

# Innovative Programme for Continuous Stimulation of Employment and Entrepreneurship, Montenegro<sup>1</sup>

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## I. General Information on the Self-Employment Programme

The general objective of the Programme is to reduce the number of unemployed by supporting and encouraging entrepreneurship development by provision of financial support (through subsidized credit) to start a business for self-employment. The Programme is implemented on annual basis and it has been active since 2008.

The programme is open to unemployed persons, redundant workers due to technical/technological reasons, individual agricultural producers, and legal entities with the status of a small business. Thus, support for self-employment may also be the provision of financial and professional assistance to an employer who opens new jobs and employs unemployed person.

The Self-Employment Programme in Montenegro includes a (i) short entrepreneurship training as well as (ii) access to (subsidized) credit for the unemployed that want to become self-employed.<sup>2</sup> The unemployed that are interested in being part of the Self-employment Programme are assessed first by the employment counsellor whether they fulfil the prerequisites for inclusion in the Self-Employment Programme. When the unemployed registered with Public Employment Service (PES or Employment Agency) fulfil the prerequisites for inclusion, they are referred to attend a short-term training on entrepreneurship. After finishing the training successfully, the unemployed registered with PES can have access to a (subsidized) credit to start their business activity.

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<sup>1</sup> This report is mainly drafted on the basis of questionnaire completed by the Public Employment Service of Montenegro for peer review analysis of Self-Employment Programmes.

<sup>2</sup> <http://www.zzzcg.me/samozaposljavanje/> and <http://www.zzzcg.me/wp-content/uploads/2017/01/Program-rada-za-2017.pdf>

Geographically, the Programme covers the entire territory of Montenegro. However less developed municipalities and the northern region of Montenegro have greater priority for access to the Programme. The annual target is to support between 50-100 unemployed people with entrepreneurship training and with access to subsidized credit (about 5,000 euro per applicant). During 2017, the Employment Agency had a budget in amount of 500,000 euro dedicated for Self-employment Programme. Funds devoted to the Self-Employment Programme come from the national budget.

## II. Programme Interventions

### 1. Promotion of the Programme

The Programme is being promoted in the media by inviting potential candidates to apply for access to subsidized loans for self-employment. The Programme is promoted through public information media using the media conferences, press releases, brochures, advertisements etc., as well as at the Employment Agency web site ([zzzcg.me](http://zzzcg.me)). The public announcement contains information about the Programme, conditions for application, deadline and method of submitting the application, criteria for selecting the winning applicant and notice on how to get more information. The unemployed persons are also informed about the Programme in the Employment Offices (Bureaus) throughout the country. The promotional activities of the Programme aim to target a wide range of groups presented above and there is no specific promotional activity targeting Roma people.

### 2. Recruitment/Admission process of candidates into the Programme

The Programme managed by Agency is open to beneficiaries regardless of gender, age, work experience and degree of education. However, they have to be registered as unemployed with the Employment Offices (Bureaus), at the time of public announcement.

The unemployed that are interested in being part of the Self-employment Programme are assessed first by the Employment Counsellor whether they fulfil the prerequisites and have desire for inclusion in the Self-Employment Programme. Subsequently, they are referred to attend a short-term training about providing elementary skills in entrepreneurship. During the training, a team of trainers assess candidates and those that pass the training and have predispositions to start their business activities and refer to credit counsellor to initiate a procedure for access to a (subsidized) credit.

### 3. Provide entrepreneurship training to candidates

Entrepreneurship training is an important component of the Self-employment Programme implemented by Employment Agency. The training focuses to increase the elementary knowledge on entrepreneurship of the unemployed people in starting and carrying out their own business activities. The entrepreneurship training is delivered by the team of trainers comprised of Credit Advisor, Professional Rehabilitation Advisor and Employment Counsellors for registered unemployed persons. The training includes the basics of entrepreneurship, motivation, exchange of ideas and experiences, etc. The training course lasts about 24 hours in total divided in three working days for eight class hours each. Upon completion of the

training, the team of trainers assesses the success of candidates and gives opinion whether they have passed the training or not. Usually about 50% of the participants pass the training and apply for credit.

#### 4. Access to Finance

Self-employment Programme offers access to (subsidized) credit to ease the barrier for creation of start-ups and self-employment. The minimum and maximum amount of financial support given to applicant varies between 5,000 and 15,000 euro. The programme provides access to loans up to 5,000 euro for every opened job. Self-employment initiative that opens one job has access to 5,000 euro while those that open three jobs have access to maximum amount of credit of 15,000 euro.

The beneficiaries that complete the loan application are reviewed by the Regional Commission within the Employment Offices (Bureaus). They visit the beneficiaries to determine whether they possess necessary conditions presented in the business plan and then give their opinion on the submitted requests to the Management Board (Steering Committee) of the Employment Agency for granting the final decision on access to loan. The members of the Regional Commission are appointed by the Director of the Employment Agency.

Mutual rights, obligations and responsibilities between the Agency and the beneficiary about the funds are regulated by an agreement. The winning applicants sign an agreement with the Employment Agency and they should register a business and fulfil obligations with regard to creation of number of jobs foreseen in the agreement. The funds of the credit are paid through commercial banks and they are subject to internal regulations and collateral requirements of the banks.

#### 5. Business Coaching & Mentorship

The Self-employment Programme includes interventions to provide assistance to newly established entrepreneurs through mentoring support. The aim of this intervention is to further support candidates to manage and grow their businesses. Mentoring support is provided and delivered by external providers. On average, the external providers offer 7 hours of support for candidates through two-day seminars organized in different centres of Montenegro. The support involves the provision of assistance on how to register a business activity, how to make a business plan, basics of managing a business, marketing, accounting etc.

#### 6. Monitoring & Evaluation

The implementation of the Programme is monitored by the Employment Agency more specifically by the Regional Commission. The regional commissions visit beneficiaries to verify whether the business is registered, the funds have been used as foreseen in the business plan, and the number of jobs that are already created. Furthermore, the Employment Agency is in charge of closely monitoring the active labor market measures, including the Self-employment Programme (i.e. relationship between actual and planned programme activities and relationship between actual and planned program costs) and to identify problems, carry out risk assessment and suggest any corrective actions to ensure effective management of the measures.

## II. Results

In 2017, a total of 45 beneficiaries completed the application for access to (subsidized) credit and submitted to the Programme. Out of these 45 applications 35 were funded by the Programme. Out of 35 winning applications 29 of them were unemployed persons registered at PES, and 6 were from legal entities with the status of a small business. On the other hand, there is no information about the survival rates of businesses supported by the Programme.

## III. Good Practice

Self-employment Programme identifies the following critical factors influencing the success of the programme:

- **Sharing the experience during entrepreneurship training:** During the entrepreneurship training, Self-employment Programme in Montenegro organizes session for sharing the experiences from those that already went through the process of starting a business and/or become self-employed. During these sessions, participants who have already realized their business ideas present their positive experiences and give suggestions and guidelines that are of high importance to the candidates who are on the brink of transferring their business ideas into action by creating their business activity.
- **The provision of access to loans instead of grants:** Although the provision of loans instead of grants may pose barrier for start-ups since they have to repay back the principal and interest rate of the loan even if such interest rate is subsidized, such form of support can be used for extended number of beneficiaries. While beneficiaries repay back the principal and interest rate of the loan such funds can be used for additional number of beneficiaries without a need to dedicate additional financial resources for financing start-ups. On the other hand, grants are capital transfers by which money ownership is transferred from one party (i.e. the grantor) to another (i.e. the grantee). While grants offer more comfortable conditions for start-ups (since they are not pressured to repay back the loans), governments need to dedicate certain amount funds every year for financing start-ups. Such form of financing can be an expensive policy in a time of public budget constraint.