INSUFFICIENT SOCIAL SUPPORT

Young people are highly influenced by their families, teachers and society in general. The changes caused by the transition from centrally-planned to a market-economy system, and pronounced influence of globalization have created a huge gap between the generations. *“The specific tradition in upbringing and education created under the strong influence of customary and political currents, met the developed world and created a specific type of gap in young people, between what they are and what they are required to be.”*³⁴

33 In addition to data and information from previously conducted mostly quantitative research, barriers are listed based on the outcomes of workshops held with young entrepreneurs and representatives of state institutions. Detailed results from the workshops are presented in a separate document that contains details of desk analysis and conducted qualitative research. The workshops were designed, guided and helped in terms of interpretation of the results obtained by Joshua Harvey, consultant of the Joint UN Youth Program, using human centered design research methods. It is a process that starts with the target group for which the solution (to a problem) is being designed and ends with creating new solutions that correspond to their needs.

34 Source: CEED, Entrepreneurship as a support to the development of young people in Montenegro, 2015

The impact of the *negative attitude of society* towards entrepreneurship is best confirmed by conflicting answers to questions about the popularity of entrepreneurship, on one hand, and the high percentage of young people who prefer “stable” job in the public administration, that is less paid, over better-paid jobs in the private sector. This reflects the tendency of choosing “certainty” of the work in the civil service, regardless of the lower income, compared to the involvement of the private sector, which is seen as uncertain and risky business.

Media, on the other hand, play special role in promoting a phenomenon and creating public opinion. In this particular case, positive media coverage of the issue, in particular the issue of youth entrepreneurship, is rare, regardless of the format. Also, there is a prevailing culture of judging failure both by media and the public in general. Those who once experienced bankruptcy practically do not get “a second chance”³⁵. Instead, they are labeled as unsuccessful and should therefore be avoided.

BARRIER 2: (UN)PREPAREDNESS FOR ENTREPRENEURSHIP

One in four young persons (26%) believes that *formal education does not provide them with practical knowledge* that can be put to use in their future work. One-third believes that the lack of practical knowledge is the biggest problem of formal education in Montenegro. However, awareness of the importance of lifelong learning is expressed, so 86% of respondents believe that it is necessary to learn and develop themselves throughout their lives (IPSOS 2013)³⁶.

Young entrepreneurs find that their *existing systems of formal and informal entrepreneurship education do not provide them with enough practical, relevant and reliable information on the key steps and stages in the process of starting a business*. In addition, they doubt the usefulness and accuracy of the available information. Quite the opposite, they believe that the information they receive is incomplete and/or inaccurate regarding the procedures and services offered to them, and that they very rarely reflect real experiences.

Young entrepreneurs also think that there are *not enough opportunities for both formal and informal professional development and preparation for entrepreneurship*. They report that it is difficult to obtain information about the existing resources, claiming that the quality of training offered is of extreme importance. The gaps were recognized in several key areas such as market research, understanding clients/customers, networking and relationship management, expanding the customer base, the presentation of offers, looking for and securing financial resources.

35 In May 2011, the Competitiveness Council for the of the European Union issued a recommendation to promote the “second chance” and to limit the time for resolving the issues of debt and relations with numerous institutions, for honest entrepreneurs who have gone through the process of bankruptcy, for a period up to three years.

36 It may be interesting to mention the employers’ assessments of the knowledge and skills that are most often lacking in young people when hiring. In the first place they put working ethics, followed by the ability for independent work, knowledge of English language, teamwork skills, creativity and innovation. Source: Employers’ Survey 2015/2016, Employment Agency of Montenegro

BARRIER 3: LACK OF EXPERIENCE, KNOWLEDGE AND BUSINESS CONTACTS

The lack of experience, similar to the lack of knowledge/qualifications (32% and 19% respectively), but also underdeveloped network of business contacts and lack of relevant information have been identified as obstacles faced by young people when leaving the education system and entering the “world of work”³⁷. Research at the global level indicate that the highest percentage of entrepreneurs belongs to the age groups 25-34 and 35-44. This actually shows that the entrepreneurship requires accumulation of certain work experience and creating a network of contacts and other resources necessary to run a business³⁸.

BARRIER 4: LACK OF FINANCIAL RESOURCES

Lack of financial resources (30.8% of the total youth population; 34.3% of men and 23.4% of women), along with market competition, presents the most important challenge for starting a business in Montenegro. Almost half (46.8%) of respondents who are self-employed young people said they had borrowed money from family or friends, a quarter of them (24.4%) had their own savings, and 19.5% said that they did not need the money. Only 9.3% of self-employed young people reported that they had taken a loan from a bank. Although young people are in a problematic situation because they often do not have their own savings or property that could be used as a mortgage when taking a loan, it appears that “adult” entrepreneurs in Montenegro find equally challenging to secure funds for starting and developing a business. This is especially true for women entrepreneurs given the fact that the property which could serve as a collateral is usually listed as the property of their male family members (father, brother, husband)³⁹.

Young entrepreneurs expressed frustration regarding the available information about the possibility of financing their business ideas, to the extent that they became suspicious and believe that the information they receive do not correspond to the real situation. This is primarily related to access to funds and understanding the expectations of creditors. Noting that the creditors were often uninterested even to listen to them, it seems that young entrepreneurs are not familiar with the process of making decisions on investments and on the basis of which information/data creditors decide on funding.

BARRIER 5: MARKET COMPETITION

As said above, together with the lack of financial resources, market competition is a leading challenge when starting own business (31.1% of the total youth population, with 29.1% representation of men and 35.4% women). This is primarily due to the fact that young entrepreneurs are entering the market which do not have entry barriers, but which are usually

³⁷ Source: Report on the transition to the labor market of young women and men in Montenegro, ILO

³⁸ Source: GEM Global Report 2015/2016, p. 26

³⁹ Montenegrin Employers Federation recognize the unavailability of funds and poor credit conditions as one of the “5 killers of business,” along with inadequate regulatory framework, the gray economy, corruption in all areas and the discrepancy between the education system and the actual needs of the labor market.

characterized by high competition. Moreover, young people are focused on local markets especially in the beginning of operation which further complicates the start. Small market size often forces businesses to diversify their activities in order to be profitable. Young people at the beginning do not see this as acceptable, while it can be decisive when it comes to sales.

BARRIER 6: REGULATION

One in ten self-employed persons in research on the transition to the labor market of young people in Montenegro has recognized that the legislation presents a significant challenge when starting a business, and this opinion (in a much higher percentage) is shared by established entrepreneurs as well. 97% of the companies in Montenegro believe that the current regulatory framework does not encourage companies to expand their business. More than a half of companies (60%) believe that the state (and local) administration is inefficient, ineffective and expensive. Only 4% of companies disagree with this claim⁴⁰. Progress made on the global lists that rank the countries in various fields (primarily economic) indicates that Montenegro has been making progress in the last 10 years, especially in the area of adoption legislation (in all areas which are the subject of evaluation). However, the expected level of progress on these lists has not been achieved because the adopted laws or particular regulation are not being applied in their entirety. This barrier comes from the fact that young people often are not familiar with the regulations, and that information is not usually available in one place and in a transparent manner.

BARRIER 7: (UN)COOPERATIVENESS OF INSTITUTIONS

Young entrepreneurs almost always have negative comments regarding the support of institutions. Most often they make comments on poor quality of services, lack of access, too much red tape or negative attitudes of those to whom they spoke, or those who had been obliged to provide required service to them on behalf of the institution. Analyzing the way they talk about it, it seems that young entrepreneurs are **not familiar with the content and description of services offered by public institutions and their scope of work**⁴¹. Also, it seems equally probable that the operation and decision-making processes of public service providers are extremely unclear. The fact that representatives of institutions were not willing to talk about it, even when they pointed to the dissatisfaction of young entrepreneurs in this segment, appears to be yet another proof of the validity of this claim. Analyzing the outcomes of the workshop with representatives of institutions, it was concluded that there was no mention of the problem of relationships between clients/beneficiaries and service institutions; there was no mention of the importance of evaluation and the quality of services, as well as the mechanisms used to design and create services to be offered to young entrepreneurs.

40 Source: "5 Killers of Business" Montenegrin Employers Federation

41 IPSOS 2013 research confirms this view. Namely, as many as 64% of young people aged 15 to 30 believe that young people in Montenegro are not familiar with the institutions, organizations, programs and support services available to them when they are looking for an employment.

GUIDELINES FOR PUBLIC POLICIES AIMED AT THE DEVELOPMENT OF YOUTH ENTREPRENEURSHIP

Entrepreneurship and self-employment may be of importance for resolving the problem of unemployment. However, good results cannot be achieved overnight. The development of entrepreneurship and, in this context, improving the environment for doing business, have been a priority of Government policy in Montenegro for many years. Following the recommendations from international reports (WEF, Doing Business, etc.) focusing on the business environment, as well as initiatives such as the European Commission's Small Business Act, the government develops and implements measures which improve the overall entrepreneurial ecosystem.

Entrepreneurial activity of young people cannot completely eliminate the problem of unemployment in this population, but may be a part of the solution. Depending on the limitations/barriers which are recognized and faced by young entrepreneurs, it is necessary to make a proper combination of support measures, taking into account the overall economic, social and cultural context. Based on the research which was carried out, we propose the priority areas for action in order to encourage and support entrepreneurial activity of young people in Montenegro. We shall also present good practices that are currently being implemented or activities that had been previously implemented, which in our opinion deserve full support of policy makers and/or can be to replicated in the same or slightly modified form.

6.1 CREATING A POSITIVE ATTITUDE OF THE SOCIETY TOWARDS ENTREPRENEURSHIP

THE GOAL

Environment heavily influences the actions of entrepreneurs⁴² - it is where the entrepreneur's business ideas originate from, but also an important factor in supporting the implementation of the ideas. At the same time, the lack of support of the immediate environment can discourage entrepreneurs and influence their decision to abandon the planned activities when they face the first obstacle. Montenegrin society has relatively recently gone through the process of transition from centrally-planned to a market economy. The average age of the population is 39.2 years (MONSTAT, Census 2011), and the parents of Montenegrin twenty-five year olds have vivid memories of the era of the culmination of socialism and (mostly) long for it. Creating a positive public opinion about the importance of entrepreneurship, can additionally influence the popularization of entrepreneurship as a profession.

42 The terms used in this document physical persons in masculine entail the same terms in feminine gender.

THE APPROACH

Promoting entrepreneurship through the effects achieved (primarily through self-employment and job creation) and presentation of successful entrepreneurial stories, can change public attitudes towards entrepreneurship, and then increase the interest of young people in it. There are several global initiatives that contribute to creating a positive attitude towards entrepreneurship. For example, Global Entrepreneurship Week⁴³ is the largest world initiative celebrating entrepreneurship, entrepreneurs, innovators and those who create new jobs, drive economic growth and improve the well-being of human civilization. Since 2008, when it was first celebrated, Global Entrepreneurship Week has become the largest festival of entrepreneurship – during one week in November, with numerous public meetings, conferences, competitions, etc., which connect entrepreneurs and potential entrepreneurs on one side with the policy makers, mentors and investors on the other side. National host of the Global Entrepreneurship Week in Montenegro is the Institute for Entrepreneurship and Economic Development (IEED). In the past three years, various other organizations and public institutions, especially primary and secondary schools, took part in the entrepreneurship week by organizing fairs and other activities aimed at promoting entrepreneurship. A similar initiative at the European level is the European Week of SMEs campaign organized by the European Commission, which is also being celebrated in Montenegro⁴⁴. During the campaign, entrepreneurs are assisted in getting the necessary information on support options and interested ones are encouraged to start their own businesses. The main event is organized during the autumn together with the Assembly for SMEs and the award ceremony for the promotion of entrepreneurship. In both cases, organizers expressed desire to organize events throughout the whole year, because it best reflects the importance of entrepreneurship for the development of a society.

The media have a great influence on creating public opinion, in almost all aspects of social life. Communication via the mass media becomes more and more important, and information published through the mass media generally are generally considered proven and accurate. A large number of media thriving in a rather small media landscape in Montenegro leads to a relatively easy access to media. Although this could be a positive feature of the Montenegrin society, positive news about entrepreneurial ventures do not end up on the front pages, and they are often perceived as a content for which it is necessary to pay. When it comes to the youth, studies show that short forms common to social media have more significant impact while the television remains the most influential among general population.

EXPECTED EFFECTS

Research conducted in the UK showed that the campaigns that promote entrepreneurship and business-related “reality” programs on television, do not have a direct impact on a specific

43 For more details see www.gew.co

44 The European week of SMEs is a pan-European campaign aimed at promoting entrepreneurship in Europe. A part of the campaign is to help existing entrepreneurs to obtain the necessary information about the support opportunities and encourage them to be interested in starting their own businesses. The campaign is coordinated by the European Commission, and is celebrated by organizing various events throughout the year. The main event is organized in the fall along with the Assembly of SMEs and award ceremony for the promotion of entrepreneurship. For more information see <http://ec.europa.eu/growth/smes/support/sme-week/>

entrepreneurial activity or intentions of an individual. However, there was a marked positive impact on social norms and values, which positively contributed to the image of entrepreneurship and created a culture that favors entrepreneurship⁴⁵. In this way, the media, albeit indirectly, influence the actual patterns of entrepreneurial activity. The survey also confirmed the synergistic effect between the positive media coverage of entrepreneurs and campaigns such as Global Entrepreneurship Week. The popularity of entrepreneurship directly affects the willingness of individuals to more easily engage in programs and activities that will help them develop skills and gain the knowledge necessary to start their own business.

6.2 DEVELOPMENT OF ENTREPRENEURIAL SKILLS

THE GOAL

Programs that focus on the development of entrepreneurial skills are intended to compensate for the lack of practical knowledge and skills which, in their opinion, young people usually do not acquire in the course of their formal and informal education. Such programs should support the development of entrepreneurial competences among young people, regardless of whether they intend to start their own business or get employed. In any case, the entrepreneurial competencies contribute to improving the employability of young people.

THE APPROACH

The usual approach to the implementation of programs for development of entrepreneurial skills is to offer them through the education system, with the methodology and objectives varying depending on the age of pupils or students. At the primary level, the goal is to develop the awareness about entrepreneurship and a set of knowledge, skills and attitudes that are characteristic for an entrepreneur. This is usually achieved by organizing visiting lectures, when entrepreneurs come to a school and talk about the early days of their entrepreneurial careers, or organize visits to their respective companies.

When it comes to secondary education, more emphasis is put on certain technical skills which students need to develop, such as business planning, dealing with finances and simulation of work in a company.

In the higher education institutions, students are supposed to move to a higher level, and learn about the essentials of starting and running a business, but also about the importance of networking and associating. This is accomplished by inviting entrepreneurs to attend practical classes, through the cooperation of universities and businesses, and by organizing internship programs and the like.

Of course, entrepreneurial skills can be developed outside the education system in cooperation with the business community and society in general, or through an agile involvement of business associations in order to take students outside their classrooms and allow them to spend some time in a business environment. EU program *Erasmus for young entrepreneurs* is an

⁴⁵ Source: Impact of Media on Entrepreneurial Intentions and Actions, Global Entrepreneurship Monitoring, 2010

example of good practice⁴⁶. This particular program allows participants to acquire and develop entrepreneurial skills through interaction with other entrepreneurs.

Youth activism is of special importance for the development of entrepreneurial skills. Actions and initiatives whose ultimate goal is not starting own business can greatly contribute to the development of creativity, innovation and self-motivation in young people.

EXPECTED EFFECTS

Generally, studies conducted in European countries show that young people who take part in the programs of development of entrepreneurial skills are generally more interested in entrepreneurship. Also, such programs show that 15-20% of the participants do choose to start their own business at some time in the future. There are also negative examples where the students' interest in entrepreneurship declined after participating in such programs. Most often it happens to young persons with negative preconception about entrepreneurship, who deeply believe that they do not have the traits inherent to an entrepreneur⁴⁷.

The latest report of the European Commission (Small Business Act), presented to Montenegro in May 2016, states that Montenegro is an example of best practice in the region when it comes to entrepreneurial learning. Positive results are already visible through various awards Montenegrin schools and colleges received. The *Entrepreneurship 360 competition*, organized by the OECD for all educational institutions at all levels of education, resulted in 105 entries from 27 OECD countries. Two applications from Montenegro were among the 20 selected ones. Even though they were not among the most inspiring 20 entries, there were 2 more applications from Montenegrin schools which were praised together with 11 other applications for their particular inventiveness and which were chosen by OECD for upcoming series of activities within the Entrepreneurship 360 project. All other selected entries came from EU countries that incorporated entrepreneurship into their curricula 10 years ago. In addition to this, students of the Faculty of Economics, University of Montenegro, Podgorica won first place in the field of entrepreneurship at the Euroskills 2016.

46 The Chamber of Commerce of Montenegro was the implementing partner

47 Source: Eurofound (2016), Start-up support for young people in the EU: From implementation to evaluation, Publications Office of the European Union, Luxembourg

ENTREPRENEURSHIP AS A KEY COMPETENCE AND ENTREPRENEURIAL LEARNING

Seen as a key competence for lifelong learning, entrepreneurship refers to the ability of an individual to turn ideas into action⁴⁸, which includes creativity, innovation and risk-taking, as well as the ability to plan and manage projects in order to meet the objectives. The basis of this competence lies in the ability to recognize the context in which the person acts and proactive responding to the opportunities offered to him or her. A small number of individuals are born entrepreneurs, but research suggests that education and training can significantly contribute to the development of entrepreneurial attitudes, knowledge and skills.

The entrepreneurial competence entails⁴⁹:

Knowledge of available opportunities in order to identify those that correspond to personal, professional and/or business activities of a person.

Skills:

- The ability for cooperative and flexible working within a team,
- The ability to identify personal strengths and weaknesses,
- The ability to take proactive action and have positive response to change,
- The ability to assess and take risks when and where it is justified.

Attitudes:

- The tendency to take the initiative,
- Positive attitude towards change and innovation,
- Willingness to identify areas where a person may demonstrate their full range of entrepreneurial skills - for example at home, at work and in the community.

In a narrow sense, entrepreneurial learning refers to the acquisition of knowledge necessary for starting own business and acquisition of economic literacy. In a wider sense, it refers to the development of personality traits and skills that are considered to be a prerequisite for successful entrepreneurial activities.

48 Proposal of Recommendations on key competences for lifelong learning, Work program "Education and Training 2010", European Commission

49 Work program "Education and Training 2010", European Commission

ACTIVITIES RELATED TO THE INTRODUCTION OF ENTREPRENEURIAL LEARNING IN PRIMARY AND SECONDARY SCHOOLS IN MONTENEGRO - THE BEST PRACTICE IN THE REGION IN THE FIELD OF ENTREPRENEURIAL LEARNING

A program named "*Entrepreneurial learning in the areas of activities in preschool education*" (3 to 6 years) has been introduced at the level of general education. Entrepreneurial learning was also included in the primary school curriculum as a curricular area from the school year 2014/15 included, for all primary school students; Entrepreneurship, as an elective subject, was first introduced in general secondary education in Montenegro in 2015. An entrepreneurial platform that will enable direct cooperation and exchange of information between schools and teachers at all levels of education has been introduced⁵⁰.

Entrepreneurship is taught as an elective subject in the eighth grade elementary school (one class per week). Total of 335 eighth graders, which makes 4.2% of the total number of students in this grade at the state level, have chosen to take this subject in 2014/15.

Entrepreneurial learning in general secondary education is carried out by means of a cross-curricular program: *cross-curricular area of entrepreneurial learning in subject programs for general secondary education*, which was adopted by the National Council for Education. Since the school year 2015/16 in all secondary schools have been implementing entrepreneurial learning as a cross-curricular area. In secondary vocational schools, this program is used for the group of general educational subjects. In gymnasiums it is being implemented as an elective subject in the first or second grade. In the previous school year, 234 students of the first grade of gymnasium (10.1%) and 132 students of the second grade of gymnasium (5.7%), that is 15.8% of all students, chose this particular subject.

The implementation of entrepreneurial learning as a cross-curricular area is carried out in a specific and rather different way, compared to the mandatory courses. In this regard, there has been created a training program to train teachers to integrate entrepreneurial learning in the regular teaching activities. The training program was delivered to 2,700 teachers, which is more than 50% of all employees in elementary schools. One-day seminars have also been delivered to all elementary school principals.

In the previous period, the Center for Vocational Education introduced the subject/module Entrepreneurship in all new, reformed educational programs for secondary vocational education. The Training Company, as a module, is taught as a compulsory subject in the Economics sector programs.

Training of all teachers who teach these subjects/modules has been carried out (about 150 teachers have been trained).

50 Source: Report on the implementation of the action plan for implementing the Strategy for Lifelong Entrepreneurial Learning 2015-2019 for 2015, the Directorate for Development of Small and Medium Sized Enterprises, March 2016

Teachers' and Students' Manuals for the Training Company and Entrepreneurship have been created and posted on the websites www.serviscentarpzv.me and www.preduzetnickicentri.me.

Training of a number of secondary vocational schools principals on the topic of realization of entrepreneurial learning and their involvement in the process was also carried out.

Cooperation with entrepreneurs was established and a training was delivered to them in order to be included in the teaching process. A dozen of entrepreneurs from the northern Montenegro passed this training.

An entirely new concept has been developed - **Entrepreneurial Centers in secondary vocational schools** - to encourage young and unemployed people to gain entrepreneurial knowledge and skills through certain forms of education that will enable them to start their own companies. Four entrepreneurial centers were established in schools in Bar, Bijelo Polje, Berane, and Mojkovac.

The concept - Entrepreneurial clubs in secondary schools - was developed as a form of extracurricular activity for the purposes of development of entrepreneurial spirit and entrepreneurial mindset. So far, around 20 entrepreneurial clubs have been established throughout Montenegro, in which students produce certain products and sell them on the market (souvenirs made using various decoration techniques, decorative lamps, applications, etc.). This concept is realized in secondary vocational schools and gymnasiums.

The Center for Vocational Education organized two international and four national fairs of training companies and participated in more than 30 international fairs for students from secondary vocational schools.

The Center for Vocational Education organized two national competitions for the best business plan for students of secondary vocational schools.

TRAINING COMPANY - AN EXAMPLE OF GOOD PRACTICE

Within the project which is being carried out by the Center for Vocational Education and the Ministry of Education in cooperation with KulturKontakt Austria, since 2005, there has been introduced the innovative teaching method "Training company" in secondary vocational schools in the field of economics. The aim of the project and this form of teaching was to allow to acquire entrepreneurial knowledge and skills, develop a positive attitude towards work and connect with the local community and economy. Training company provides a simulation of a "real" economic enterprise with varying degrees of difficulty. The aim of the course is to foster interdisciplinary transfer of knowledge about business flows within the company and interdependence of enterprises. It is oriented toward carrying out activities and problem solving, which are student-centered. Activities that were initiated primarily by business partners encourage the learning process and lead to a high level of motivation among students. Acquiring key skills (such as teamwork, analytical thinking, mastery of foreign languages) qualifies students for business mobility and flexibility in international business and professional world. For example, a student who is acting as a purchase officer of the company, should apply their knowledge in procurement, with reference to the situation in the company, and make optimal decision regarding the purchase in consultation with partners. They should also identify implications for business success and justify their decision before the management. One of the important characteristics of this learning model is the establishment of cooperation with real companies. Many training companies have partners from the respective industry that support them with their knowledge and skills in practice (know-how). For example, they provide them with real documents, product samples, and sponsor their participation in fairs and allow them to visit their companies. Representatives of real companies, in agreement with the teacher, regularly visit the classes and transfer their practical business knowledge to students.

Innovative teaching model Training company has made a change in school environment, both in the classroom and school as a social space. Establishment of cooperation with real businesses and entrepreneurs, and better links between schools and the local community contributed to improved implementation of this model of teaching. A large number of real companies and entrepreneurs are now involved in the teaching process. Through various types of support, they provide help to both students and teachers in the implementation of these classes. Center for Vocational Education is home to the Training Company Service Center, which was established in 2005 and whose role is to provide real business environment to training companies, assuming the role of institutions with which real companies cooperate. Since school year 2009/2010, this teaching model has been implemented as a mandatory subject in the framework of practical training in third grade of programs Economics technician and Marketing and trade technician which ensured its sustainability. Also, this model of teaching was expanded to higher education, and certain faculties began to use it as an example of good practice, to teach their students.

UNIVERSITY OF DONJA GORICA AS AN ENTREPRENEURIAL UNIVERSITY - AN EXAMPLE OF GOOD PRACTICE

University of Donja Gorica (UDG) is one of the first universities in Southeast Europe that offered entrepreneurship to students of non-economics faculties either as an optional or as a mandatory course, in cooperation with the Center for Entrepreneurial Learning Southeast Europe (SEECCEL). All university units are under one roof, and in the context of teaching, especially in the case of the course Entrepreneurship and Innovation, students are expected to cooperate in order to practice multidisciplinary approach. Teaching and work with students are organized in a way to develop the entrepreneurial skills of students. The focus is on the “awakening the entrepreneurial nerve” in students, so that they could to develop the ability to identify opportunities in problems, the ability to take initiative, analyze data, think creatively, take optimistic perspective on world and life, develop independence and individuality, create and maintain social networks and contacts, develop ideas, focus on success, teamwork and the like. There are several elective courses which offer multidisciplinary knowledge (Media Economy, Architecture and Business, Wine and business, etc.), and recently the University adopted the concept of abandoning course structure of teaching and shifted towards the development of the subject fields (integration of multiple subjects that are connected to each other). Within the series of Entrepreneurial roundtables “¥ € \$” students have the opportunity to listen to the visiting lecturers and guests, usually successful entrepreneurs from Montenegro and abroad. Also during their university education, the students are offered both paid and unpaid internship in private companies and state institutions, in addition to theoretical, and practical knowledge acquired. The students are taught in groups of 10, in order to practice the teamwork skills, with the obligatory communication with the mentor of the group, who is an experienced professional. The UDG has been committed to the idea of entrepreneurship to such an extent that they founded an applied degree program called Entrepreneurship, Management and Business whose mission is “Business as a career.”

UDG also established the *Student Business Center (SBC)*, whose main function is the promotion of student entrepreneurship and innovation, which is achieved through communication with the business and academic environment and thus facilitates the employment of students during their education. For the past six years, on Europe Day, every May 9th, this Center has been organizing the *Stock Exchange of entrepreneurial ideas* whose aim is a to foster competition among young people in the development and presentation of their own business ideas that are presented to potential investors, who purchase the ideas or invest in their realization together with the owner.

In order to provide their students with technical and financial support at the early stage of development of their business ideas, UDG founded the “Freedom and Entrepreneurship” Foundation (in April 2016). In addition to university education, students are financially supported by the Stock Exchange. The plan is to support young people through the newly established Foundation by means of purchase of equipment, payment of accounting services, consulting, leasing space, etc. The plan is also to establish a business incubator at the University.

CAREER CENTER FOR DEVELOPMENT OF SKILLS - AN EXAMPLE OF GOOD PRACTICE

Career Center of the University of Montenegro (UoM) implements the activities aimed at developing practical skills of students at all levels of university education, improving their competences and preparing them for the labor market. Career Center offers career information, advice and guidance to students in the field of their respective study programs. The work of the Career Center is focused on connecting students and fostering cooperation with the business sector, through finding opportunities for professional practice and potential professional engagement. The aim is to enable students to learn more during their university education about the business environment and gain work experience after graduation in order to have a competitive position in the labor market. With regard to entrepreneurship as a discipline taught only in selected university units, UoM has signed a Cooperation Agreement with the Capital City Podgorica in April 2016, which envisages the areas of cooperation to strengthen entrepreneurial skills in UoM students. In the framework of this cooperation, educational training "Start Up in the XXI Century" was organized. On this occasion, students could hear more about the experiences of entrepreneurs who started their business in Montenegro. Also, thanks to the cooperation with other partners (Innovative Entrepreneurship Center Technopolis, ETG group, the Association of Managers of Montenegro, etc.) students have the opportunity to attend lectures, info days and similar activities whose aim is to wake up and promote entrepreneurial spirit among young people.



YOUTH ORGANIZATIONS AND ORGANIZATIONS FOR YOUTH FOR DEVELOPMENT OF ENTREPRENEURIAL SKILLS - EXAMPLES OF GOOD PRACTICE

Youth activism proves to be of particular importance for the development of entrepreneurial spirit among young people and the creation of an entrepreneurial culture in general. Even youth organizations whose activities are not necessarily focused on entrepreneurship in the narrower sense (starting own business) greatly contribute to the development of entrepreneurial competences among young people. Youth organizations and non-formal education are basic and ideal environment to promote a culture of creativity, personal and professional development, personal responsibility and self-expression. In this way, they largely contribute to the empowerment and employability of young people.

The Foundation for New Communications - Dokukino organized competition for the best social business/creative ideas for young people aged 16 to 35 years at regional level. At the beginning of 2016, Montenegro saw launching of an award for social change (Social Impact Award - SIA) - this program is intended for all students of the University of Montenegro who want to start their own social business. During the course of this program, there was a series of promotional events and workshops. The talks and dreams about inspirational ideas regarding social business led to concrete solutions, with accompanying business models and plans. During the competition, students received practical support and transfer of practical knowledge in the fields of business planning, organizing and starting businesses, meeting the basic legal procedures, managing finances, marketing, public speaking, campaigning and promotion through traditional and online tools. The best four teams received the financial support of 2,000 euros as an initial capital and possibility to travel to the international SIA summit in Vienna and meet their counterparts from other countries, exchange experiences and enrich their knowledge.

A similar concept of combining workshops, motivational training courses and mentoring has been used by United Nations program for the empowerment of young people called "Kreativacija", under which UNICEF manages the Innovation Lab for young people in Montenegro. It is very important to point to the concept of UPSHIFT program that empowers young people to get into the teams and apply for assistance in solving the problems faced by them or their communities. The top ten teams attend a three-day workshop during which, with the help of mentors, they develop solutions to the problems identified. At the end of the workshop, the teams present solutions they developed and the best five teams receive € 2,000 euros each and mentoring assistance for the implementation of their solutions.

THE LINK BETWEEN EDUCATION AND THE ECONOMY/CIVIL SOCIETY - EXAMPLES OF GOOD PRACTICE

Entrepreneurial associations also contribute to promotion of entrepreneurship as a career. Thus, Montenegro Business Alliance implemented several projects aimed at primary and secondary school students, and even kindergarten children, through preparing, printing and distribution of "My Business", "Youth and Business" and MEF Growing up with ideas" publications. Campaigns are carried out periodically, for example, "My Business" publication for children in grades 5 and 6 of primary school was distributed three times from 2004 until today, "Growing up with the idea of" is being prepared, printed and distributed on a monthly basis, and the campaign "Youth and Business" which involves preparation, printing and distribution of publications on the method of registering businesses and the benefits of entrepreneurs, to the secondary school students, is organized once in every 2-3 years.

The Montenegrin Employers Federation (MEF) continuously realizes activities and projects in this area. Thus, in 2015, with the support of the Center for Vocational Education and Training and management of the five secondary vocational schools in Podgorica, MEF marked the European SME Week by organizing a series of lectures of successful young entrepreneurs for the students of these schools. The series of lectures was entitled "Entrepreneurs in schools" and it aimed at promoting entrepreneurship as a possible career option among young people through real entrepreneurial experiences. In 2011, MEF created and published a brochure "Business Start-up Guide" which provided a detailed insight into all the procedures necessary for registering and starting a business. On this occasion, the MEF organized free seminars throughout Montenegro and offered copies of the guide to all interested persons, while a part of circulation was presented to students of the Faculty of Economics of the UoM - Entrepreneurship department. Regarding the cooperation with this faculty, the most notable was the organization of lectures of successful women entrepreneurs and managers, attended by about 100 students of undergraduate and postgraduate studies, in the context of the MEF project "Women's business - the potential of the Montenegrin economy".

Within the framework of the European Vocational Skills Week, the National Entrepreneurship Learning Partnership organized an international conference aimed at promoting examples of good practice that stimulate and promote entrepreneurial learning in primary, secondary schools and in the area of improving the skills of employed persons and youth.

Non-governmental organization Digitalizuj.Me greatly helps the promotion of entrepreneurship and creation of start-up community in Montenegro. By organizing lectures at least once a month, they bring together young people interested in starting their businesses, especially in the IT sector. The emphasis is on educating citizens about the new opportunities for social change and business in the digital environment by using social media and innovative business models.

As part of its corporate social responsibility program Domain.me which manages the national Internet domain .ME, has been organizing annual business internet conference Spark.me since 2013. According to the organizers, the mission of Spark.me is to improve the quality of life of people in South East Europe by developing awareness of the possibilities offered by the Internet and new technologies through education, competitions and networking.

6.3 PROVISION OF INFORMATION, ADVISORY SERVICES AND MENTORING SUPPORT

THE GOAL

Even if a student goes through certain programs for the development of entrepreneurial skills, they face the problem of lack of information, experience and business contacts at the very early age of starting their own business. Provision of information, advisory services and mentoring support, collectively called “soft” support, are extremely important for young entrepreneurs. This kind of help allows them to compensate for the lack of knowledge and skills from formal education, but also the lack of previous work experience.

THE APPROACH

The first step in this area of support is providing the relevant information to all potential (young) entrepreneurs. This can be done via the Internet, or in some resource centers at local and national levels, through social networks that young people use or through the mentoring process. There are well-known examples of good practice when the Government use specialized web portals to provide all the necessary information and advice regarding the establishment of small businesses, including additional information on sources of funding and other support programs. The second step is to provide advisory services for young people, which can be fully subsidized or the state itself can finance part of the cost of advisory services. Very often these programs require from entrepreneurs to pass some training courses. The third step is mentoring support provided by the established entrepreneur or a licensed specialist in the given area of the mentoring. An example of good practice that is already mentioned is Erasmus for Young Entrepreneurs, which connects young entrepreneurs with international mentors with significant experience in private business. In general, there are some programs in Montenegro (good practices are presented below) that can be used for this goal, however, these are individual, often ad hoc initiatives that are implemented within current projects and have no continuity. Also, they chiefly target specific groups (e.g. women in business). In order to eliminate this restriction, young people need to be have one-stop shop where they can get complete information and guidance for further steps in starting their own undertaking.

EXPECTED EFFECTS

There are programs that have undergone serious forms of evaluation, which confirmed that these types of services can significantly contribute to a larger number of young entrepreneurs. However, it is expected that providing such services would foster elimination of a part of the constraints which young entrepreneurs faced. Providing information about the process as a whole and the ability to plan several steps in advance provides the necessary sense of security in young entrepreneurs and gives them a sense of control which can be important. Advisory services can be crucial in solving specific problems that entrepreneur face and the experience of the practitioner may significantly reduce or even eliminate the risk. Most programs that include mentoring include a selection process that precedes it, so only selected individuals with a predisposition for success end up being selected for the program. Certain experiences show that mentoring can be very important for those who are about to start their own business, but not necessarily for those who are already in business.

ADVISORY SERVICES AND MENTORING SUPPORT - EXAMPLES OF GOOD PRACTICE

Advisory support can be obtained from international financial institutions and development organizations. Thus, UNDP through the IPA program for gender equality implemented by the Ministry for Human and Minority Rights delivers a *program to support women in business* offering the whole spectrum of services from education and linking with financial services to mentoring, working in parallel on raising the capacity of local governments to provide support to entrepreneurs and work to remove regulatory barriers. In cooperation with IDF, a special loan program with more favorable condition for women was created.

There are regional programs and European organizations such as European Bank for Reconstruction and Development, European Investment Bank, and certain foreign embassies which also offer possibilities for support. When it comes to beginners in business, conditions for obtaining funds from these sources are very complicated.

In 2014 and 2015, the Directorate for development of small and medium-sized enterprises, implemented the project "*Establishment and promotion of mentoring system in small and medium-sized enterprises in the Western Balkans - Serbia, Bosnia and Herzegovina and Montenegro*" with the support of the Japanese Government. Mentors have previously undergone appropriate training in specific areas (finance, marketing, business plan, production management and diagnosis of enterprise) after which they provided free mentoring assistance to companies for up to 50 hours, during this six-month long project.

Chamber of Commerce of Montenegro (CCM) established a network of mentors for women entrepreneurs, in cooperation with the Institute for Entrepreneurship and Economic Development (IPER), as part of a larger project supported by the European Commission, which was implemented in 17 European countries. After completion of the project, there has been created a platform www.wegate.eu for further communication and mentoring to entrepreneurs in all countries that participated in the project.

Important components of the success of SMEs and entrepreneurs are networking and promotion. Enterprise Europe Network, the largest European network for business cooperation, which offers a wide range of forms of assistance to small and medium enterprises in the EU and beyond, is also available in Montenegro. the Directorate for development of small and medium-sized enterprises has formed a consortium with the Chamber of Commerce of Montenegro, Faculty of Mechanical Engineering, University of Montenegro and the Business Start-Up Center from Bar and founded the European Center for Information and Innovation Center Montenegro (EIICM, www.euroinfo.me), as a part of the „Enterprise Europe Network“, which includes over 600 organizations from 53 countries across Europe (EU 28, Norway, Iceland, Switzerland), the candidate countries (Turkey, Macedonia), third countries (America, Russia, Japan). The network is co-financed by the European Program of competitiveness and innovation (Competitiveness and Innovation Framework Program - CIP, 2007-2013), which aims to improve the competitiveness

of European enterprises. Their services are primarily intended for small and medium-sized enterprises, but also include other institutions, universities, research centers, etc.

The Capital city Podgorica, under the auspices of the Mayor's Office, founded *the Bureau for Economic co-operation and support to the business community* (in March 2015). Free professional support, from the preparation of business plans through the provision of free accounting services and "one on one" consulting, on a weekly basis and at a fixed time, along with the reimbursement of business registration fees and provision of office space, is an example of good practices that local governments may employ in the development of business.



6.4 FINANCIAL SUPPORT

THE GOAL

Lack of financial resources and difficulties in securing finances, are some of the most common limitations listed by the young entrepreneurs. According to the ILO report Labour market transitions of young women and men, only one in ten self-employed persons opted for loan, while almost half (46.8%) of the surveyed self-employed young people reported that they borrowed money from family or friends, a quarter of them (24,4%) had their own savings, while 19.5% said they did not need the money. There are no available alternative sources of funding (business angels, venture capital, etc.) in Montenegro, so beginners find difficult to secure equity investment, especially when it comes to young entrepreneurs. In response to this rather typical problem, the government came up with various measures of financial support in order to support the young entrepreneurs. In addition to improving access to existing sources of funding, the aim could be the development of alternative models of financing (business angels, venture capital, promoting crowdfunding platforms, etc.).

THE APPROACH

An OECD research⁵¹ provides an overview of various financial support programs for young entrepreneurs. Some of these approaches are not represented in Montenegro, such as covering the cost of living for a certain period (examples of France and Greece) or support in the preparation of presentations for investors who then invest in the idea if they perceive its worth investing into. In addition to credit support, the governments often provide grant support, while market (commercial banks and micro-credit organizations) can offer its own products in order to support young entrepreneurs. Unlike banks, which apply the same procedure for both small and large clients, including a lot of paperwork and necessary mortgage lien, microcredit organizations offer less money with a higher interest rate.

EXPECTED EFFECTS

It is expected that favorable financing opportunities for business ideas of young entrepreneurs contribute to increasing their survival rates after one, two or three years of operation. However, there is no hard evidence for this is due to the fact that there has not be done any proper research.

Taking look at the current practice in the implementation of financial support programs around the world, it can be concluded that **a quality selection of candidates who will be able to use the funding increases the success rate**, the rate of growth of the company and the survival rate during the critical period for beginners (up to 3 years).

Another important conclusion is that **the programs of financial support provide better results if implemented in combination with any of the projects of so-called “soft” support.**

51 Source: Policy Brief on Youth Entrepreneurship - Entrepreneurial Activities in Europe, OECD/ European Union, 2012

COMINATION OF FINANCIAL AND "SOFT" SUPPORT

In 2015, in order to support the development of entrepreneurship and encourage specific target groups including young people, the Investment and Development Fund of Montenegro has created a special credit line intended for entrepreneurs, start up businesses, youth, women in business and individual farmers through which they financed a total of 80 projects in the amount of 2.9 million euros. 13 "Youth in Business" projects with a total value of 0,363 million euros were among the selected projects. In 2016, 21 loans for youth businesses were approved, and the total value was 0.68 million euros.

In cooperation with the *Directorate for Development of Small and Medium Enterprises* (DDSME) and EAM, there has been created the *Program to support the development of entrepreneurship*, which is in addition to the aforementioned financial, entailed non-financial support as well. DDSME announced two public calls and received 76 applications. It was followed by two cycles of training programs whose topics were: registration of companies; financial management and tax system; Business communication and protocol, SME support institutions, national and international sources of financing; how to develop a business idea and business plan. In addition to paying visits to all interested candidates, DDSME have provided support in developing business plans and collection of project documentation, after which the completed loan applications were sent to IDF which made the final decision on financing. A total of 16 applications, whose implementation has created 48 jobs, and whose worth was about EUR 0.59 million were approved. The remaining 60 applicants did not qualify for further procedure, out of which 16 voluntarily left the process.

On the other hand, a similar activity was implemented by EAM where the focus was on registered unemployed persons, without any particular selection. Although precise statistics are not available, according to the EAM officials about 500 people have attended the three-day workshops organized throughout Montenegro, while less than 10 received credit funds.

Ministry of Agriculture and Rural Development has published a public call for the allocation of support to young farmers aged between 18 and 30 years, who are unemployed and have completed agricultural/veterinary school or college, and who would like to start their own businesses. Based on the approved business plan, the successful candidate will receive a mentor from advisory services to monitor the implementation of activities. Grant support in the amount of 10,000 euros will be paid in installments, depending on the dynamics of the implementation of the activities envisaged by the business plan.

6.5 DEVELOPMENT OF ENTREPRENEURIAL INFRASTRUCTURE

THE GOAL

One of the ways to support young entrepreneurs used by governments across Europe is an investment in the so-called entrepreneurial infrastructure that can help eliminate the usual initial problems such as lack of funding, office space, contacts, through the construction of business incubators and support to networks/associations of young entrepreneurs.

THE APPROACH

Networking of young entrepreneurs is important for creating opportunities for peer education and exchange of experience, but also for direct cooperation among themselves and cooperation with third parties/clients, in order to make joint appearance. Building a business incubator at the state or local levels, either general or sector-specific ones (e.g. an IT incubator), is yet another important measure to strengthen young entrepreneurs. Staying in a shared space, and using technical support in the business incubator, attending compulsory training programs, gives a certain sense of security to young beginners in business. Depending on the management and primary goal of the establishment of the incubator, the conditions for entry and exit from the incubator are defined. To a large extent, this indicates its success.

EXPECTED EFFECTS

There are no relevant evaluation reports about the effects of business incubation for start-ups as well as no initiatives for networking young people. There are a number of examples showing that support in terms of business incubators can be important for the success of the companies. However, we should bear in mind that the business incubator also allow tenancy to companies that undergo a process of selection. In other words, it has already recognized the potential and realistic grounds for their successful market performance. Unlike business incubators that can be financially demanding projects (especially when it involves the construction of office space, equipment, etc.), support to network organizations of young entrepreneurs is usually not very demanding regarding investment, and it can be an effective tool if it achieves the desired effect.

CREATING ENTREPRENEURIAL INFRASTRUCTURE AND COMPLEMENTARY SERVICES

During the research, there have been identified specific projects and activities that have resulted in specific entrepreneurial infrastructure available to current and prospective entrepreneurs, including young people. While it is common that such infrastructure is created to support innovative and high-tech sectors, it is not the case in Montenegro. The capacities are available more or less all interested parties. The adoption of the Strategy of innovative activities, it is expected that these activities in the future intensify and further contribute to creating a favorable climate for the development of youth entrepreneurship.

In this context, the (young) entrepreneurs in Montenegro can use the capacities of Innovative Entrepreneurship Center Technopolis in Niksic and three other business incubators.

*IPC TEHNOPOLIS*⁵² (opened in September 2016) is focused on promoting the development of entrepreneurship, through the establishment of new companies, job creation and development of enterprises based on new, innovative ideas and technologies. It is currently occupied by fourteen tenants, one of which is virtual tenant. Three occupants are in the pre-incubation phase, eight of them are in the incubation phase, while two of them use available resources on a commercial basis⁵³. Technopolis provides consulting services to newly established and existing enterprises; it also organizes educational programs, training programs and acquisition of practical skills; helps the networking of institutions, scientific and research communities, and international partners with regional and local economies. If tenants do not use the facility on commercial terms, they can use the opportunity of the subsidized lease of office space, free high speed internet space; and all resources of the TECHNOPOLIS (electro-mechanical, and bio-chemical laboratories, ICT data center, convention center, a meeting room, a lounge bar, additional common areas) under certain conditions.

Although the activities of the business incubator Inventivnost Ltd in Podgorica, providing support to the primary IT companies, founded in 2008 by the Government of Montenegro and the Capital City Podgorica, recently died down, this entity is still listed as active.

*BSC Incubator Bar*⁵⁴ started working in 2010, with the primary mission to support the promotion of entrepreneurship through a comprehensive and integrated support to SMEs. BSC Bar is a common incubator, which conducts activities with special emphasis on the development of SMEs through business skills training, consulting, mentoring, financing through the competitions of the best business plans, and providing office space in the business incubator on favorable terms. Tenants can use resources of the incubator and support services available to them in a critical period of the operation of their businesses, in the period of 3-5 years, such as subsidized use of office space; consulting services; access to bank loans; free registration of companies; business training programs in business and

52 www.tehnopolis.me

53 Status of tenants determines the level and form of assistance being provided.

54 Source: www.bscbar.org/en

the like. In order to help tenants to run their businesses, the staff organize: entrepreneurial-oriented training, mentoring and consulting. In order to support market presence of tenants' businesses, they also organize appearances at trade fairs and business-to-business meetings.

Regional Business Center (RBC)⁵⁵ in Berane was founded in March 2015 and started working in February 2016, within the project "Establishment of a regional business center with business incubator in the northeast of Montenegro", which was largely financed by the European Union and implemented by the Municipality of Berane, in partnership with the Regional Development Agency for Bjelasica, Komovi and Prokletije and municipalities Andrijevica, Bijelo Polje, Plav and Rozaje, as founders. Business area „Rudeš“ saw reconstruction and equipping of the facilities for the Regional Business Center and Business Incubator. The building whose total surface area is 1,000 m² is planned to be used by beginners in business and is intended for production-service provision. The project involved training of the incubator employees in order to create conditions for businesses beginners to realize their business ideas.

Within the activities of the Bureau for economic co-operation and support to the business community, the Capital city Podgorica founded the Business Center where start-ups (companies that are founded less than a year ago) or older businesses (12 to 24 months in operation) can make use of free office space and free accounting services during their first 12 months in the business center. Since 2017, for a number of companies, the Bureau offers reimbursement of business registration costs of up to 100 euros.

One form of institutional support, which becomes increasingly popular is called coworking space, which can be developed either as a private initiative, or, most often, as a local government initiative. Often, the coworking spaces are part of the business incubator. They are intended mostly for start-ups, self-employed persons and a new generation of so-called technological nomads. Coworking space can be used for a certain number of hours or even days (if entrepreneurs are traveling they often need space which they can temporarily use), with certain favorable conditions for renting. In addition to space (usually it comes to a desk and a chair), users of coworking spaces make use of available high-speed Internet, professional support of the local community, meeting rooms, access to events organized by the Incubator which hosts the coworking space, educational programs and the like. Coworking spaces can be interesting for business people who are passing through cities and spend several hours/days in them during their trip⁵⁶.

In practice, there is also a **business accelerator**, which is in essence a business incubator that provides additional support in finding investment opportunities to its tenants. This means that in addition to space and certain additional services (most often so-called mentoring and consulting services), business accelerators usually provide initial (seed) investments to companies. We still do not have this type of support in Montenegro.

55 For more details see www.rbcberane.me

56 An example of a coworking incubator in the region: www.ucsibenik.hr

6.6 FURTHER IMPROVING THE ENVIRONMENT FOR ENTREPRENEURSHIP AND ACCESS TO INSTITUTIONS

THE GOAL

Public policy measures in this field apply to all remaining, but no less important, support programs for (young) entrepreneurs, including improving the regulatory framework, removing barriers to business development, tax incentives, and reduction/elimination of payments for taxes and contributions. Based on the assessment of international reports dealing with the business environment in Montenegro, the activities regarding changes of laws and/or procedures to improve the ranking, but also to simplify and improve procedures are being defined. It is of particular importance to make all institutions within the entrepreneurial ecosystem available and accessible to young people. This entails a clear presentation of the responsibilities of institutions, transparent procedures which are known in advance, the distribution of information that correspond to the real situation, but also two-way communication with the (potential) young entrepreneurs who need to feel the support of institutions at every stage of the process.

THE APPROACH

Based on the published rankings, relevant government body analyzes the results achieved and defines measures to improve the business environment in Montenegro. This is where the need for cooperation between the national bodies which implement procedures comes into play - consistent application of regulations at both national and local levels, and commitment of employees at the relevant departments to implement the defined reforms. The institutions must be open for communication with the (potential) entrepreneurs and willing to educate them about their responsibilities, making the decision-making processes as transparent as possible. Wherever possible, information about the responsibilities of institutions and procedures should be provided and regularly updated on the Internet (including digital services). Predictability of process and knowing of several steps in advance in young people creates security and trust. Also, access to information is only the first step in this process. An Internet portal with a detailed description of the procedure can offer information on available sources of financing for businesses, as well as other support measures.

Since it is closely related to the acquisition of entrepreneurial skills and creating overall social environment for entrepreneurial shift in development and since it requires changes in the regulatory framework, we suggest paying more attention to social entrepreneurship. Defining regulatory framework for the establishment of social enterprises can influence the creation of a favorable environment for the development of entrepreneurial skills at the level of educational institutions, but also open space for economic engagement of the less employable groups.

EXPECTED EFFECTS

Improving the environment for entrepreneurship should primarily reflect in reducing the costs for entrepreneurs – both in terms of time and money spent. Predictability of process and knowing several steps in advance leads to the feeling of security and trust in youth. At the same time, creative energy is focused on business and market/customer, instead of searching for information and interpretation of complicated procedures.

TAX INCENTIVES AND REDUCTION / ELIMINATION OF PAYROLL LIABILITIES

This type of support is mainly related to incentives that entrepreneurs can get if they start their business, for example, in the business areas of their respective municipalities or municipalities that are considered underdeveloped. Support refers to the exemption from various payments, such as local taxes and fees, utility fees and the like for a period of up to 10 years. For example, at the state level, there was adopted the *Decree on subsidies for the employment of certain categories of unemployed person*⁵⁷, Off. Gazette no. 80/15. Subsidies may be used by an employer who employs, among others, persons in the business zones. For such persons, under this Regulation, the employer does not pay:

- Social Security Contribution on wages (contribution for pension and disability insurance, health insurance contributions, contributions to the unemployment insurance, contribution for the Labor Fund);
- Personal income tax.

In the economically underdeveloped municipalities in Montenegro, whose development index is below 75⁵⁸, the Law on Profit Tax provides that a newly established legal entity shall not pay profit tax for the first eight years of operation. Also, according to the Law on Personal Income Tax, the accrued income tax is reduced by 100% in the first eight years of operation⁵⁹. These decisions at the state level are accompanied by obligations of local governments to define the benefits of doing business, as follows:

- Facilitation of the payment of utility and other fees;
- Favorable price of lease/purchase of premises for business zone;
- Reduction or release of surtax of income tax of employees;
- Reducing the tax on real estate;
- The possibility of defining the favorable model of PPP;
- Creating infrastructure in areas where it does not exist.

When it comes to foreigners and/or refugees (in Montenegro, they predominantly have the status of a foreigner with permanent residence), it is important to note that there is a national treatment of foreigners, which means that there is no discrimination against young people

57 Subsidies from the Article 1 of this Regulation, may be provided to the employer who employs a person:
- older than 50 years of age or who live as a single person with one or more dependents;
- who has not been employed in the past six months;
- who has not completed secondary education or vocational qualification or who completed their regular education, did not have a work contract for up to two years after that;
- belonging to the Roma and Egyptian population;
- participating in public works programs.

58 This refers to the royal capital Cetinje and municipalities Pljevlja, Kolasin, Mojkovac, Berane, Šavnik, Rožaje, Bijelo Polje, Plav and Andrijevica.

59 Tax exemption does not apply to a taxpayer who operates in the sector of the primary production of agricultural products, transport or shipyards, fishing and steel.

in this context. Pursuant to the amendments to the Law on Foreigners from 2009 and the accompanying Regulation of July 2010 on access to rights, “refugees” in Montenegro have access to all services, including education, employment, pensions, social and child care, same as Montenegrin citizens, so the barriers mentioned and recommendations for their elimination equally apply to young people in these categories and generally to young people in Montenegro.

A SINGLE WEB PORTAL WITH COMPREHENSIVE INFORMATION ON BUSINESS PROCEDURES - AN EXAMPLE OF GOOD PRACTICE

Based on the already tried concept that has been successfully implemented in other countries, *UNCTAD in Montenegro* through eRegulations project has been involved in preparation of a portal with an overview of the procedures for registration of business, registration of property, and obtaining building permits. Unified and clearly presented information aims at increasing the transparency of procedures and reducing their costs. After mapping procedures, the plan is to work on their simplification. UNCTAD has a relevant reference in the development of a portal for electronic registration which can be interesting for application in Montenegro.

Bureau for economic co-operation and support to the business community in the City of Podgorica built a portal www.investinpodgorica.com where one can find detailed information on the procedures for registration of limited liability companies and joint stock companies or other useful information for doing business in Podgorica.

eGovernment Portal which marked its sixth year online in April 2017, is a kind of an electronic counter, both for citizens and for the businesses and currently offers 206 e-services in the jurisdiction of 30 state administration organs. Since the beginning of its operation the Portal saw continuous growth in the number of e-services - in 2016 only, the number of electronic services on the portal increasing by more than 50% compared to 2015, and more than 90% when compared to the time when it was launched (2011). The idea behind the e-government portal is to ensure a 24/7 availability of e-services including weekends and days of religious and national holidays. It is administered by the Ministry of Public Administration, which provides constant support to end users of the portal. The eGovernment portal, and its eLicence section, allow legal entities to obtain information on certain procedures, though in a very limited form, and it is possible to make use of certain of electronic services.

PRINCIPLES AND CONCRETE RECOMMENDATIONS FOR PUBLIC POLICIES AIMED AT THE DEVELOPMENT OF YOUTH ENTREPRENEURSHIP

Based on the research, identified good practices and experiences from Montenegro, region and the Western Europe, in this section we will present some concrete recommendations for policy-holders in the field of youth entrepreneurship in Montenegro.

If policy-makers remain consistent in their effort to support the development of youth entrepreneurship, they should take into consideration the following important principles of such support:

- 1. Encouraging entrepreneurship among young people takes an integrated and comprehensive approach, rather than individual activity that deals with just one of the barriers faced by young people.** The experience of other countries and recently implemented activities in Montenegro show that the development of entrepreneurial spirit in young people requires a synchronized action on several fronts in order to achieve desired results. This means that it is not enough to ensure favorable funding opportunities without accompanying advisory and mentoring support. Also, ad hoc training programs cannot fully contribute to the development of entrepreneurial values and attitudes until entrepreneurship is integrated in the learning process from the earliest age. Finally, without adequate business environment which entails clear, simple and transparent procedures, none of the above measures will lead to good results.
- 2. In order to achieve sustainable results in the development of youth entrepreneurship, it is necessary to take action and to think taking the long-term perspective rather than the short-term one.** This, once again, demonstrates the importance of education as an important component for the development of any entrepreneurial society. Some research suggests that only 2-3% of the unemployed decide to start their own business and become successful entrepreneurs. These are usually men in their late twenties⁶⁰. In other words, after a few years of being unemployed, it is unlikely that the individual will independently run a successful business. However, if a person is trained in entrepreneurship in the course of their regular education, the chances for success are much bigger.
- 3. Openness and cooperation between institutions.** The institutions involved in the implementation of programs to promote entrepreneurship among young people should be open and willing to communicate with young people, and they must cooperate closely. The interviews carried out with young entrepreneurs have brought us to the conclusion that they are not familiar with the content and description of services offered by public institutions or existing restrictions. This is a probable reason for persistent negative comments regarding the work of the institutions. The dissatisfaction of young people is so serious that they

60 Source: Policies for improving the youth employability in Montenegro, White Paper, ILO, July 2016

become suspicious and believe that the information they receive (especially in relation to obtaining financial resources) does not correspond to the real situation. On the other hand, the authorities are not aware of this issue. They do not even discuss any of the problems with beneficiaries, nor do they conduct evaluation of the importance and quality of services. There are no known mechanisms based on which they design and create of services for young entrepreneurs.

A particular problem is the lack of cooperation between institutions. Although cooperation exists in certain segments, it needed to be strengthened in such a way as to avoid overlapping of activities, to make institutions complementary in their activities to complement, and to make sure they communicate when harmonizing their respective action programs.

4. **The focus of measures to encourage entrepreneurship among young people should be on the development of entrepreneurial competencies, rather than the establishment of enterprises per se.** This is because youth entrepreneurship cannot solve the problem of unemployment existing in this population. We draw this conclusion from the information about the percent of self-employed youth in OECD countries and the EU. On the other hand, the development of entrepreneurial competencies contributes to the transformation of values in a society and increases general employability of young people.
5. **Simplification of procedures and working on their transparency should be continuous activities.** In order to eliminate barriers to the development of entrepreneurship, the authorities must continuously work on simplifying procedures at all levels. Also, information on the procedures need to be clear, transparent, and easily accessible. It is necessary to create a single web portal listing all relevant procedures which will be updated regularly, and linked to other useful web portals that may be of importance for young entrepreneurs. In the short and medium term perspective, the procedure should be performed electronically. Research indicates that even when there is a change in procedure, end users are often unaware of it, or even if they are aware, the changed regulations are not applied consistently in practice. This undermines the credibility of the system and leaves room for the retention of the negative associations with the administration, although that might not be the case. It is particularly important that a single web portal displays all the incentives that entrepreneurs can use both at the state and local levels.

The concrete proposals to promote and support youth entrepreneurship are presented below.

DEVELOPMENT OF ENTREPRENEURSHIP AS A KEY COMPETENCE THROUGH FORMAL EDUCATION

1. **Monitoring the implementation of the program “Entrepreneurial learning as activity area in preschool upbringing and education”, which is designed for children 3 to 6 years old.** It is essential to provide the necessary didactic instructions and distribute them to all kindergartens, along with the organization of training for kindergarten teachers who pilot this program. Based on the evaluation of the pilot program, it is necessary to make changes in the short and medium term to ensure implementation of the program in all preschool institutions in Montenegro.

2. **At the primary and secondary education levels, it is necessary to continue with the implementation of entrepreneurial learning as an inter-curricular area, by means of compulsory subjects, from grade 1 to grade 9 in primary schools, and by means of general subjects in secondary vocational schools.** An evaluation (survey) should be carried out among students, as well as in-depth interviews with teachers in order to determine achieved effects and possibilities for the advancement of the program. This evaluation should provide feedback from teachers if they consider they need additional training or specific teaching resources for the implementation of this inter-curricular area.
3. **Coordinators for entrepreneurial learning in primary and secondary schools should develop municipal and national competitions in the field of entrepreneurship (possibly on the occasion of the celebration of Global Entrepreneurship Week).** The best schools and the most active teachers should be rewarded. The award may be money in order to create and support funds for carrying out similar activities in the future, or as a means of support for participation in similar competitions at the regional level.
4. **Continuation of the implementation of the Training company project at the secondary level of education.** This concept proved to be very interesting and useful for students when it comes to acquiring practical knowledge and skills, considering that students use this opportunity to establish collaboration with real enterprises. Working in teams and using analytical thinking skills, the students are trained in business mobility and flexibility, and gain knowledge of the workflows within the company.
5. **The introduction of Entrepreneurship as an elective or mandatory course at non-economic faculties.** Collaboration between universities and businesses should result in involving entrepreneurs in teaching process, providing paid and unpaid internship programs while still studying and allowing students to learn the essentials of starting and running a business, as well as to learn about the importance of connecting and associating. Practice programs must be well planned with established learning outcomes and with the possibility of obtaining a certain number of ECTS credits, which will further motivate students to use this option (related to recommendation 10).

Of particular importance is the introduction of Entrepreneurship course at faculties that educate future educators, for example, at the Faculty of Philosophy, within the study program Teacher Education.

6. **Organization of a national competition for the best students' business ideas/plans.** "The stock exchange of entrepreneurial ideas", organized at the University of Donja Gorica can be a good model, as it already brings together interested students not only from the host university but also from other Montenegrin and regional universities. It is also attended by Montenegrin students who participate with their business ideas.
7. **It is necessary to provide mentoring and advisory support to students during their studies to develop their business ideas while attending universities that recognize the importance of entrepreneurial competences.** This kind of support in the medium term leads to the establishment of a business incubator, and possibly accelerators, within the universities or resource centers, which usually demands significant investment.

In order to implement these activities, it is necessary to involve the Ministry of Education and the Institute of Education, the institutions of primary and secondary education, higher education institutions, Center for Vocational Education and industry/business associations. Proposed activities should be implemented in the short, medium and long term, and most of them require permanent activity.

DEVELOPMENT OF ENTREPRENEURIAL SKILLS AND KNOWLEDGE THROUGH INFORMAL EDUCATION

- 8. Providing more support to organizations dealing with youth activism.** Youth organizations and organizations working for the benefit of the youth are not necessarily focused on entrepreneurship in the narrower sense (entrepreneurial learning, starting own business, company management). However, their activities, which often involve the mobilization of a large number of young people in solving social problems, significantly contribute to the development of entrepreneurial competences in the target audience. This is why they make an ideal environment to promote a culture which fosters creativity, personal and professional development, personal responsibility and self-expression. Not only this contributes to the increase of chances of young people taking up entrepreneurship in the future, but it also significantly contributes to their employability.
- 9. Organizing specialized training programs in the field of market research; understanding clients/customers and developing a customer base; networking and relationship management; marketing, branding and the like.** Young entrepreneurs do recognize that their formal education does not provide them with enough practical knowledge and skills for a successful self-employment. In addition to being interested in additional training in these areas, young people also care about the quality of the training they attend, which, according to the research, it is not necessarily taken into particular consideration by institutions. Certain training programs are being organized without young entrepreneurs being informed about the possibility of participation. High-quality specialized training programs often tend to be very expensive, and the young business beginners cannot afford them. It is necessary to provide continuous, specialized training programs available to all, which would cover above mentioned topics, and which would be carried out within institutions involved in this domain. Information on the organization of training programs should be promoted and available to all. Participants should be allowed to provide feedback on the quality of training so that organizers could make necessary changes if necessary. Ideally, the training calendar should be published online on a particular website with detailed information about the content of the training and the trainer's references.
- 10. Organization of (un)paid internship with learning outcomes.** During their education, both at the secondary and tertiary levels of education, young people must be provided with the possibility of spending time in a real business environment in order to put their theoretical knowledge to a test, to gain additional practical knowledge and skills but also to learn about the skills and knowledge they lack. The internship programs may be shorter (a couple of weeks) or longer (six months), depending on the educational program, but they must have learning outcomes. In other words, both the employer and student need to be fully aware

of the content of the practice and its learning outcomes. At the level of higher education institutions, ECTS credits can be awarded, which would further motivate students to become actively involved in this scheme. This activity could be implemented in cooperation with business associations at the level of the educational institution or at the national level using the model used in The Program of professional training of university graduates. In order to motivate educational institutions to cooperate with business in this initiative, it is possible to organize a public call (managed by the Ministry of Education and Ministry of Economy) in order to define the content of the internship program and learning outcomes, with a symbolic remuneration for pupils/students during their stay at the companies.

- 11. Strengthening the role of the National Partnership for Entrepreneurial Learning.** The National Partnership is the first major step forward in linking institutions and other organizations involved in the development and promotion of entrepreneurship and entrepreneurial thinking in Montenegro. In the coming period it is necessary to provide greater support to its operation so that this body will continue to act as a key promoter of entrepreneurial learning at all levels of education, as well as promoter of successful entrepreneurial stories and examples of good business practice.

In order to implement these activities, it is necessary to involve the Ministry of Sports as a line ministry in charge of youth affairs, Ministry of Education, Ministry of Economy, Center for Vocational Education, members of the National Partnership for Entrepreneurial Learning, business associations, non-governmental organizations, and higher education institutions. Proposed activities should be implemented in the short, medium and long term perspective, and most of them require permanent activity.

OPENNESS TOWARDS YOUNG PEOPLE, MUTUAL COOPERATION OF INSTITUTIONS AND AVAILABILITY OF INFORMATION

- 12. Creating a single portal with an overview of information on business procedures that will be regularly updated.** Information on the procedures must be accessible and clear, and should be regularly updated. Currently, there are several web portals that offer partial overview of procedures that are important to business - from registration to operation. It is necessary to identify the most proper web portal that will consolidate information from all the others and become a central place for presenting and updating information on the procedures. This portal should contain forms, information on the steps in the process with all contact details, forum for questions, the possibility of submitting complaint forms about the actions of institutions/individuals and the like. It would be necessary to promote this web portal continuously until it becomes a focal point for information and communication with users of services institution. The research has identified several portals that have the potential to grow into a single, national portal for business procedures (e.g. UNCTAD initiative within the eRegistrations project, or eGovernment website). This is especially important for young people who are accustomed to the use of information technology in everyday life but who are often discouraged if they fail to see the end of the process, or at least know the next several steps of the process.

This web portal should allow communication with users, leaving comments and evaluating. Information about available training for entrepreneurs could also be available on this portal or promoted there, while information that is more detailed would be available on some other webpage. In addition, such a portal should contain the stories about successful (young) entrepreneurs, and it would also be beneficial to include a motivational part⁶¹.

In the context of the No Barriers! So Business Doesn't Wait⁶² campaign, business beginners have repeatedly reported to the barrier⁶³ related to the fact that there is no clear information about what awaits them, or what are the costs during the first year of operation. A special problem presents the fact that they are not acquainted with numerous taxes to be paid at the local level. Based on the above, in the Report for 2017⁶⁴, it was recommended to prepare information on the minimum operating costs for the entrepreneurs and newly founded companies for the three most frequent business activities at the local level in accordance with applicable legislation. This can be an interim solution until the creation of a single portal, which certainly requires the involvement of local administrations.

13. Transparent presentation of available incentives for the development of entrepreneurship.

The research has indicated that young entrepreneurs are usually not informed about the available business development incentives (especially at the local level). The information also tends to be available selectively. Similar to the issue of procedures, it is necessary to create a single searchable online source with updated information on available incentives at national and local levels.

14. Opening institutions to communicate with young people as service users.

Research has shown that young people often have a negative comment regarding the work of the institutions, partly because they are not fully aware of the scope of their work, and partly based on personal impression of communication which is said to be "demotivating" and "discouraging" when it comes to the topic of starting own business. Given the feedback from young entrepreneurs related to their experience in communication with competent institutions, it is necessary to think about organizing training programs for the representatives of such institutions who are in charge of communication with service users.

Also, these institutions should provide the opportunity to receive **feedback from service users** about the satisfaction with the services provided, **as well as to involve them in the planning of their activities, so that programs and activities are based on the real needs of the users (especially if these are financial support programs, training or advisory services).**

61 There is a good example on the portal of the Union of Young Entrepreneurs of Montenegro www.umpcg.me as well as on the web portal www.zenski-biznis.com developed in the context of the program for support to women entrepreneurship realized by the Ministry for Human and Minority Rights and UNDP, financially supported by the Delegation of the European Union to Montenegro.

62 Part of the project "Administration Tailored to the Needs of Citizens and Businesses", implemented by the UNDP Office in Montenegro in cooperation with the Ministry of Finance, with the support of the British Embassy in Podgorica and other partners. More information is available at www.bezbarijera.me.

63 www.bezbarijera.me/smanjenje-taksi-za-novosnovane-firme

64 www.bezbarijera.me/sumirane-su-barijere-prijavljene-u-periodu-od-aprila-2016-marta-2017-godine/

In the context of the above said, in relation to informal education of young entrepreneurs, it is proposed to organize “open days of entrepreneurship” which would include visits to institutions and/or representatives of the institutions delivering lectures. The research has also identified individual initiatives in this domain, but given their individual and isolated nature, a more systematic approach is still missing.

- 15. Intensifying cooperation and communication between institutions that provide services to young people (entrepreneurs).** In practice, there is a lack of cooperation between institutions, and there is an overlap of activities or they are being realized in isolation, which leads to the loss of a synergistic effect. The lack of coordination and cooperation results in individual and ad hoc activities, without systemic approach and support for young people thinking about their own entrepreneurial venture. Institutions must co-operate in the planning and implementation of their activities. For example, the IDF should not only be invited to deliver presentations on the financial support programs it offers, but should actively participate in proposing and creating training programs organized by other institutions, based on the experience related to the difficulties encountered by entrepreneurs (especially young ones) when they start a business and get financial means. Better co-operation and linking of institutions both horizontally (at national and local level), as well as vertically (between national and local levels) could help solve the problems of the discontinuity of the existing support programs, the fragmentation of programs (individual and ad hoc initiatives) and their accessibility.

In order to implement these activities, it is necessary to involve the Ministry of Finance and competent authorities (Tax Administration and the Administration for Inspection Affairs), Ministry of Public Administration and local governments, IDF, Directorate for the development of SMEs, National Employment Agency, and the Center for Vocational Education. The Ministry of Education and Montenegrin employers' associations could also play important roles. Proposed activities should be implemented in the short and medium term perspective, and most of them require continuous activity.

AVAILABLE FUNDS WITH ADVISORY AND MENTORING SUPPORT

- 16. Combining existing of financial support programs with mandatory advisory and/ or mentoring support.** Available funding programs for youth and university graduates who are unemployed are very favorable. Interest-free loans with long grace periods and relatively low interest rates, seem to be accessible and attractive. However, in practice, there is a relatively small number of loans, and ideas that are supported are rather non-innovative. In addition, practice has shown that financial support programs which were accompanied with counseling support, training programs to develop business skills and/or mentoring assistance were successful – there was a large number of approved projects in relation to the number of participants in the program, compared to initiatives when available programs were presented to a bigger number of (potentially) interested participants. For this reason, it is necessary to combine advisory and mentoring support in obtaining funding, while creditors (in this case IDF) should be involved in creating training programs or suggest interventions regarding frequently lacking skills that increase the risk of realization of business.

17. Provision of grants and/or guarantees with mandatory mentoring support. Regardless of rather favorable financing conditions, there will always be young people with good ideas who do not have the necessary assets that could be pledged as collateral for loans taken or able to find endorsers. In this respect, we should consider the introduction of a pilot project that would include financial support in the form of grants or a specific guarantee mechanism that would allow these young people to obtain necessary funds. This type of financial support would be conditioned on mentoring support, or even share in the ownership. A similar model was developed at the Faculty of Economics in Rijeka, where students whose ideas are perceived as promising, receive funds, along with a share in the company and mentoring services provided by their teachers.

An interesting model is the one in which the role of the guarantor for the financial institution is assumed by the local government or the municipality. This model of cooperation has been discussed by the municipality of Rožaje and the in the context of measures for support for the development of women entrepreneurship on the territory of this municipality.

In order to implement above mentioned activities, it is necessary to include IDF, Directorate for Development of Small and Medium-Sized Enterprises, National Employment Agency, Center for Vocational Education, other institutions providing advisory services (consulting services centers) and business associations, whose members as mentors to young entrepreneurs would work pro bono or for a symbolic fee. The proposed action needs to be implemented in the short and medium term perspective, and it requires continuous activity.

DEVELOPED ENTREPRENEURIAL INFRASTRUCTURE

18. Improving existing entrepreneurial infrastructure and supporting new initiatives. The research recognizes several forms of entrepreneurial infrastructure available to young entrepreneurs, both at national and local levels. While business incubators and entrepreneurial centers record greater or lesser success in their operation or have not yet had enough time to evaluate their work, the need for such support to be improved is evident. It is especially important to provide a similar infrastructure within higher education institutions and other institutions so that, with active advisory and mentoring assistance, young people during their studies will also be encouraged to materialize their business ideas. Through a public call involving the provision of financial resources, higher education institutions, local governments or other interested organizations can be motivated to develop the concept of business incubators, coworking spaces or resource centers to support students/young people who want to realize their business ideas. Here it is advisable to take an evolutionary approach and start with less demanding activities both financially and spatially (for example, providing coworking space and resource centers, only after that establishing a business incubator). In addition to providing space for work and mentoring to interested young people, such initiatives contribute to the creation of a necessary "community" in which young people are encouraged to persevere in their entrepreneurial ventures, to exchange experiences and, eventually, to act together on the market.

19. Supporting and developing startup entrepreneurship in Montenegro. The development of entrepreneurial infrastructure, primarily coworking space, is one of the factors for the

development of startup entrepreneurship/community in Montenegro. It is necessary to educate the relevant state institutions and general public about the startup concept, its specificities and benefits that the whole company brings to the entrepreneur itself. An important analysis of regional experiences (such as Eleven and LaunchHub in Bulgaria or Enterprise Ireland in Ireland) and creating an environment for the development of “local” (launched in Montenegro) and attracting international startups can be significant. Improving e-commerce can significantly contribute to the development of startup community. Also, all measures aimed at building and promoting entrepreneurial culture and new technologies directly contribute to the development of startup community in Montenegro, by improving the existing conditions for business development.

In order to implement above mentioned activities, it is necessary to involve the Ministry of Finance, competent administration (starting with the Tax Administration), local self-government units and employers’ associations. The proposed activities need to be implemented in the short and medium terms, and most of them require continuous activity.

IMPROVING THE BUSINESS ENVIRONMENT

- 20. Continuous monitoring, improving and simplifying the procedures for registration and running a business.** Despite progress in the business environment, it is necessary to continuously improve the procedure for registration and running a business. In recent years, Montenegro has been experiencing a decline in global rating lists which is not necessarily a result of poor work of the administration and the institutions in general, but often a result of a progress made by other countries. Careful analysis of the results leads to concrete activities whose implementation is supposed to simplify business operation. Special attention should be paid to the consistent implementation of adopted legislation, which is often a problem, but also to the training of officials who are in direct communication with the end users of institutional services.
- 21. Introducing electronic procedures whenever it is possible.** There has been a lot of discussion regarding the introduction of electronic procedures in the past. Certain level of progress has been achieved which is evidenced by the fact that over 200 procedures can be performed through the eGovernment web portal. However, the fact is that most of these procedures are related to natural person and not legal entities. Introduction of electronic procedures includes linking public administration institutions into a single system and to a large extent upgrades the outdated one-stop-shop concept.
- 22. Analysis of the existing incentives and linking them to the status of an entrepreneur instead linking them to the location.** The largest number of incentives for the development of entrepreneurship are related to the status of development of local self-government or to various categories of vulnerable groups. Research has shown that young entrepreneurs tend to be discouraged with the obligation to pay taxes and social security contributions, because at the same time, there is no guarantee that their business will succeed. In a situation like this, young people often give up or decide to work in the gray zone. Consideration should be given to the possibility of linking existing incentives to the status of the entrepreneurs (e.g.

entrepreneurs who are younger than 30 and who belong to the category of young people according to the law), and not to the location. Also, research shows that the first three years are critical to the success of young entrepreneurs. In this context, it is necessary to consider the possibility of exemption from payment of taxes and social security contributions for the first three years, and define qualification criteria that will ensure that there is no misuse of funds.

23. Considering the possibilities for the legal regulation of social/family entrepreneurship.

Currently, there is no regulatory framework for the establishment of social enterprises in Montenegro, while there is a need for such a regulation in practice. A number of non-governmental organizations, including youth organizations and organizations working for the benefit of the youth, within their scope of their work and activities, offer the possibility of developing specific skills (crafts, creative industry, etc.). Although we commonly refer to persons with disabilities, Roma and Egyptians as vulnerable groups, given the high rate of unemployment, young people can also be considered a vulnerable group. The possibility to found social enterprises would allow schools to fully valorize part of the activities/products of the educational process through entrepreneurial clubs. Revenue which would be collected could be reinvested in the further development of social enterprises.

In order to implement above mentioned activities, it is necessary to involve the Ministry of Finance, competent administration (starting with the Tax Administration), Ministry of Public Administration and local self-government units. Important role can be played by the Ministry of Education and employers' associations. The proposed activities need to be implemented in the short and medium terms, and most of them require continuous activity.

CREATING A POSITIVE ATTITUDE OF THE SOCIETY TOWARDS ENTREPRENEURSHIP

24. Establishing national GEN (Global Entrepreneurship Network) office in order to join the global movement present in more than 165 countries, with the aim of celebrating entrepreneurship throughout the year. As part of this initiative, which would include the mobilization of all relevant stakeholders from the public, private, and non-governmental sectors, throughout the year, in accordance with the predefined events calendar, there would be carried out planned activities, competitions, promotions etc.

25. Creating positive campaigns to promote entrepreneurship. In cooperation with all abovementioned partners, the public broadcasting service could launch a campaign to promote successful entrepreneurs. IDF already has a solid base of stories of success which could be used for this purpose. Promotional program could vary in form and length, but it would be of greatest importance to focus on the entrepreneur rather than on promoting institution, which viewers often find repulsive and which proves to be counter-productive. Such a campaign must have a well thought gender perspective, and use social networks as a powerful means of communication.

26. Supporting the work of the association of young entrepreneurs. This is the activity that should be initiated by the very target group, and aimed at creating a single voice of young

entrepreneurs who wish promote their success as well as point to the challenges they encounter. Such associations can be local, national, general or sectoral.. An initiative of this kind has already been launched and it should be supported - Union of Young Entrepreneurs of Montenegro⁶⁵. Such an organization aims to represent the interests of its members, as well as to provide mutual support. In that sense, the peer mentoring project of can further contribute to promoting entrepreneurship among young people and encouraging those who have the intention to start their own business. Existing young entrepreneurs would provide possibility for professional practice for a limited period of time for interested young people as mentors who would also advise and enable them to acquire practical knowledge and provide support. Alternative may also be organizing workshops that would be delivered by successful young entrepreneurs to their peers with similar aspirations.

In order to implement above mentioned activities, it is necessary to include IDF, Directorate for Development of Small and Medium-sized Enterprises, Ministry of Education, Montenegrin Employers Federation and the public broadcasting service, but also other media interested in cooperation. Establishing national GEN office is a part of a broader concept and entails necessary inclusion of non-governmental sector, educational institutions, relevant ministries (e.g. Ministry of Finance and Ministry of Economy) and others.



65 For more details see www.umpcg.me.

8. CONCLUSION

Research shows that young people in Montenegro are interested in entrepreneurship. However, statistics tells that a significantly smaller number of them actually choose it as a career. The reason for this may be numerous restrictions they encounter primarily in the design phase, and later in the realization of their business ideas.

The economic crisis and high unemployment rate of young people, who become unused economic resource, have drawn the attention of policy and imposed the topic of youth entrepreneurship as a part of the solution to increasing unemployment. It is clear that youth entrepreneurship cannot completely eliminate the problem of unemployment, but it can be an important part of the solution.

Current policies are focusing on the development of entrepreneurship, primarily small and medium enterprises, instead of focusing on entrepreneurship related to certain target groups such as young people or women. If the intention is to encourage entrepreneurship in youth, it is necessary to think about the major social development shift, whose result will be a society based on developing entrepreneurial culture and value system, and not only on solving the current problem of youth unemployment.

The most common global practice of providing a relatively large number of initiatives aimed at promoting entrepreneurship and supporting start-up businesses is present in Montenegro. However, these initiatives are often isolated, relatively small, ad hoc and discontinuous in their nature and fail to be part of a broader and more comprehensive policy to support the development of youth entrepreneurship. It is precisely for this reason, that the scope of such initiatives is limited.

Although there are no valid evaluations of implemented initiatives, intuitively, and based on the experience of developed countries, we can conclude that: 1) the success of a policies depends on the selection process of individuals who are involved these initiatives. In other words, available limited resources should be directed towards those who are most likely to succeed because it is certain that not everyone can be an entrepreneur; 2) if we wish to be successful, then we need to more generously support young entrepreneurs in all areas; 3) development of entrepreneurship among young people requires an integrated policy approach and cooperation of institutions, openness to service users and continuous encouragement and support.

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