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REPORT ON THE ASSESSMENT OF COMPETENCY GAPS ON WOMEN START-UP BUSINESSES IN NORTH AND SOUTH MITROVICA

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1. Introduction

This report, commissioned by Community Building Mitrovica (CBM), provides an assessment of competency gaps of women start-up businesses in North and South Mitrovicë/a. The assessment focused on identifying gaps between women start-ups overall capacities, skills and knowledge that are required for the successful management of the business. Additionally, market conditions and supporting instruments for SME development in the country were considered.

Community Building Mitrovica (CBM) is a local non-governmental organisation (NGO) operating in the field of peace and community building in the wider region of Mitrovica in northern Kosovo. The overall aim of CBM is to facilitate contact and dialogue between citizens in the whole of Mitrovica municipality. The project “*Supportive business environment for women start-ups in North and South Mitrovicë/a*” aims to support entrepreneurship among women coming from all ethnic communities living in Mitrovica North and South. The project is funded by the EU Office in Kosovo and co-financed by Municipality of Mitrovicë/a and MOTT Foundation.

1.1 Defining Terminology

Competence is a term that has gained traction since early 1960s. The most common understanding of competence¹ is “the combination of knowledge, skills and attitudes which are required employees in their jobs or tasks”. Although in its early stages competence was used as performance motivation, today it is seen as a lifelong series of doing and reflecting. Indeed, competence development has become a vital management concept, especially in entrepreneurial development.

Competence² is of essential importance to every company/institution and individual to handle with new markets and new requirements from the customers and clients. It is important to have an understanding of the fact that the individual knowledge of each worker and a common knowledge for the whole company are of greatest importance to reach the strategic goals and to carry out the business plans.

Increased competition between individuals and companies/institutions leads to higher demands for quality, shorter delivery time and better guarantee for delivery in time. All these requirements assume that all workers (those who have more than owner) have better knowledge and a better understanding of the company's activities.

In the case of Mitrovicë/a (both South and North) and due to the large number of donors, most of the activities recently are concentrated toward economic development and private sector support. This support entails working with a wide range of individuals, existing (registered) companies and existing (unregistered) companies; this uncertain environment is a big challenge and requires a careful and strict process for the selection of competencies important for business development.

Defining which competencies are key for success is equally important for the implementation methodology that will be used by CBM in the forthcoming stages of the project.

Competence is not only an important issue at manufacturing companies that make a product, but also at service institutions, both private and public. A social security office or an employment office produces services to the public that must be delivered in time and of good quality. This is very important difference due to the fact that most of the interviewed candidates were coming from different institutions or already working there and planning to start new business or already have operating one. This knowledge should be considered in any case. Not only the companies themselves, but both the labor unions of the workers and the employers federations co-operates for a better understanding of the issue.

1.2 Methodology

This assessment has been conducted by using quantitative and qualitative methodology. Initially, the assessor performed desk research on reviewing the existing publications on competence, women entrepreneurship and business enabling environment in Kosovo. After creating the literature base, the assessor reviewed and analyzed the questionnaires that were

¹ Gibb, A. (1990). Training the trainers of small business. *Journal of European Industrial Training*, 14, 17-25.

² The word “competence” and the word “knowledge” will be used interchangeably in this report.

used during interviews with participants in the project's trainings. Research was done with individual participants, group discussions and through concrete case analysis. This type of research create strong base for further recommendations and good opportunity to discuss directly with potential candidates. The final stage of the assessment involved the aggregation of desk review with the questionnaire analysis.

2. Business Environment

Although Kosovo has substantially progressed over the last decade, many challenges continue to pressure almost all walks of life. Gender quality, in general terms, remains an unattained goal. Women in Kosovo have unequal access to social and economic resources. Social and legal discrimination is still prevalent, especially when it comes to women economic and political empowerment. On the other hand, Kosovo has a comprehensive legal framework towards gender quality, empowerment and gender-based non-discrimination. The Law on Gender Equality, the Kosovo Programme for Gender Equality and the Law on Anti-Discrimination make up the framework for gender inclusiveness. The Agency for Gender Equality is an additional mechanism that seeks to guarantee the behavior, position, opportunity and equal benefits for both genders in all spheres of life. Although the framework sets ground for gender equality, discrimination still persists due the lack of adherence to the stipulations.

2.1 Policies on Business and Economic Activities

Women's participation in business and economic affairs is still limited in Kosovo. Their marginalized position confines their access to information and resources. Moreover, lack of ownership, financial resources and institutional support impedes their economic empowerment. This is further aided by a lack of sustainable gender-equitable policies that would strengthen women's participation in entrepreneurial activities.

The formal economy in Kosovo has a higher participation of men than women. Women's employment rate is approximately 18%, the lowest in Europe, while about 55% of men are employed. Women tend to work more in lower paid sectors like health and education (about 40% of all women in the labor market), whereas men work in energy and construction, which are better paid. Differing sources suggest women own 5-11% of businesses in Kosovo. Further, 99.9% of the businesses that women own are micro-enterprises comprised of 1-9 employees; women have on average 3.07 employees, compared to 5.27 among men-led businesses. Women cannot access credit and loans as men because they lack collateral, credit histories, and connections. Thus, men hold about 92% of collateral properties in Kosovo. Only 3% of commercial bank loans go to women. Women also have the highest percentage of rejected loans.

Statistical Description	Male	Female
Gross primary enrollment	95%	96%
Gross upper secondary enrollment	96%	88%
Upper secondary school drop-out	71%	29%
Gross tertiary enrollment	55%	45%
Labor force participation rate 2012	55%	17.8%
Labor force participation rate 2009	68%	29%
Unemployment	28%	40%
Youth unemployment	52%	63.8%
Business owners	91.8%	8.2%
Accounts at formal financial institutions	57%	31%

Source: Ministry of Labor and Social Welfare, 2014

Business women identify their key challenges as: lack of access to financing, insufficient tax regulations, bad banking practices, discrimination from clients, and the generally poor investment climate in Kosovo. However, taxes in Kosovo are very low compared to elsewhere in Europe; VAT is 18%, and income tax goes up to 10%. Religious extremism influences the formal economy with funds, as well as traditions that encourage women's roles within the household and with children, rather than within the labor market.

In Kosovo the informal sector likely comprises approximately 10% of the economy³, and the majority of those involved are likely women. Maternity leave under the new Labor Law may contribute to women's over-representation in informal work. In developing countries, an estimated 80% of the people working in the informal sector are women. In Europe the estimate is that more than half of the population in the informal sector is women and probably around 60-65%. An estimated 60% are wage earners and about 40% are self-employed. In Kosovo, many women sell products like peppers, processed foods, or artisanal products. Women also provide services like domestic services, caretaking, or hairdressing. Men tend to be over-represented among persons involved in the informal economy of drug production and trafficking, comprising

96.4% of persons arrested for involvement in this "business"⁴. The tax authority has fought the informal economy and driven many businesses to formalize; most of these businesses have been women led. With regard to child labor, boys begin working at a younger age and work more hours than girls, but are more likely to be compensated for their work.

In 2011, an estimated 30% of people in Kosovo lived in poverty and 10% in extreme poverty; the poorest live in the countryside (65%). Slightly more women live in poverty (30.3% of women) than men (29.2%). Women headed-households appear to have a higher poverty rate than households led by men (39.8 compared to 29). Yet, children in women-headed households seem significantly less likely to live in poverty; such households tend to rely more on remittances from outside Kosovo.

Presently no Poverty Reduction Plan exists for Kosovo, though most other countries in the region have one. World Bank stresses the need for coordinated actions to advance equal opportunities for women in the world of work, such as addressing gender biases early, expanding women's access to property and finance, and raising legal retirement ages: these can have major payoffs in tackling poverty. Globalization and trade liberalization increases the flow of goods and capital across countries and also contributes to economic growth. Agricultural growth tends to reduce poverty and improve food security. In contrast, rapid growth that widens income inequality, which has occurred during the past two decades, likely hurts the poor. Women are disproportionately affected by widening inequality because they tend to earn lower wages and have less education, fewer skills, and less mobility than men.

Women comprise 82.2% of people inactive in the labor market. Women care for children, the sick, or the elderly (39.4%); are in education or training (15.8%); or do not believe that work is available (14.6%). Disabled persons receive low social assistance and have little to access to the labor market. When it comes to internships, disabled people feel that they are not included because employers would need to modify their work places. For senior citizens the basic pension is low, and to an extent, comparable to social assistance; people affected by the war and war heroes receive much more. Persons reliant on pensions alone likely live below the poverty line.

No employment plan exists in Ministry of Labor and Social Welfare and it struggles to implement its mandate as Ministry of Finance does not approve its requested budget. Development of public infrastructure, including roads, rail, energy supply, and electricity distribution, have been key governmental activities expected to positively affect economic development and employment, mainly for men in the construction sector. G-7, a network of successful businesswomen, created a Women's Economic Chamber of Commerce.

The Diaspora provides some investment in Kosovo, mainly in construction, real estate, and agriculture. In two-thirds of cases, remittances travel from men to men. Slightly over 20% of households receive remittances. For example, agricultural development and animal rearing along the Iber River, partially Diaspora-financed, will create work for women with an estimated 4,500 planned employees. An industrial mushroom factory financed by Japan would employ 3,000 people.

No special services exist for integrating disabled persons into the labor market. Unemployment is severe for Roma, Ashkali, and Egyptians. They would like to see more job announcements welcoming them to apply and special internship programs for work experience.

Women tend to undertake the vast majority of household responsibilities, including care for children, the elderly, and others with special needs, as well as internal home maintenance. Men

³ Riinvest Institute. *To Pay or Not To Pay: A Business Perspective of Informality in Kosovo*. Prishtina: Riinvest Institute, 2013.

⁴ Ministry of Internal Affairs, Kosovo Strategy and Action Plan to Combat Trafficking.

tend to work outside the home. Women in the 25-54 age group spend 10-20% of their time on work outside the household, and 80% of their time on household chores. Men spend 50-80% of their time on work outside the home and around 10-15% in the household. Since women tend to perform more labor within the home, they also tend to have fewer resources, as this labor is unpaid.

The recently approved National Development Plan 2016-2021 refers to women empowerment on two instances. The first focus is placed on increasing the enrollment of girls into pre-primary and primary education, desiring the impact of improving their position to enter the labor market. The second focus is improving the property rights by promoting the right of ownership by women as well. This right is intended to also impact access to finance, hence improve private sector development prospects for women-owned business.

2.2 South and North Mitrovicë/Mitrovica Perspective

The municipality of Mitrovicë/Mitrovica South is located in northern Kosovo, south of Ibar river. It includes Mitrovicë/Mitrovica South town and some 40 villages. According to the Kosovo Population and Housing Census 2011, the total population is 71,909. The majority of the population is composed of Albanians as well as minority groups of Ashkali, Roma, Turks, Bosniaks and Gorani.

The economy of Mitrovica/Mitrovicë South mainly relies on more than 1000 private enterprises and the socially-owned enterprise of Trepca - which is operating with limited human and technological capacities. The majority of private enterprises are focused on trade and services provision sectors. Lately, some small production endeavors have begun to rise in wood processing and textile industries. Over 60% of youth and women are unemployed; this is the highest unemployment situation in Kosovo and it is greatly affecting the social and political situation. Women and youth are encouraged to be more active in entrepreneurial activities and establish private enterprises. In this regard, the latest statistics are showing some positive improvements in employment in agriculture, which is stimulated heavily from the Government of Kosovo.

Most of the employees in the public institutions are depending on salaries from the Government of Kosovo. In this regard, wages are similar to other public servants in Kosovo. Average salaries in public sector vary from around €250 in educational system (elementary and secondary) to €500+ in higher levels of education. The situation in the private sector is improving year by year and salaries are improving and varying from €200 (entry level) in services to €500+ for experienced workers in small productions and highly professional services.

The municipality of Mitrovica/Mitrovicë North is located in northern Kosovo. It includes Mitrovica/Mitrovicë North town and surrounding villages. In Mitrovica/Mitrovicë North there are approximately 29,460 inhabitants with the majority of them being Serbs, Albanians with around 20% as well as Bosniaks and Gorani.⁵

The economy of Mitrovica/Mitrovicë North mainly relies on publicly owned enterprises, local administration as well as assistance from the Government of Serbia, Kosovo Institutions and the International Community. There are also over a hundred small businesses which mainly provide goods and services. The latest developments regarding the support that will be dedicated for private sector development can easily change this situation. Young people should be encouraged to take be more active in entrepreneurial activities and establish private enterprises.

Most of the employees in the public institutions are depending on salaries from both the Government of Kosovo and Serbia. In this regard, wages are similar to other public servants in Serbia and Kosovo. Average salaries in public sector vary from around €350 in the educational system (elementary and secondary) to €500+ in higher levels of education. Situation in private sector is not as good as the one in public sector; salaries are varying from €150 (entry level) in services to €450 for experienced workers in small productions and highly professional services.

⁵ <http://www.osce.org/kosovo/122118?download=true> and <http://www.osce.org/kosovo/122119?download=true>

2.3 Supporting Instruments for Economic and Business Development

Kosovo has fairly progressed with instruments provisioned for business development. The financial sector, mainly comprised of commercial banks, is providing a number of mechanisms that support private sector development. Additionally, the government has created some programs that are sector-based and focus on grants provision and subsidizing. Moreover, a lower-by-the-day number of donors and international organizations are still providing grants for small and medium enterprises. However, all of these instruments are general and do not specifically target women businesses.

The only available and known instrument that has been purposefully developed for women businesses is the European Bank for Reconstruction and Development's (EBRD) Women in Business Program. As part of its regional activity, EBRD has extended a €3 million loan to TEB Bank to improve access to finance for Kosovo women as well as increase their managerial capacities through technical assistance and business advisory services.

Commercial banks have steadily developed in post-conflict Kosovo. Today, they are considered as one of the more advanced commercial financing providers in the Balkans. The level of stability and liquidity is optimal and defaults are the lowest in the region. Although until recently interest rates were relatively high, commercial banks have become less risk averse. Now, interest rates are considered to be quite competitive and could generally serve as a credible instrument for private sector development. In addition to this, commercial banks also provide other instruments, i.e. guarantees, leasing, etc. that are heavily used in market economies.

Government of Kosovo has started providing grants and subsidies for businesses in the agricultural sector for a number of years now. The grants and subsidies have yielded positive results especially for entrepreneurial development in the farming of fruits, vegetables, livestock, etc. The number of farmers as well as the size of arable land and herds has rapidly grown over the last years.

Donors and international organizations continue to provide some grants and cost-share opportunities for small and medium enterprises. However, the number of organizations engaged in this issue is much lower than before. Moreover, grants generally target well-established companies with solid prospects for growth. Additionally, their focus is also sector-specific, with the ones such as wood processing, textiles, tourism being at the forefront of grants provision.

Finally, the last years have also given light to other instruments such as venture capital and equity investments. Although venture capital has gained importance in the ICT sector, equity investments, provided less by Kosovars and more by organizations such as EBRD, focus on other industries that have substantial prospects for growth.

It can be concluded that instruments for business development are quite diverse and stronger by the day. However, most of these instruments target existing businesses with a track record; many of the instruments actually exclude start-ups. On the other hand, recognizing that women alone have less access to finance, women start-ups would be constrained with the use of instruments for the considerable future in Kosovo. The only solution would be the design and implementation of targeted instruments for women start-ups.

3. Assessment of core competencies

Based on the initial plan for the assessment of core competencies, a larger number of competencies were considered for assessment. But, after the research with over 70 women business owners, women that are planning to start business and those that are currently working in institutions and willing to enter in business, the list of the competencies was shortened. Due to the fact that most of the planned businesses are interested to operate largely at local level, meaning in Mitrovica region and only few are interested/already working in the whole of Kosovo, these competencies are further losing in importance and therefore are assessed based on their influence.

The table below presents all analyzed competencies that are fundamental for business owners and key personnel in handling business activities. Seven key competences were assessed as well as their definition and importance for this assessment are described below:

Competency		Description
1	Communication	<ul style="list-style-type: none"> - Social experience - participation in several social interactions and activities; - Social confirmation - refers to acknowledgment of partner's (buyers and suppliers) goals; - Appropriate disclosure - being sensitive to amount and type of info; - Articulation - ability to express ideas through language; - Wit - ability to use humor in adapting to social situations;
2	Clear Writing	<ul style="list-style-type: none"> - Ability to write everything they know about their business; - Ability to express/present in written their SWOT and their consumers; - Writing clearly what and why they need support for;
3	Innovation	<ul style="list-style-type: none"> - Creativity: a) Generating Ideas, b) Critical Thinking, c) Synthesis/Reorganization and d) Creative Problem Solving - Enterprising: a) Identifying problem, b) Seeking improvement, c) Gathering Info, d) Independent Thinking and e) Technological know-how; - Integrating perspectives: a) Openness to ideas, b) Research Oriented, c) Collaborating and e) Interest in non-working issues - Forecasting: a) Perceiving systems, b) Evaluating long term consequences and c) visioning and - Managing change: a) Intelligent risk taking, b) Challenging status quo, c) Sensitive to situation and place
4	Market Opportunity	<ul style="list-style-type: none"> - Aware of the existing key buyers in region; - Knowledge of Channels of distribution; - Info about the size of the market and her participation in that market; - List of the key competitors and their products;
5	Strategic Vision	<ul style="list-style-type: none"> - Optimistic about the future and possibilities; - Talks beyond today and her role in impacting future; - Generate sense of optimism in others and vibrantly recruiting support for future;
6	Technological Orientation	<ul style="list-style-type: none"> - Convince others for urgency for support; - Uses latest IT solution for promotion; - Aware of the technological solution in her business; - Uses or plan to use Social Media to interact with buyers and potential consumers;

7	Analytical Problem-Solving	-Communicate with emails and regularly respond to emails;
		-Ability to solve problems quickly but effectively;
		-Step-by-step approach to thinking that allows to break complex problems;
		-Make decisions that are sensible and based on available information;

4. Findings and Competency mapping

Based on the assessment and discussions with 70 interviewed women that are interested to start a new business, the ones that already have one and those interested to register an unregistered business, common findings are presented by colors and later explained in detail for each competence.

Green colored fields are existing competencies among assessed women from the interviews; whereas red colored ones are required competencies in order to minimize the risk of failure during the first year of business - critical year for every startup. The results are aggregated and averages are considered.

Map of the existing and missing competencies:

Competency	Excellent fit	Good fit	Acceptable	Marginal	Poor Fit
Communication					
Clear Written					
Innovation					
Market Opportunity					
Strategic Vision					
Technological Orientation					
Analytical Problem-Solving					

5. Recommendations

The recommendations are based on 1) the economic structure of South and North Mitrovicë/Mitrovica, and 2) the core competencies of the persons interviewed during this assignment. This assessment intends to improve the existing knowledge about the competency and knowledge gaps of women that are interested to start a business in Mitrovicë/Mitrovica, both North and South.

In situations where basic information is missing or there are contradictory statistical data, this assessment is based more on direct interviews and discussions with local women business representatives. This opportunity has enabled the author to generate some recommendations for the creation of a sustainable structure in supporting women businesses in Mitrovica.

Based on the structure of existing businesses and women that are interested to start their own business (start-ups), the following sectors are more pertinent:

- 1) **Services,**
- 2) **Agriculture,**
- 3) **Trade and**
- 4) **Light Manufacturing (small productions)**

1) **Services** are mainly owned and managed by women and these types of business are also easy for start-ups, in cases that the new business owner has experience or educational background. These type of businesses are not requiring lot of finance to establish and operation costs are minimal.

These businesses **are recommended** to be supported by the program and the majority of the applications are anticipated to be from this group of businesses. Due to the limitation in

agriculture land as well as the large concentration of students in town, both high school and university, in Mitrovicë/Mitrovica North particularly, this group of businesses is expected to dominate.

On the other hand, the recommendation is that both the experience in the past and cost share of the applicant should be a precondition for CBM support, before analyzing the competencies of the candidate; otherwise most of the applicants in this sector can easily “take a risk” if their cost share is not significant.

2) Agriculture businesses are usually family owned enterprises that are generally managed in combination with the husband and other family members. These businesses in some sub-sectors of agriculture like a) honey production, b) greenhouse cultivation of flowers, c) vegetable production, c) other agriculture production and d) small poultry farms that do not require solid infrastructure and finance, can be very well owned and managed by women, while in some sub-sectors of agriculture like a) industrial dairy production, b) cow farms and c) corn and wheat production, are difficult to be managed by women and also require a great deal of preparatory investments and finance to establish. Moreover, the maintenance of these businesses is complicated. Several certifications and fito-sanitarian conditions are constant requirements too.

Therefore, the recommendation is that agriculture sector should be definitively supported, but limited to some more “light” agricultural products. The support should be focused on those applicants that are involving more family members, have their own land and agricultural machines in order to maximize impact of the business and create sustainable production. Competences that these businesses candidates should possess are innovation and communication, but they should also be technologically aware to minimize costs and increase productivity. Candidates from this sector can always create additional jobs and increase businesses in Mitrovica region (more in South).

3) Trade businesses are the easiest to establish for startups, but in the same time very fragile in the first two-three years of existence. Also, the expansion of the existing businesses are usually easy and take very little financial needs.

The recommendation is that this type of businesses should be avoided in order not to stimulate the existing ones to create artificial expansion and create market distortion too.

4) Light manufacturing (small production) businesses are the most favorable for women engagement; these businesses are creating permanent opportunities for growth in the future. **This is group of businesses are relatively small in number but highly recommended for the support.** However, the key competences for success in this category of the businesses are different from the other groups. The competencies with a crucial role in the success of these businesses are:

Strategic vision (where the company will be in three to five years) of the business, Innovation (the product(s) should be innovative minimally for the region of

Mitrovicë/Mitrovica),

Communication (clear branding strategy, including communication with buyers and public),

Analytical/problem solving and planning for later phases of development, and Technological awareness

