EUROPEAN CENTRE FOR MINORITY ISSUES KOSOVO

MINORITY ENTREPRENEURSHIP IN KOSOVO: OPPORTUNITIES AND CHALLENGES

The following paper aims to highlight the challenges faced by Small and Medium Enterprises (SMEs) owned or managed by members of minority communities and vulnerable and marginalised groups (VMGs) in Kosovo,[1] as well as to provide recommendations for their effective integration into the larger Kosovar business environment.

1. SMEs in Kosovo: a great potential for economic growth and employment

SMEs constitute a large amount of economic output in Kosovo and nearly 62% of the workforce[2]. SMEs contribute to about 24%[3] of the share of GDP in Kosovo in annual turnover, which is higher than medium and large enterprises combined. In a context where Kosovo's economic growth has been driven mostly by international aid, by the public sector, and by remittances,[4] SMEs largely contribute to the development of a more dynamic private sector with potential beneficial consequences on the economic growth overall.

2. Minority entrepreneurship in newly-established municipalities: a specific case

Although the situation in the newly-established Serb-majority municipalities[5] is not aided by the general poor economic conditions in Kosovo, there are further aggravating local factors. Most municipalities have developed or are developing economic development plans and the Kosovo central government has adopted a number of relevant sector strategies. Indeed, municipalities are by law responsible for managing and stimulating the local economy and must implement central level legislation and design and implement regulations that support SMEs.

However, in practice both municipal officials and the business community lack capacity to effectively manage and implement such plans and strategies. Despite some recent positive developments favouring a more business-friendly environment (e.g. the facilitation of business registration[6] and campaigning

[1] For the sake of this paper, VMGs refer to the disabled, unemployed, elderly, women, or anyone who is at a higher risk of poverty or social exclusion. For more information please refer to the EU Quality Assurance in Vocational Education and Training.
[2] Swiss Cooperation, Contribution to the Kosovo SME Promotion Programme (KOSME).
[3] SME Development Strategy for Kosovo 2012-2016.
[4] World Bank Report '*Kosovo Unlocking Growth Potential: Strategies, Policies, Actions*', April 2010
[5] Gračanica/Graçanicë, Klokot/Kllokot, Novo Brdo/Novobërdë, Parteš/Partesh, and Ranilug/Ranillug.
[6] Facilitation of business registration: providing an integrated system of business registration through Business Services Centers in municipalities, where entrepreneurs along with taking the business certificate can be provided with fiscal number, certificate of VAT, and import-export certificate.

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against informal economic circuits), this lack of capacity continues to also obstruct the access to funds of both municipalities and business communities, making it difficult for them to get access to subsidies, credits, grants, or other support provided by donors and investors. In addition to this, the interest of support providers and capital investors used to be essentially focused on larger entreprises in Kosovo.[7] This led to a situation where the majority of minority SMEs operate exclusively in their municipalities of origin and face severe growth restrictions, not being able to expand to new markets or to widen their activity.[8]

3. Boosting minority entrepreneurship: the way forward

The Government of Kosovo has recognised and started to address such impediments by setting up incentive mechanisms for the promotion of local economic development and support to SMEs. For instance, the Law on Support to Small and Medium Enterprises established the Agency for Support to Small and Medium Enterprises (SMESA) within the Ministry of Trade and Industry (MTI) which, *inter alia,* shall support SMEs through access to credit, prevent and reduce barriers to business, and facilitate communication between SMEs, larger enterprises, and other relevant private professionals to enhance capacities and expertise.[9] Nevertheless, this legal framework is not always properly implemented, particularly in the five newly-established municipalities. Moreover, municipalities do not have monitoring and evaluation systems in place to assess the impact of such laws.

In order to address the above constaints, the MTI along with the SMESA adopted an SME Development Strategy for Kosovo[10] in January 2012, as a sub-sectoral component of the National Development Strategy for Kosovo. The strategy addressess the impediements and challenges SMEs face in relation to business development, investment, access to credit, and growth. Moreover, the strategy recognises the importance of creating opportunities for minorities and VMGs as a means to create a more peaceful environment and also to facilitate inter-ethnic relations. More notably, Strategic Goal 7 of the SME Development Strategy makes explicit reference to improving the position of VMGs through assessing their training needs, promoting supportive programmes geared towards their enterprise, and providing financial opportunities and technical assistance though a "voucher scheme".[11]

Another way of enlarging business oportunities of minority SMEs is to support the formation of local business associations[12]. A business association would represent the local community and be a more effective voice in addressing concerns to municipal officials. This is notably the ambition of the newly-created Association of Serbian Businessmen (ASP, Asocijacija Srpskih Privrednika) located in Gračanica/Graçanicë, established in close partnership with the municipality.

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[7] International Organisation for Migration Kosovo, Support for Entreprise Development in Minority Regions and Community Investment (SEDMIN) project.
[8] ECMI Kosovo publication '*Perspectives on Local Economic Development in Kosovo's Decentralised Municipalities*' June 2012.
[9] See complete version of the law.
[10] SME Development Strategy for Kosovo 2012-2016.
[11] Voucher schemes refer to assisting prospective and existing SMEs with consulting and training services.
[12] ECMI Kosovo publication '*Perspectives on Local Economic Development in Kosovo's Decentralised Municipalities*' June 2012.

4. Recommendations

ECMI Kosovo recommends the following actions to municipal officials, international organisations, and the local business community:

- ECMI Kosovo calls **the Ministry of Trade and Industry** to accelerate the implemention of the SME Strategy without delay in order to make progress and fulfill the Strategic Goal 7 related to entrepreneurship of minority communities and VMGs, in particular to deliver small grants and guaranteed loans;

- ECMI Kosovo calls **the Kosovo business community** to engage in a constructive dialogue with the Association of Serbian Businessmen (ASP) and with other representatives of minority communities and vulnerable and marginalised groups to integrate them in broader networks;

- ECMI Kosovo calls **municipalities** to engage in regular and systemic dialogue mechanisms with local business communities to define in partnership with them the content of local economic development policies;

- ECMI Kosovo calls **the international community** to develop and implement strategies and programmes directly targeting entrepreneurs of minority communities and VMGs in order to stimulate business creation and extension of existing businesses amongst those groups.