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Green Entrepreneurship Development in Montenegro

/draft/

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Abbreviations, used tables and charts

Abbreviations

SYMBOL	MEANING
BESRE	Business Environment for Small and Rural Enterprises
CEFTA	Central European Free Trade Agreement
CEM	Chamber of Economy of Montenegro
EU	European Union
ILO	International Labour Organisation
IOE	International Organization of Employers
IDF	Investment-Development Fund of Montenegro
MAP	Coordination Centre of the Mediterranean Action Plan
MBA	Montenegro Business Alliance
MFI	Micro Financial Institutions
MIPA	Montenegro Investment Promotion Agency
IMF	International Monetary Fund
NGO	Non-Governmental Organization
OECD	Organisation for Economic Co-operation and Development
S&P	Standard and Poor's
FDI	Foreign Direct Investments
WTO	World Trade Organization
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
AEM	Agency for Employment of Montenegro

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Introduction

This Study of Green Entrepreneurship Development in Montenegro is prepared with the aim of presenting the possibilities for development of green entrepreneurship in Montenegro as one of important directions of the development of the Montenegrin economy. The Study aims to present possible directions of green entrepreneurship development as well as possible benefits in eliminating social-economic gaps in order to accelerate economic growth and development of Montenegro, especially its underdeveloped regions.

In the process of approaching to the EU, but also in effort to become a part of global market, Montenegro needs faster and more efficient increase of domestic economy competitiveness. All available sources of funding, especially those from the EU, should be directed in proper and balanced development with the focus on sustainable and entrepreneurship development.

Noticing that large economic systems loose in importance due to their unavailability in small economies, it is the small systems the development should be based on, whose main drivers would be entrepreneurs, micro, small and medium-sized enterprises. Joint and coordinated action of business and government representatives (both on local and national level) is of critical importance for development of favourable business environment, since it is the only way to solve problems and create favourable conditions for avoiding future ones. To this regard, special attention should be paid to the development and use of green technologies, taking into account that environmental protection has been a global issue for many years.

Special attention should be paid to the influence the development of green entrepreneurship would have on society itself and population movement given that population is the factor that forms supply and demand and thus directly influences the economic trends. There is a quite large disparity between north and the other regions of Montenegro. The number of residents is lower (with constant fall), while underdevelopment is growing. This is supported by local self-government development index, given as composite indicator, and calculated as weighted average of several basic socio-economic indicators for the purpose of assessing the level of municipality development, the Capital and the Royal Capital. Those indicators can be classified into three groups:

- (1) Economic development indicators,
- (2) Structural changes indicators and
- (3) Demographic development indicators.

Calculating the development index for Montenegro in the period 2007– 2009, the following categorization of local self-government unit is obtained¹:

¹ Source: Regional Development Strategy for Montenegro 2010–2014, Ministry of Economy



- Municipalities Plav, Plužine and Šavnik have level of development 50% below national average;
- Municipalities Andrijevica, Berane, Kolašin, Bijelo Polje, Mojkovac, Rožaje, Royal Capital Cetinje and Ulcinj have level of development between 50% and 75% of national average;
- Municipalities Pljevlja, Žabljak, Nikšić, Danilovgrad and Bar have level of development between 75% and 100% of national average;
- Municipalities Budva, Kotor, Herceg Novi, Tivat and the Capital Podgorica have level of development above 125% of national average.

On the other side, considering available resources defined in the *Map of Resources*², it is the northern region of Montenegro that has the greatest potential for development of green entrepreneurship, especially in agriculture, livestock breeding and wood processing, as well as in generating electricity from renewable energy sources (mini hydro power plants).

Education is of great importance for development of green entrepreneurship as well. Faster integration of this concept into education system (especially high education), will directly affect the raising of awareness of future entrepreneurs of the importance of this type of business.

In that sense, better promotion of green entrepreneurship is necessary as well as more favourable conditions for its implementation in order to achieve results and desired effects.

In Montenegro the trend of environment preservation and protection existed back in 70s of the last century. Important dates for the development of environment preservation in Montenegro are the following³:

- 1974 – In the Constitution, environment is defined as constitutional category;
- 1991 – Parliament of Montenegro adopted the Declaration on Montenegro as an Ecological State;
- 1992 – The Constitution says that Montenegro is democratic, social and ecological state;
- 1996 – The Law on Environment adopted, which speaks about environmental protection in accordance with the principles of sustainable development;
- 2001 – Government of Montenegro adopted a study entitled, “Developmental Directions of Montenegro as an Ecological State”;
- 2002 – Report on the state of the environment for the first time prepared in accordance with standard methodology of the European Environment Agency (EEA);

² Source: Map of Resources; Ministry of Economy 2011

³ Source: www.ecologicalstate.com



- 2005 – Strategic Master Plan for Solid Waste Management; Strategic Master Plan for waste Waters; The Montenegrin Parliament adopted the Law on Strategic Environmental Assessment;
- 2006 – Ministry of Physical Planning of the Government of Montenegro with the Ministry of Environment and Territory of the Republic of Italy, the Program for the Environment of the United Nations UNEP - Mediterranean Action Coordination Centre Plan Map and Development Program of the United Nations UNDP LO Podgorica completed draft National Strategy for Sustainable Development of Montenegro;
- 2007 – National Strategy of Sustainable development adopted; Environmental protection Agency established; The Constitution of Montenegro to Article I states: Montenegro is a civil, democratic, ecological and welfare state, based on the rule of law“.

By adopting the *Declaration on Montenegro as Ecological State* on September 1991, it is clearly articulated the awareness of the importance of natural resources and commitment of their preservation. This awareness was later on expressed through constitutional standards, for Montenegro is defined as “ecological state”, which created good preconditions for development of green entrepreneurship.



1 The Executive Summary

According to United Nations Environment Programme (UNEP), green entrepreneurship is “A business model based on sustainable production, consumption and saving practices, is a response of different challenges that have emerged in the past decades“. There is a three main part of the green entrepreneurship:

- Environmental protection and resource conservation,
- Social well-being and equity, and
- Economic prosperity and continuity.

Entrepreneurs are driving force in any economy. They generate new jobs and create new value. “Green entrepreneurship, integrates environmental, economic & social axis in core business or as others say it, provides innovative solutions to the way goods and services are produced and consumed“.

Environmental protection and ecological, sustainable production are two main challenges of the 20th century. Today’s population faces the problems, which to great extent are the consequence of human activities and their desire for profit, higher standard and better life quality.

Climate change, economic and energy crisis create a need for radical socio-economic changes to the direction of stimulating the so-called "green economy." The concept of green economy involves extensive aspect of the use of resources, in relation to green entrepreneurship, since it refers to the whole branch or sector, while ‘green entrepreneurship’ is a possibility to provide opportunity to all individuals to start their own business for the purpose of generating economic benefit on the principles of sustainable development. In definition of green economy the focus is placed on small carbon emission, efficient use of natural resources, social inclusion and wider economic benefit. Green economy creates great opportunities for sustainable development, which means increasing income, reducing poverty and improving the quality of life.

The objective of every economic policy should be creating of favourable business environment, which will contribute to the development of green entrepreneurship, and thus national economy, through sound and environmentally friendly way of doing business, which will not require large investments, especially in part where business may rely on the use of available resources. Having in mind that certain number of technological processes in Montenegro are not environmentally acceptable due to irrational use of electricity and large quantities of waste materials (e.g. production of iron and aluminium) development of green



entrepreneurship is precisely aimed for creation of awareness of the importance of 'green business' for each individual and society as a whole.

During its development, it was taken into account that the study complies with basic principles of this business model:

- I. Preserving the environment – business development by using innovative environmentally-friendly technologies
- II. Reduction of unemployment – creating possibilities for starting a business and employment in order to future entrepreneurs achieve their ideas more easily.
- III. Poverty reduction – through entrepreneurship development process, further education with desire that future generations rely more on self-employment and less on employment agencies.

The study is made for the purpose of promoting green entrepreneurship as business model that can significantly contribute to the future development of Montenegrin economy.

1.1 Methodological review

Methodology includes recommendations given by Cleaner Production Regional Activity Center of UNEP, which contains processes for defining, monitoring and assessing the development of green entrepreneurship.

The process includes the analysis of existing situation, case study analysis as well as given recommendations for development of this concept in Montenegro.

It was taken into account that the study is in accordance with other strategic documents that directly or indirectly may generally influence development of green entrepreneurship. To this regard, the recommendations from strategic documents given in part 7 '**Bibliography**' are followed, and also, the study includes researches on topics related to the green entrepreneurship conducted by NGO sector in Montenegro.

In addition, six in-depth interviews (qualitative research method) were conducted with entrepreneurs whose business may be characterized as green entrepreneurship bearing in mind the way of the business and the impact of the environment:

1. Olivmonst, Bar – production of eco soaps;
2. Garmin, Danilovgrad – production of bio-degradable bags;
3. Flores, Mojkovac – production of teas and essential oils;
4. Winsol co, Podgorica – sale of solar panels and energy saving equipment;
5. Frutiera, Podgorica – production of fruit bread and cakes;
6. Villa Jelka, Kolašin – eco tourism through board accommodation.

More details about companies are shown in Appendix 7.



2 Socio-economic trends and prospects

2.1 Macroeconomic trends

Intensive development of the modern economy of Montenegro begins with introducing the Deutsche mark (1999), and later the euro (2002) as official mean of payment. Additional incentives were also given by comprehensive transitional changes, creating a market economy, independence in 2006 and the beginning of EU accession process. As a result we have the occurrence of the stabilization of macroeconomic conditions, reduction in the rate of inflation⁴ (6.2% in 2003, 3% in 2006, 0.5% in 2010 and 2.2% of 2011), improving the image of Montenegro as an investment destination and the growth of direct foreign investment (DFI).

In the period since 2006, until the appearance of the global economic crisis (2008) real GDP growth of 8.6% was recorded in 2006, 10.7% in 2007, 6.9% in 2008. This growth was based on strong inflows of FDI, especially in fields of construction, tourism and transport, privatization and banking sector development and improving public finances. During this period, the openness of the Montenegrin economy was significantly increased, which led to the growth of FDI with 384 million EUR in 2006, 672 million EUR in 2008 to a record 1.070 million EUR in 2009 (due to the entry of strategic partners in the ownership structure of EPCG)⁵.

Progress was made in the field of economic stabilization and structural reform. In 2007, Montenegro became a member of the International Monetary Fund (IMF) and World Bank, then a member of the Central European Free Trade Agreement (CEFTA), which is in force in Montenegro since mid-2007 and which guarantees free trade for about 90% of industrial products. In December 2011, Montenegro has become the 156th member of the World Trade Organization (WTO), the global economic system that covers 97% of world trade.

Future events in the regulation of the legal and economic framework, as well as growth and the development of Montenegrin economy will certainly mark the opening of pre-accession negotiations with the EU scheduled for mid-2012.

Global financial crisis, which in Montenegro began to be felt in the last quarter of 2008, led to deterioration in a number of indicators, but primarily to a decline in the level of industrial production and construction, reduction of budget revenues, deposit withdrawals, worsening the liquidity of the banking system and economy, the decline in imports and exports.

⁴ Source: Monstat and Ministry of finance

⁵ Source: Montenegrin Investment Promotion Agency (MIPA)



The 2009 period was characterized by confrontation with the powerful influence of the global economic crisis. This situation led to negative GDP growth of 5.7%, the stock index lost 70% of its value in relation to their maximum values, bank lending activity and deposits were declined.

Reduced economic liquidity has significantly limited bank lending activity, which has further affected the liquidity of the overall economy. Only in the second half of 2009 the first signs of stability had been recognized which was reflected in the increase of capital and liquid assets in banks, but Montenegro has only emerged from recession in October 2010.

In 2010 and 2011, economic growth was slow and faced with many challenges. Measures of economic policy taken over the past two years partially mitigated the impact of the crisis. Key drivers of the recovery in 2010 were industrial production, tourism and agriculture. The banking sector is stable, but it faces many challenges, primarily in the form of growth of non-performing assets. The answer to the growing number of bad loans was the recapitalization of banks for a total of 71.4 million. Therefore, the solvency ratio of banks at end of 2010 amounted 15.85%. However, what is positive and what confirms that a crisis of trust has come to an end is a continuing trend of growth in household savings from mid – 2009. The weighted average effective interest rate, at the end of the first quarter of 2011, reached a level of 9.04%⁶.

Along with the maintenance of stable inflation and increase in economic performance, control of the foreign trade deficit and maintaining the level of balanced budget in line with the Maastricht criteria, with the policy of low external debt will remain primary objectives of monetary, fiscal and structural policies in Montenegro.

Table 1: Macroeconomic indicators of Montenegro for the period 2008–2011⁷

Indicators	2008	2009	2010	2011 ⁸
GDP current prices (mil EUR)	3,086.0	2,981.0	3,104.0	3,170.0
Real growth of GDP (in %)	6.9	-5.7	2.5	2.5
Unemployment rate (in %)	10.74	11.41	12.16	11.3
Inflation (in %)	7.4	3.4	0.5	2.2
Export of goods and services (in millions of EUR)	484,7	312,9	330,4	418
Import of goods and services (in millions of EUR)	1,986.60	1,314.60	1.65730	1,659.2
Balance of Payment (% GDP) – current account deficit	-30.12%	-29.90%	-25.70%	-19.3
Foreign direct investment (%BDP) – net	17%	30.30%	17.90%	17.3

⁶ Source: Central bank of Montenegro

⁷ Source: MONSTAT, Central bank of Montenegro, Ministry of Finance, MIPA

⁸ For the year 2011, assessments of the above-mentioned institutions were taken.



2.1 Population, employment and unemployment

Population movement is the main indicator of economic activity in one country, and employment and unemployment are the main indicators of the population movement. According to the latest census from 2011, a slight decline in the total population of 0.02% (or 116 people) was recorded compared to the population census performed 2003. Looking across regions, population growth was recorded in the central (5%) and coastal (1.9%) part, while a significant decrease (8.7%) was recorded in the northern part, which may represent the limit to the future development in this part of the state. Such a trend can be interpreted as a consequence of the economic development of municipalities of the central region, notably Podgorica which is the administrative, economic, health, cultural and sport center of Montenegro, and economic backwardness of the municipalities from northern part and population migration.

Continued positive trends in employment were recorded in the period of 2007 – 2011. The average growth rate was 3.6% for that period, and a total number of employees at end of 2011 was of 162.450⁹.

The increase in the total number of companies, especially micro and small enterprises, is of particular importance to the employment growth for that period.

The total number of unemployed persons in the end of 2011 was 30,552, of which one third of unemployed persons were registered as unemployed for more than one year (the so-called long-term unemployment). The reason for the existence of long-term unemployment occurs due to the mismatch between labour supply and demand for certain profiles. Also, the collapse of planned economic system, the employed in many industrial complexes were deprived of work opportunities, and failed to adapt to new requirements of the labour market that followed the pronounced development of the tourism industry.

At the qualification structure of the unemployed, in the end of 2011, the dominant place (17,929 or 58.68%) belongs to the unemployed with secondary level of education, followed by the unemployed with basic level of education 6,717 or 21.98%, unemployed with a high level of education 4,494 or 14.70% and the unemployed with college degrees or 1,340 or 4.38%¹⁰.

⁹ Source: Statistical Office of Montenegro

¹⁰ Source: Employment Agency of Montenegro



2.2 The competitiveness of the Montenegrin economy

Business environment in Montenegro is significantly improved with the adoption of new legislation harmonized with EU regulations and with the implementation of institutional reforms in the fiscal system and financial sector. However, entrepreneurs are still faced with the difficult business environment, which is mostly due to the complicated regulatory framework, which affects adversely the level of entrepreneurial activity.

Economy of South-East Europe in recent years suffered the impact of the global economic crisis. Beyond the crisis, long-term competitiveness and prosperity of the region, according to estimates of the Organization for Economic Cooperation and Development (Organisation for Economic Co-operation and Development – OECD), will largely depend on the level of FDI. OECD first announced the Investment Reform Index in 2006¹¹, which refers to the countries of South-East Europe. Since the publication of the publication in 2006 of the first Investment Reform Index, there has been progress in reforming policies and institutions which shape the environment for investment. Investment Reform Index 2010 shows further reforms in various areas of fundamental importance.

The main conclusions and recommendations of the Investment Reform Index in 2010 are¹²:

- Investment policy and promotion – The economies in South-East Europe have progressively reducing restrictions on national treatment in relation to the period when the first Investment Reform Index 2006 was published. Today, the only other restrictions are in certain areas such as weapons production and processing.
- Human capital development – Government of South Eastern Europe countries must *tackle the issue of skills development* as the period of policy development for human resources is long and the a global increase in demand for skills must prevail.
- Trade policy and facilities – Since the Investment Reform Index 2006, all SEE countries have strengthened ties with multinational trading system within the regional trade. Montenegro is member of the WTO, CEFTA and EFTA.
- Access to finance – Limited access to finance is a major problem of entrepreneurs in South-East Europe. This problem is emphasized by the global financial crisis.
- Regulatory reforms and parliamentary processes – Most of the economies of South-East Europe have made progress in establishing an institutional and legal framework for regulatory reform as well as in implementing reforms.

¹¹ Investment Reform Index is a project supported by the RCC and the OECD, which prescribed the methodology for assessment of progress in the reform of the Western Balkan countries in the field of investment policy and promotion, tax policy, customs policy, SME development, the fight against corruption and organized crime, politics competition, tourism, regulatory reform (RIA), and human resource management. Based on the methodology for assessment, progress index is calculated that a country achieves a previous year.

¹² Source: Investment Reform Index 2010, Organisation for Economic Co-operation and Development



- Tax policy analysis – in the last few years, the economies of South-East Europe have made significant progress in strengthening capacity to implement tax policy development and implementation, regularly forecasting total income tax and monitoring public revenues and expenditures.
- Infrastructure for investment – Economies of South-East Europe has significantly improved their regulatory frameworks for infrastructure. Recent reforms are largely in line with EU standards and are aimed to meet the requirements of Acquis Communautaire¹³.

According to the Global Competitiveness Report 2011–2012, Montenegro ranks 60th place out of 142 countries covered by the survey. Compared to the 2010–2011¹⁴ report, Montenegro has deteriorated by 11 places, and the index value of competitiveness is reduced from 4.36 to 4.3 (compared to the maximum score 7). Of the countries in the region, better ranked than Montenegro is Slovenia (57), while poorer ranked are: Croatia (76), Macedonia (79), Albania (78), Serbian (95) and Bosnia and Herzegovina (100). Analyzing the factors of competitiveness presented in Reports, it can be concluded that Montenegro has regressed in the following areas for the period 2011–2012 compared to 2010–2011:

- Macroeconomic environment,
- Health and primary education,
- Labour market efficiency,
- Developed financial market,
- Technological readiness,
- Size of the market, and
- Innovations.

Progress has been made in the following areas:

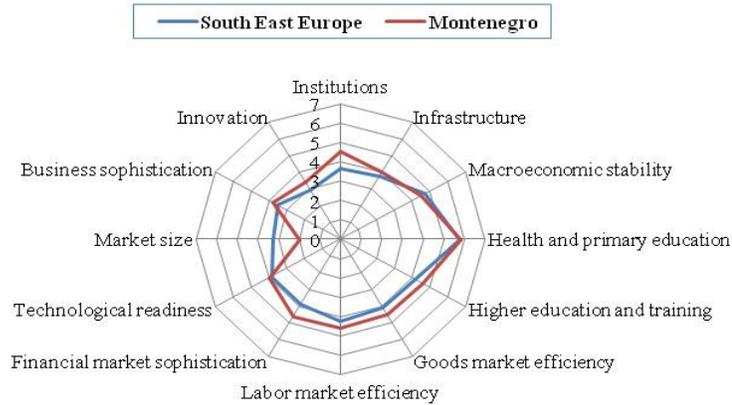
- Institutions,
- Infrastructure,
- High education and training, and
- Goods market efficiency.

¹³ Source: www.eurofound.europa.eu/areas/industrialrelations/dictionary/definitions/acquiscommunautaire.htm

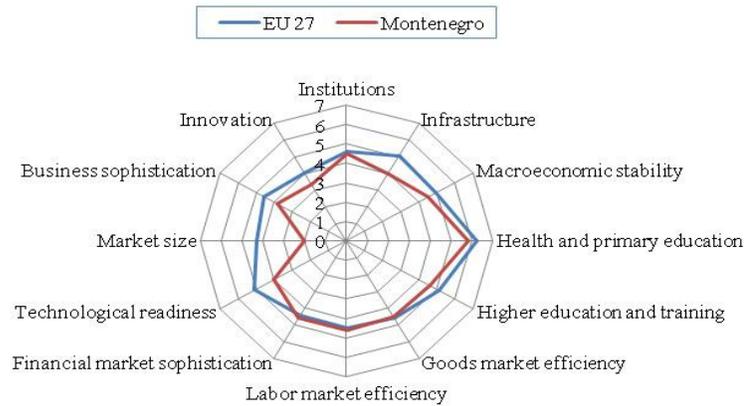
¹⁴ Source: The Global competitiveness report 2010–2011, The World Economic Forum



Graph 1: The Global Competitiveness Rankings 2011–2012 Montenegro VS. Southeast Europe



Grafik 2: The Global Competitiveness Rankings 2011–2012 Montenegro vs EU 27



According to the World Bank report "Doing Business"¹⁵, Montenegro in 2012 took the same position as last year, 56th. Of the countries in the region, better than Montenegro are ranked Macedonia (22) and Slovenia (37), while lower ranks have Croatia (80), Albania (82), Serbia (92) and Bosnia and Herzegovina (125). Due to changes in the methodology of the 3 indicators (paying taxes, obtaining loans and the issuance of building permits) and the inclusion of new indicators (obtaining electrical connections), the World Bank has revised the findings of last year's report. In this regard, Montenegro for the period July 2009 - June 2010 was assigned to 56th place¹⁶.

Analysis by the individual indicators show that Montenegro, in 2012, compared to the 2011 achieved significant improvements in the area of registering property and paying taxes. The improvement has been achieved in cross-border cooperation and enforcement of contracts.

¹⁵ Source: Doing Business 2012, World Bank

¹⁶ Source: Doing Business 2011, World Bank



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Progress has not been made in the areas of starting a business, issuing construction permits, obtaining electrical connections, protecting investors and closing a business.

Table 2: Comparative analysis 2012 / 2011 for the ease of doing business¹⁷:

Indicators	DB 2012	DB 2011	Change in position
	Position: 56	Position: 56	
Starting a business	47	46	-1
Issuing construction permits	173	170	-3
Obtaining electrical connections	71	68	-3
Registering property	108	117	9
Obtaining loans	8	8	No change
Investor protection	29	28	-1
Paying taxes	108	125	17
Cross-boarder trade	34	35	1
Enforcement of contracts	133	134	1
Closing a business	52	48	-4

Representative indexes of financial risks, which are calculated for almost all countries in the region, as well as for Montenegro, represent the Standards and Poor's (S&P), Moody's and FITCH-IBCA. These indexes determine the country's general credit standing to provide a secure investment environment. Also, the indexes grade the factors such as: economic status of the country, transparency in the movement of capital, the movement of foreign and domestic investment, the level of foreign reserves and the country's ability to remain stable in the period of political change.

S&P Credit Rating Agency issued a credit rating of Montenegro for the short and long term borrowing in foreign currency BB/B and the rating for borrowing in local currency BB+/B. The rating for long-term borrowing in foreign currency decreased from BB + to BB, while the ratings on other areas of borrowing remained unchanged. Also, the rating of Montenegro for the transfer and convertibility was confirmed to AAA¹⁸.

Based on the estimates of analysts of S&P credit rating agency, Montenegro is still exposed to macro-financial risks due to reduced activity of the banking sector, as well as increased pressure on public finances. The negative perspectives, estimated by S&P analysts, reflect the possibility of increasing the public debt beyond current expectations.

¹⁷ Source: Doing Business 2012, World Bank

¹⁸ Source: Ministry of finance of Montenegro



If we observe the position of Montenegro in the region, based on three indexes of financial risk, we can conclude that it has a more favourable rating than Serbia, Albania and Bosnia and Herzegovina.

2.3 Financial resources

For the development of green entrepreneurship the issue of financing is particularly important. It is common that the funds for such projects is limited, and the financial crisis and weakening economic activity carried out additional pressure on the price increase of available credit resources and less funding of planned projects. In the future, the expected sources of funding can be found at:

- State funds (Eco fund), structural funds of EU and other international and local donors,
- Local self-governments,
- Financial institutions (banks and state institutions).

Taking into account the current indebtedness of local self-governments, it is expected that in future period the implementation of projects will largely depend on state funds (including EU funds and other donors).

After the accession of Montenegro to the EU, it is expected that projects will be funded and implemented through greater participation of local self-government, especially in the implementation of the investment, although the funding and implementation by the state will continue to be predominant.

Projects to be funded by the state will be especially important for more efficient use of energy that may be of public interest. These include projects that will save electricity by using solar energy, or energy generated from mini hydro power plants (street lights, etc...).



3 Entrepreneurship ecosystem in Montenegro

3.1 Current state – A quantitative assessment

Further development of small and medium enterprises (SMEs) in Montenegro will directly affect future employment growth and increase competitiveness of the domestic economy.

Towards achieving these goals innovation will have a major role, as well as the process of European integration. The importance of SMEs in developed market economies is best illustrated by an example of the EU where out of approximately 20 million companies as much as 99% are SMEs, which create about 75 million jobs. Also, SMEs account for 70% of total turnover and 60% of EU gross domestic product¹⁹.

There were 35,558²⁰ registered companies in Montenegro, in 2007. The number of registered companies in 2011 was 43,861²¹. The difference should be made between registered and active companies due to fact that each registered company is not an active one at the same time unless it hires the first employee and starts to make profit in the market.

The biggest growth between registered companies was made in the category of "Limited Liability Company", then "Entrepreneur" and "Joint-stock Company". The reason of continuous growth caused the improvement of business environment and simplifying the establishment procedure. Also, the "Joint-stock company" and "Partnerships" reported a decline in this period.

Table 3: Number of companies by types of business organizations 2007–2011²²:

Types of performing business activity	2007	2008	2009	2010	2011
Limited liability company	18,285	21,245	22,398	24,080	25,526
Joint-stock company	379	382	363	364	355
Part of foreign corporation	369	400	412	429	434
Investment funds	8	8	7	8	8
Limited Partnership	64	65	62	62	62
Partnership Company	499	485	457	442	436
Entrepreneur	15,954	16,418	16,587	16,873	17,040
TOTAL	35,558	39,003	40,286	42,258	43,861

There were 43.989 registered companies²³ in Montenegro, in mid-February 2012.

¹⁹ Source: SME Development Strategy, 2011–2015

²⁰ Source: *Ibid*

²¹ Source: Central register of Commercial Court of Montenegro.

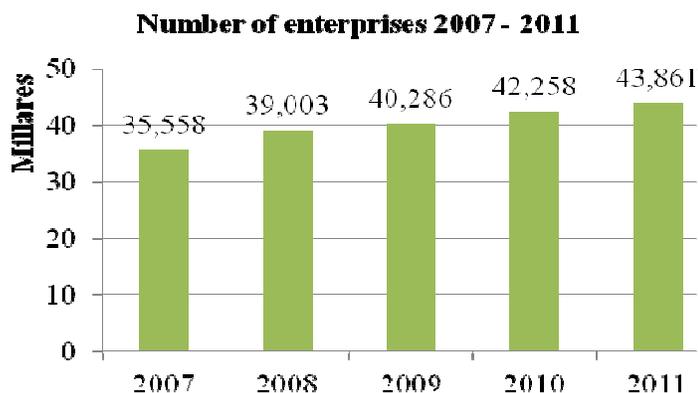
²² Source: *Ibid*

²³ Source: Central registral of Commercial Court of Montenegro.



In total, as in previous years, limited liability companies were dominant (25,683 or 58.38%), then, entrepreneurs (17,011 or 38.67%), partnership company (436 or 0.99%) parts of foreign corporations (433 or 0.98%), joint stock companies (356 or 0.80%), limited partnerships (61 or 0.13%) and investment funds (9 or 0.02%).

Graph 3: Number of registered enterprises in Montenegro, 2007– 2011²⁴



The average growth rate of enterprises in the mentioned period was 5.5% per year.

There were 21.127 active enterprises in Montenegro in 2011. Out of this number, there were 98.7% (or 20.855) of small enterprises. The largest number of active enterprises was in trade „Retail“ (excluding motor vehicles and motorcycles) and „Wholesale“ (excluding motor vehicles and motorcycles)²⁵.

Accurate data on the number of active SMEs across sectors could not be found for the purpose of this study but total number of enterprises across sectors is shown in table below.

Table 4: Number of enterprises by sector in 2011

Sector	Number of enterprises
Agriculture, forestry and fishing	207
Mining and quarrying	56
Processing industry	1,693
Supplying electricity	23
Water supply	29
Construction	1,848
Wholesale and retail of motor vehicles and motorcycles	8,590
Transportation and storage	1,415

²⁴ Source: Central register of Commercial Court of Montenegro

²⁵ Source: Owners business entities by gender in Montenegro, in 2011, Monstat, Mart 2012



Green Entrepreneurship Development in Montenegro

Accommodation and food services	2,165
Information and communication	445
Financial and insurance services	138
Real estate	760
Professional, scientific and technical activities	1,363
Administrative and support services	635
Public administration, defence and compulsory social security	59
Education	115
Health and social care	384
Artistic, entertainment and recreational activities	296
Other service activities	890
Household's activity as an employer activity	1
Activities of extraterritorial organizations and bodies	15
Total number of enterprises	21,127

Results of the research on the topic "The business climate in SMEs"²⁶ from 2011 show that also in 2011 the economy of Montenegro was influenced by the effects of the global economic crisis, and that its effects are felt almost with the same intensity as in previous years. Based on the research, enterprises which believe that their business activities are largely affected by the crisis often mention the following reasons:

- The fall in the purchasing power of population;
- The fall in demand for products/services;
- The lack of financial assets;
- Difficult debt collection due to the illiquidity in the economy;
- Unfair competition.

Research also shows that the business development of companies is largely limited by municipal taxes and charges (54.6% of enterprises), taxes and charges at the state level (54% of enterprises), lengthy administrative procedures (38.4% of enterprises) and municipal inspections (27.2% of enterprises)²⁷.

While analyzing the economic barriers, it was concluded that the majority of respondents, as a limiting factors for their development, recognized the low prices and unfair competition (61.7%), followed by high labour costs (59.2%) and debt collection (58, 9%).

²⁶ Source: The research of "Business climate in SME" is conducted with the aim of the assessment of the current situation in business of SMEs in Montenegro. It started in 2009 and since then it is implemented on the annual basis. The research is conducted by CEED Consulting

²⁷ The percentage of total sample size of enterprises



3.2 Support organizations and intermediaries

Providing consulting services in a way that may be of assistance to entrepreneurs is a key tool in promoting the competitiveness of their businesses. Through the development of consulting and business services to SMEs, entrepreneurs are directly provide with all the necessary information they need to be well able to check the validity of their ideas and their implementation in the market.

The following institutions and organizations that support the development of entrepreneurship and SMEs have been identified in Montenegro:

- **Directorate for development of SME²⁸**

Directorate for development of SMEs and the network of business centres provide different types of consulting services and training that should help potential entrepreneurs acquire the necessary knowledge to start a business.

In particular, the Directorate for development of SMEs as a body within the Ministry of Economy, performs tasks related to the defining the development strategy of SME, preparation and implementation of programs and projects for SME development, coordination of programs, measures and activities related to SME development, the research of impact on legal and other regulations on the development of SMEs, preparing training programs for entrepreneurs and other projects which accelerate the growth and development of SMEs.²⁹

- **Investment and Development Fund of Montenegro³⁰**

Investment and Development Fund of Montenegro (IRF CG) represents a key financial institution which supports projects for the SME sector. This support is presented through a credit guarantee activity under more favourable terms than the market ones, according to the needs and capacities of SMEs.

IRF CG was established by the state in order to provide financial support to the SME sector through more favourable conditions than those prevailing in the market.

- **Montenegro Business Alliance³¹**

Montenegro Business Alliance (MBA) is a trade association which brings together entrepreneurs, domestic and foreign investors.

Since its founding, MBA works to promote private sector development and points to problems in the existing legislation with the intention to contribute to removing existing barriers through the proposals offered and improving the overall environment for business in Montenegro. MBA brings together more than 500 successful enterprises in Montenegro and is recognized as one of the leading business associations in Montenegro.

²⁸ www.nasme.me

²⁹ Source: Decree on organization and method of work of the Public Administration of Montenegro (“Off. Gazette of Montenegro”, no. 05/12 from 23.01.2012)

³⁰ www.irfcg.me

³¹ www.visit-mba.org



- **Montenegrin Employers Federation**³²

Montenegrin Employers Federation (UP CG) is an independent, non-governmental, non-political and non-profit organization based on voluntary membership, and formed with the support of the International Organization of Employers (International Organization of Employers - IOE) and International Labour Organization (International Labour Organization - ILO) in order to present and represent the interests of employers in social dialogue.

- **Chamber of Economy of Montenegro**³³

Chamber of Economy of Montenegro (PK CG) is the oldest institution that brings together entrepreneurs and is in service of the development of Montenegro. PKCG is focused on representing the interests of Montenegrin enterprises and creating favourable conditions for improving their competitiveness in the global economic environment. Recognition of Montenegro as a market economy, of open borders, which aspires to join the European Union market is created within PKCG. The Chamber represents a reliable source of information for all Montenegrin companies and their foreign partners that are relevant to their business.

- **Employment Agency of Montenegro**³⁴

Employment Agency of Montenegro (ZZZ CG) offers significant non-financial support to potential entrepreneurs for starting a business. Through the education of the unemployed, ZZZ CG provides the upgrade of entrepreneurial skills of potential entrepreneurs, which allows them more successful market behaviour in everyday business activities.

- **Business Incubators**

The development of entrepreneurship in Montenegro is supported by the existing incubators. Incubators are "home" for the development of new micro-enterprises.

Incubator tenants have many benefits for the functioning of companies that facilitate their business in the early years. Incubator Development Project in Montenegro started in 2005. Project Managers are the Directorate for Development of SMEs and the capital Podgorica. The development of incubators in Montenegro is also supported by the European Agency for Reconstruction and Development (TAM-BAS Programme in Montenegro), Dutch nongovernmental organization SPARK and the municipality of Bar. Currently there are two incubators in Montenegro, Inventiveness³⁵ in the Podgorica and Business Centre of Bar Incubator³⁶.

³² www.poslodavci.org

³³ www.pkcg.org

³⁴ www.zzzcg.org

³⁵ www.inventivnost.me

³⁶ cg.bsbar.org



- **Montenegrin Chamber of Crafts³⁷**

Montenegrin Chamber of Crafts is committed to strengthening the reputation of craftsmanship, the economic status of craftsmen, regional development, educational policy, future technology, environmental protection, the European market and business framework for the entrepreneurial middle class. Craft Association contributes to the improvement of business conditions of craft enterprises in Montenegro.

The SME sector is supported by international organizations and offices in Montenegro through partnerships and cooperation in various programs and projects.

Major partners are: GIZ, EC, EBRD, USAID, JICA, UNDP, WB, OECD, HELP, SPARK, CHF, ADA and others.

3.3 Legal framework

As there is no specific law in Montenegro which defines the development of green entrepreneurship, this type of business is treated by other laws and regulations such as:

- *Company Law* (Off. Gazette of MNE, no. 006/02-1, and Off. Gazette of MNE, no. 080/08-20. 040/10-05. 073/10-11)
- *Law on accounting and auditing* (Off. Gazette of MNE 069/05-7 and Off. Gazette of MNE, no. 080/08-21. 032/11-21);
- *Decree on more detailed criteria, conditions and manners for granting state aid* (Off. Gazette of MNE, no. 027/10-1. 034//11-11).

The National Plan for Development of Montenegro is in preparation, in which the special attention will be devoted to development of SMEs and funding models from IPA and other donor funds' programs that will promote their competitiveness.

Due to the adoption of new legislation harmonized with the EU regulation, and the implementation of institutional reforms in fiscal and financial system³⁸, business environment in Montenegro has significantly improved. Expressing their support for policies to support the development of entrepreneurship, the Government of Montenegro has adopted the program of eliminating barriers for development of entrepreneurship, for whose implementation the *Council for regulatory reform and improvement of business environment* is responsible. The goal of this program is to make the selection of priority recommendations in order to create a favourable business environment. The program includes the analysis of business environment, property rights, tax policy, foreign trade, credit policy, labour markets, unfair competition, and the gray economy and roughly analyzes the situation and current factors that may slow the development process of the entrepreneurial sector in the country.

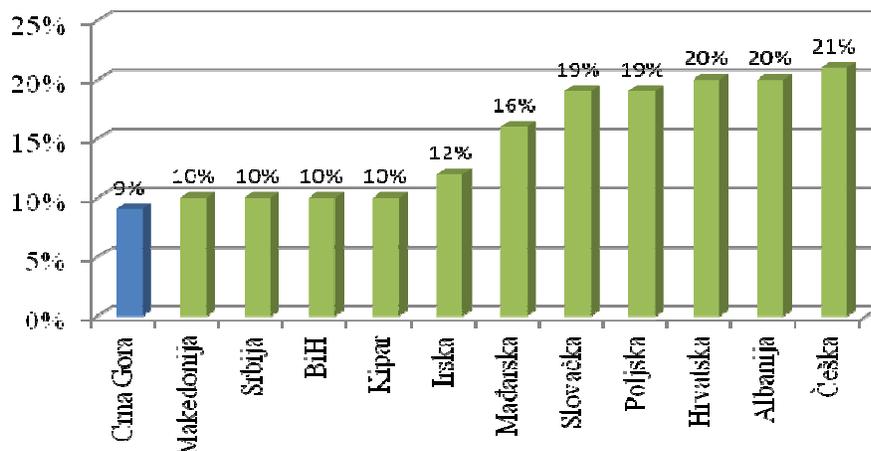
³⁷ www.komoramne.org

³⁸ Source: Law on Business Environment Improvement, Official Gazette No.41/10 and Decision of establishing the Council for Regulatory Reform and improvement of business environment in Montenegro, Official Gazette No.09/10



Tax system makes Montenegro one of the most competitive destinations for investments, with the lowest rate of company tax (9%), and a relatively low value added tax (VAT amounts 17%, 7 and 0%). The standard VAT rate in Montenegro is 17%, but there are reduced rates of 7% for tourism, IT equipment and 0% for some basic products (flour, oil, bread).

Graph 4: Corporate tax rates in Montenegro, region and certain EU members



Regardless of the crisis, tax rates were not changed. As a result of implemented reforms, Montenegro has improved its rating in many international reports.

In the context of mitigating the regional differences and with a desire to attract investors, the state has defined facilities which include the following³⁹:

a) Exemption from payment of income tax:

- The newly established legal entity which conducts production activity in economically underdeveloped municipalities is exempt from income tax for the first three years of operating the business.
- For a taxpayer who makes a profit in a newly established business unit which performs a productive activity in underdeveloped municipalities, income taxes are reduced for the period of three years in proportion to the realised profit of total profit of the taxpayer.

b) Tax facilities for employing the following categories of persons:

- Employee with disability (disabled workers, categorized youth and other invalids);
- Persons at least 50 years old;
- Persons who are registered with ZZZ CG (Employment Agency of Montenegro) for more than five years;

³⁹ Source: SME development strategy 2011-2015



- Persons whose services are no longer needed for companies to be privatized in accordance with the Programme of the Government of Montenegro, and who move on to work for another employer by agreement on the takeover, or who are in the register of the Agency;
- Unemployed persons with over 25 years of service, who are users of financial compensation.

In this case the employer does not pay:

- Contributions for mandatory social insurance (contribution to pension and disability insurance 5.5%);
- Health insurance contribution 3.8%;
- Contributions to unemployment insurance 0.5%;
- Contribution to the Labour Fund of 0.2% assumed by the Government of Montenegro;
- Surtax 15.0% (for the municipality of Cetinje and Podgorica) and 13.0% for other municipalities.

From the employee's salary the following is paid:

- Tax 9.0%;
- Contributions for pension and disability insurance at a rate of 15.0%;
- Contribution for the Health insurance at a rate of 8.5%;
- Contribution for unemployment insurance at a rate of 0.5%;
- Total contributions 24.0%

At the local level, the consumers in the zone could benefit from:

- Relief in the part of paying utility or other compensation, which is defined by each local self/government separately;
- Good price of lease/purchasing space for a business zone;
- The possibility of defining a favourable model of public-private partnerships;
- Infrastructure equipment in areas where there is not.

The expected effects of the project implemented by the *Council for Regulatory Reform and improvement of the business environment* are as follows⁴⁰:

- Abolition of over 100 unnecessary laws and regulations;
- The abolition of a significant number of barriers to business;
- Shortening the deadlines in administrative proceedings;
- Reducing the number of infringement procedures and inspection;
- The uniformity and simplicity of administrative procedures;

⁴⁰ Source: Ministry of economy of Montenegro



- One-stop shop principle - the one stop shop in the work of state administration, and
- Reduction of administrative fees by about 25% by 2012, which will positively affect the economy and makes less expensive service which state administration offers.

In addition to eliminating the barriers of the Government of Montenegro also conducted the "regulatory guillotine" program. The "regulatory guillotine" is a more effective analysis of regulations and simplifies them in terms of administrative procedures and improving the business environment. This project is not implemented only by Montenegro but also other countries in the region, especially countries that are now members or candidates for EU membership. The specificity of the Montenegrin Regulatory Guillotine is pervasive, because in addition to a number of business regulations and standards, it also touches the reform of the infringement system, inspection procedures and harmonization of administrative procedures.

In addition, in 2011, The Ministry of Economy has issued, and the Government adopted a "Plan of development of business zones" whose goal is the establishment of industrial, commercial and entrepreneurial zones that are located in cities where there are opportunities and favourable conditions for development of such a defined business area within which certain business activities would be conducted⁴¹.

3.4 Access to finance

Financing companies in Montenegro, is carried out by commercial banks, microfinance institutions (MFIs) and Investment and development fund of Montenegro.

Providers of financial services, primarily commercial banks, have treated the credit activity as an activity with a high degree of risk, in the past. Banks used to approve to SMEs mainly short-term and costly loans, arguing with high-risk business during the economic crisis and stressing the need to improve legal protection in the field of debt collection and financial discipline in general. Unlike banks, (MFIs) granted loans procedurally in an easier way, especially to micro enterprises, but under less favourable credit terms.

Leasing arrangements in the SME financing business are increasingly important, especially in the procurement of equipment and vehicles, which is not enough to satisfy the needs of SMEs. These difficulties in accessing credit are, in part, overcome by credit activities of public institutions Investment and development fund of Montenegro. In 2010 commercial banks approved 2,199 million EUR for all types of loans to the economy⁴². In the same year the IDF approved 107 credits directed exclusively to the SME and entrepreneurs sector of 12,2 million EUR, of which EUR 9,1 million EUR applies to the loans of the Investment and development fund, and 3,1 million of funds for commercial banks⁴³.

⁴¹ Plan of development of business zones, Ministry of economy, 2011

⁴² Source: Central bank of Montenegro

⁴³ Investment and development fund of Montenegro, Annual report for 2010



Further support of Investment and development fund of Montenegro will be particularly important and it will apply for further financial support through the SME Sector's following instruments:

1. Short and long term loans;
 - Directly SME
 - Through banks.
2. Implementation of credit and guarantee schemes;
 - Facilitating the provision of necessary collateral in accessing SME available credit.
3. Factoring;
 - Providing short-term financial support to improve the liquidity of SMEs.
4. Export Insurance
 - Undertaking export business claims in a timely manner.

With the support of Employment agency of Montenegro, entrepreneurs can finance business start up providing minimum resources for the unemployed to start their own business and to the amount of 5,000 EUR per new job site, with a maximum loan amount of 15,000 EUR for 3 new jobs.

Employment agency of Montenegro provides support to SMEs with active employment policy, direct financial support, as well as certain types of consulting services and training, in particular for the potential entrepreneurs.

The availability of loans to commercial banks is very limited, since SMEs are unable to pay high interest rates on loans, and to fulfil the requirements of banks in terms of collateral. Banks justify high interest rates with high risk business, which rule in Montenegro, as well as with legal protection in 28 areas of professional debt collection and financial discipline in general. This barrier to business operations is included in the Strategy for SME development. The Strategy was defined to eliminate the above mentioned barriers of business loans through Investment and development fund of Montenegro that offers more favourable credit terms than business banks. However, despite favourable conditions, access to credit funds of Investment and development fund of Montenegro is not easy for SMEs due to high demands in terms of collateral (collateral of the same or greater value of loan requested) which for SME is not easy to fulfil.



In addition, the SME in 2011 were less willing to apply for loans than in 2010. According to the survey, "The business climate in the SME sector 2011", the total number of enterprises surveyed, only 21.4% were very ready to apply for loans in 2011, while in 2010, that percentage was 78.6%.⁴⁴

3.5 Education and training of entrepreneurs

Project "virtual entrepreneurship"⁴⁵

Of particular importance for the development of entrepreneurship is the project of "virtual entrepreneurship" which is designed as a highly effective model of learning by working, where students with mentors, simulate the working process of the establishment of the enterprise, business planning, recruitment, and formation of necessary services within the companies.

The project is implemented by the Employment agency of Montenegro, agency "Pamark" and Slovenian "Department Papilot." The program lasts for three months and is implemented in three phases:

- The first part is the motivational part where the participants elaborate daily themes, important for employment;
- The second part is theoretical, in which the students are provided with theoretical training in entrepreneurship;
- The third is the acquisition of practical skills, skills that make entrepreneurship functional.

During the project, students are rotated in personnel, financial, marketing and wholesale sector and as Executive Director. Montenegro has joined the project virtual entrepreneurship, about 8,000 in the world. The system of work in virtual enterprises is the same as in real, except that it does not use real money and virtual business is with other virtual companies. The project is currently being implemented in secondary schools in the greater part of Montenegro.

3.6 Cultural and social norms related to entrepreneurship

Cultural and social norms were, until recently, creating a negative image of entrepreneurs. The entrepreneur is treated as a person using their employees only to gain profit, thereby, ignoring the basic rights of workers. There are numerous case studies that prove the existence of such businesses, mostly, in the past.

Today we look at Entrepreneurs in a different way, because there are fewer of those entrepreneurs who see only their own interests, and the more those who invest in further business development, staff training, more efficient operations, and social responsibility.

⁴⁴ Business climate in SME sector 2011, CEED Consulting, 2011

⁴⁵ Source: www.serviscentarpzv.me



Ministry of Labour and Social Welfare in collaboration with the Directorate for SME Development, under the CARDS project, has developed a *Strategy for lifelong entrepreneurial learning 2008–2013* which includes a range of activities and programs in order to promote entrepreneurship and improve learning. This strategy involves building a knowledge society based on human capital, education, research and innovation (creativity), enhances the potential for growth and willing to contribute to welcome the challenges that future development bears.

Development of lifelong learning from an early age is a key condition for building a knowledge society and to gather and organize all the partners in the country – starting from supporting the government and all interested partners at national level, to local communities, institutions and individuals directly involved in educational and training processes.

Strategy for lifelong entrepreneurial learning is created in cooperation with the working group, consisting of representatives of all relevant partners at the national level: the Ministry of Health, Labour and Social Welfare, Ministry of Education, Directorate for SME Development, Employment agency of Montenegro, Institute of Education, and Center for Professional Education, Montenegrin Employers Federation and the Center for Development of NGOs. In addition, the Directorate for SME development has recognized the importance of entrepreneurship through strategic objectives which proposed that during the period of implementation of the strategy, it should be contributed to the development of entrepreneurship through the following activities:

- Strengthening the institutional infrastructure to support the start-up of business:
 - Expand the business incubator activities and services;
- Establish an incubator of a general nature in the north of Montenegro;
- Improve cooperation between incubators themselves, as well as incubators in the region;
- Increase promotional activities and raise awareness about the importance of the development of incubators.

Improving the quality and availability of financial support:

- Implement a credit line to support start up businesses - Start up;
- Implement programs for self-employment

Improving the quality and availability of non-financial support:

- Prepare the information and manuals on how to start a business;
- Implementation of training for employees of institutions dealing with SME;
- Implementation of training for start-up;
- Promoting the importance of starting your own business.



For implantation of mentioned activities the following institutions are responsible:

- Directorate for SME development;
- Invest and development fund;
- Chamber of commerce of Montenegro;
- Employment agency of Montenegro;
- Municipalities;
- USAID;
- BESRE⁴⁶.

4 Perception of green entrepreneurship

4.1 Social perception of green entrepreneurship

The term entrepreneurship has been recognized as one of the main guidelines of development of Montenegrin economy in future period, and this is confirmed in Strategy of SME 2011-2015 as well⁴⁷. The term green entrepreneurship has not been affirmed enough, although there are some examples in practise that actually prove the existence of the model in Montenegro.

Green entrepreneurship development could be very significant for Montenegro due to comparative advantages that Montenegro has, in the hope to create better conditions for utilization of available resources (mineral resources, forest resources, protected natural areas, tourism resources, energy resources, agricultural resources, and fishery)⁴⁸ and to stimulate employment.

So far, there have not been specific programs that support the development of green entrepreneurship, and this concept is not sufficiently promoted. However, the strategic documents of the Directorate for SME Development and the Ministry of Health (SME Development Strategy 2011–2015 and the Strategy of Life-Long Entrepreneurial Learning 2008–2013) promote the importance of entrepreneurship in general and environmentally friendly technologies. Therefore, this could be regarded as a good basis for development of green entrepreneurship.

4.1.1 Government

The government, through its ministries, adopted a number of basic documents, which promote further development of the Montenegrin economy in accordance with the principles of sustainable development.

In Montenegro, there is currently no active project which directly supports the development of green entrepreneurship by national and local authorities, but there are numerous programs that promote and support business in accordance with environmental protection.

⁴⁶ BESRE Project (Business Environment for Small and Rural Enterprises) is the project financed by EU, lead by EUD in Montenegro, with an aim of providing technical support in improving business environment of SME in Montenegro (www.besre.eu).

⁴⁷ Source: SME development strategy 2011-2015

⁴⁸ Source: Map of Resources; Ministry of Economy 2011



There are also numerous programs funded by the European Union that support the introduction of green business through the financial assistance programs such the project of the European Companies (Enterprise Europe Network), "Green Project"⁴⁹.

Strategic documents of the Government are of great importance for the development of the concept of green entrepreneurship.

The Regional Development Strategy of Montenegro 2010–2014 aims to achieve a more steadfast socio-economic development in accordance with the principles of sustainable development, creating conditions for increasing competitiveness in all parts of the country and implementation of their development potential, with particular emphasis on environmental protection.

Three priority issues for regional development and environment are identified in the process of creation of the Regional Development Strategy 2010-2015. They are as follows:⁵⁰

- Sustainable management and use of natural resources;
- Low carbon development;
- Infrastructure for environmental protection.

In the line with better and faster regional development, through sustainable use of available resources, Ministry of Economy has prepared *Map of resources* which includes natural and cultural characteristics, then geographic position, human and other resources with the estimation of optimal directions of specialization of Montenegrin Regions.

These documents provide a clear view of options for development and use of available sources in order to actuate further development of not only the economy but also society as a whole.

The National Strategy of Sustainable Development in Montenegro aims to contribute to sustainable development in the long term through process of careful management of renewable resources, rational use of energy, preventing pollution, controlling waste and education system improvement. The strategy was prepared in accordance with the principles of sustainable development which include the following:⁵¹

- Balanced and equitable economic development;
- Reduction of poverty;

⁴⁹Green project came from the need to improve the environmental performances of SMEs in Europe. It is implemented by Enterprise Europe Network. The Chamber of Commerce in Montenegro is the partner of Enterprise Europe Network. Detailed information about the project: green-eu.net/

⁵⁰ Source: Regional Development Strategy of Montenegro 2010-2014

⁵¹ Source: National Strategy of Sustainable Development in Montenegro



- Establishment of dialogue, trust and social capital;
- Preservation of non renewable resources;
- Rational use of electricity and natural resources;
- Waste minimization and pollution control;
- Improvement of education system;
- Protection of cultural identity.

This presents the foundation for future reflections on sustainable development issue, which were crowned with the draft and adoption of *The National Strategy for Sustainable Development of Montenegro* and the creation of institutional preconditions for its implementation. The National Strategy for Sustainable Development of Montenegro was adopted in April 2007, as the first strategic document of long-term development of Montenegro. The strategy was adopted along with the Action Plan for the period 2007– 2012, which defines the strategic tasks and specific measures for 24 key areas of economic, ecological and social development.

SME Development Strategy 2011–2015 aims at further development of SMEs (and entrepreneurship as a form of business) in accordance with the principles defined by the EU through various instruments, mechanisms and support measures to SME sector.

The EU has adopted *The Strategy for Smart, Sustainable and Inclusive Economic Growth Europe 2020*, which defines the framework for the establishment of SMEs policy. The strategy defines three priorities:⁵²

1. Smart growth-which includes the strengthening of knowledge and innovation, improving the quality of education, research, technology transfer with full use of ICT and improving the conditions for access to finances for research and development;
2. Sustainable growth- which includes the building of more efficient, sustainable and competitive economy by more efficient usage of resources and formulation of industrial policy for an era of globalization;
3. Inclusive growth – which includes strengthening the employment policies and education, social welfare system, increase of social responsibility within a business community.

Following given principles in the strategy above and in coordination of the Ministry of Finance, the preparation of the National Development Plan is underway, as one of the key

⁵² Source: Development Strategy of SMEs 2011 – 2015



commitments that Montenegro has as a candidate for membership to the European Commission which are relevant to determining the vision for the development of Montenegro, individual policies and projects necessary for their implementation. The document is structured on the principles of the Strategy for SME Development 2011–2015.

The plan will include projects focused on the implementation of strategic priorities, with clearly planned financial structure for the period 2013–2016.

Also, this document will be a mechanism and a basis for directing the IPA funds, for participation or complete implementation of projects, particularly in the field of new industry policies (acquisition of candidate status), such as regional development, human resources development, agriculture and rural development.

The implementation of the National Development Plan will significantly reduce the systemic obstacles to economic growth and achieving the objectives agreed with the directions of the EU Strategy to 2020.

The Strategy for Improving the Competitiveness at Micro Level 2011–2015 aims at increasing the competitiveness of the domestic economy and its better and easier integration into the common European market.

The special emphasis is put on the export and productive activities MSP and greater contribution to domestic economy.

The aim of this strategy is the development of measures in order to improve the export capacities of SMEs, as well as their productivity. In this sense, there are three priorities:

1. Development of existing and creation of innovative industries/facilities;
2. Strengthening of export performances of companies;
3. The promotion of Montenegrin potentials

4.1.2 Civil society

Recent research conducted during the period 2009–2011⁵³, which included questions about green business, green technology and energy efficiency have shown that citizens are not familiar with these terms, although they had heard of them.

This is especially related to issues of energy efficiency and green technology.

⁵³Source: Impact of crisis on the labor market in Montenegro, CEED Consulting, 2009; Business climate in SME sector CEED, 2009, 2010 and 2011; Public opinion survey on the level of awareness about energy efficiency, CEED, 2011.



In "Public opinion survey on the level of awareness about energy efficiency," on the question "Do you know what is considered by the term energy efficiency?", a high percentage of respondents (72.1%) knew or presumed to know what was considered by the term. These respondents define energy efficiency as saving energy and rational use of it.

According to the study "Impact of crisis on the labour market in Montenegro," on the question "As an employee / unemployed person, to what extent are you familiar with the concept of green technology?", the research results showed that eight out of ten employees had never heard or heard of it, but they did not know anything about the green technology concept. The similar results were obtained with the unemployed persons.

4.1.3 Business sector

When it comes to familiarity of the existing companies with the green entrepreneurship concept, and according to these studies⁵⁴, a number of the interviewed representatives of the business sector operate in accordance with the principles of green entrepreneurship, even the mentioned term is not entirely clear to them.

Representatives of the business sector mostly heard of green entrepreneurship term, but they are not fully familiar with it. The first association to the concept of green entrepreneurship is a business in accordance with the principles of the environment protection. They are interested in development of green entrepreneurship, and in this sense they expressed their desire to continue their business operations according to this concept.

When it comes to further development of green entrepreneurship, MBA has made a study that shows opportunities to build mini hydro plants⁵⁵. This has directly promoted the concept of energy production from renewable energy sources and creating a business on this basis which can directly influence on promotion of green entrepreneurship. The study has showed that there are 600 permanent water streams registered in Montenegro. Most of them (80%) are small streams; the others are medium or large streams. There are no precise data about locations that could be used as sites for building of micro-power plants. The rough estimation is that there are several hundred sites in the northern part of Montenegro which is the richest part of the country when it is about water resources.

So far, based on the first public competition, there were concession contracts for eight streams in September 2008, while based on the second public competition, there were concession contracts for five streams in September 2010.

⁵⁴ Source: The same.

⁵⁵ Source: The study about construction of minihydro plants in Montenegro, Montenegro Business Alliance, May 2010



According to concession contracts based on the first and second tenders, it is envisaged the construction of 35 small HPP with the total installed capacity of about 100MW, with five planned annual production of 300GWh.⁵⁶

4.1.4 Academia

There are professional staffs that can provide the necessary knowledge in the development of the concept of green entrepreneurship at universities, but the current curriculum does not include green entrepreneurship. There is need for its further development, while peer debates, meetings, conferences and round tables, that will be organized in the future on this topic, present the greatest opportunity.

4.2 Training programs and resources

4.2.1 Business associations

In Montenegro, there is no organization that deals exclusively with the promotion of green entrepreneurship. However, the existing organizations that promote entrepreneurship as a form of business through various programs are the following:

- Montenegrin Chamber of Commerce;
- Montenegrin Union of Employers;
- Montenegro Business Alliance.

Montenegrin Chamber of Commerce

The contribution of Montenegrin Chamber of Commerce could be observed through the following:

- Discussions on economic legislation;
- Implementation of strategies, research and analysis;
- Fostering competitiveness;
- Organization of exhibitions, seminars and training.

Montenegrin Chamber of Commerce is a partner of Enterprise Europe Network, in “Green project” which aims to improve the operations of small and medium-sized enterprises.

Montenegrin Union of Employers

The contribution of Montenegrin Union of Employers could be observed through the following:

- Free legal advice for its members;
- Free websites;

⁵⁶Source: Ministry of Economy



- Organization of exhibitions, workshops, seminars, trainings and round tables discussing the current problems faced by employers in the fields of construction and food production.

MBA

MBA is the only business association in Montenegro that operates at the national level, which was established by the initiative of the private sector. One of its main objectives is the development of entrepreneurship, strengthening the private sector, ensuring the participation of the private sector in making the new legislation.

In addition to these objectives, MBA is active in creating a better environment for private business in Montenegro through a number of programs. Also, there are publishing activities in order to better promote its objectives.

4.2.2 NGOs

Center for Entrepreneurship and Economic Development (CEED)

CEED is a non-profit organization active in the field of economic policies. CEED was established in 1992. The main CEED activities include: conducting research and presenting the results, participation in policy development and analysis of economic policy, organization of conferences, workshops and training in the field of CEED action.

Among the main activities, CEED deals with: economic growth, competitiveness and economic freedom, European integration and regional development, entrepreneurship and small and medium-sized enterprises, tax policy, corporate governance, women's and social entrepreneurship.

CEED is accredited as scientific research institute by Ministry of Science in June, 2011.

CEED greatly contributes to the development of entrepreneurship. There is currently a project "Women Entrepreneurs", which aims to establish the first national network of mentors for women entrepreneurs in Montenegro. This network is established by CEED and Montenegrin Chamber of Commerce, with activities focused on entrepreneurship support and private sector development.

Business Centre Bar (BSC Bar)

Business Centre Bar aims to effectively increase entrepreneurial success by creating a positive environment for the business establishment, training of young people by enabling them to acquire skills and knowledge required in the labour market. In this sense, BSC Bar is conducting the following:

- Training for trainers and education for future and existing young entrepreneur;



- Organizing workshop to improve the curricula at universities adjusted with labour market needs;
- Opening of SMEs through organization of competition for the best business plan, consulting, grants, soft loans and other assistance;
- Soft loans that will be used as a competition part for the best business plan;
- Opening of a functional business incubator that will help SME to begin working;
- Training of staff from partner houses;
- Publication of four annual reports on local SME sector in Bar and in Montenegro;
- Organization of conferences about SME development in South-Eastern Europe including regional fairs for small and medium-sized enterprises;
- Organization of study tours.

4.2.3 Universities / Professional centre

In Montenegro, there is a public university, two private universities and seven independent private faculties. Some of these institutions have programs that are connected with the area of entrepreneurship that include benefits of green entrepreneurship. This is particularly referred to scientific meetings organized by some institution. However, none of these institutions have a scientific program only for the green entrepreneurship studies.

There is no training for green entrepreneurship at the mentioned universities, but there are courses on entrepreneurship through which students have the opportunity to acquire more knowledge about it, as well as subjects that integrate environment preservation with managerial skills⁵⁷.

4.2.4 Investment and promotion instruments and green entrepreneurship

The promotion of green entrepreneurship is mainly carried out by some NGOs that are committed to environment protection⁵⁸. The instruments used for the promotion include:

- Energy efficiency measures;
- Space management related to principles of sustainable development⁵⁹;
- Fostering administrative capacities of government organization in the field of environment protection.

4.3 Assets and opportunities for green entrepreneurship

The development of green entrepreneurship is possible in the following sectors:

- Energy,

⁵⁷ Source: University Donja Gorica

⁵⁸ NGO „Green Home“, one of the most active

⁵⁹ Source: National Strategy of Sustainable Development of Montenegro



- Waste management,
- Eco – agriculture,
- Eco – tourism,
- Recycling,
- Education,
- Eco – products.

Government, through its ministries, creates numerous strategic documents with the aim to depict capabilities (or resources) for project development and activities that will lead to better utilization of available resources, and thus the economic and social development.

4.4 Barriers for green entrepreneurship

There are examples that could be defined as green entrepreneurship in Montenegro. Also, there is no organized promotion of this type of business, but, in general, through the development of entrepreneurship and ecological acceptable form of business, conditions are created for its rapid development.

As potential barriers that may occur in the way of development of green entrepreneurship, the same measures faced by entrepreneurs in general could be mentioned. *SME Development Strategy 2011-2015* identified the following barriers faced by entrepreneurs: a low level of knowledge for business management, regulatory and administrative barriers, and limited access to available sources of funding in the medium and longer term, inadequate access to sources of business and market information and limitations of availability of specialized business services.

Based on the survey "Business Climate in the SME sector" in 2009, 2010, and 2011, the results indicate that entrepreneurs are faced with the numerous challenges, as follows:

- The credit "crash" and the non-collection of receivables, lower turnover and low purchasing power of consumers in general;
- Municipal and state taxes and fees are still largely restrict operations and development of a company, especially entrepreneurs;
- Regarding non-administrative barriers, the emphasize is put on the high cost of labour, limited access to financial resources and unfair competition;
- The requirements of entrepreneurs in order to improve the business environment related to the reduction of taxes and duties, effective support to the banking sector and administrative facilities were increased in the recent period;
- Entrepreneurs and companies poorly collaborate with agencies and organizations that support business and their related institutions. Very little number of companies has



some communication with the agencies of its kind. The mentioned institutions have the weakest cooperation with micro-enterprises, entrepreneurs and legal entities.

5 Sectorial outlook in terms of green entrepreneurship

5.1 Present and potential sectors of employment in for green entrepreneurship

Business community must create the conditions to make green economy, as an integral part of a broader concept of sustainable development to become one of the responses to the challenges faced by modern humanity. Concept of sustainable development supports balance of economic, social and environment requests in order to ensure ‘meeting the needs of today’s generation, without compromising the future generations to meet their needs’⁶⁰.

Estimates of the United Nations for the next 20 years say that only investments in the energy will exceed 350 billion dollars. When it comes to investing in green technology a leader is China. In Germany, which is also a leader in terms of green energy, is open to about 280 000 jobs due to the trend of green economy and use of sustainable energy sources.

Montenegro has also started the initiative of using sustainable energy sources (project Montesol – interest free loans for solar collectors for households). Construction of two wind plants on the territory of Montenegro has been arranged and there are incentives for investors in this area⁶¹.

Based on recommendations from Map of Resources, guidelines for better valorisation of existing tourism and agriculture resources are defined and they include:

- Development of elite tourism, which, in addition to high-quality accommodation, is followed by adequate additional services all year around
- Agriculture development through organic food production⁶²

As one of the best ways to present the complex term of sustainable development in a simple way, the concept PPP - PEOPLE, PLANET, and PROFIT is commonly used, and it defines sustainable development as a search for balance among the interests of PEOPLE, NATURE and the ECONOMY. The use of the PPP concept, by rule, helps in achieving a transparent and balanced public discussion on sustainable development, while at the same time it creates an environment enabling us to see opportunities for improvement, as well as all opportunities to reach a consensus about these important issues⁶³.

⁶⁰ Source: National Strategy of Sustainable Development, 2007, Ministry of sustainable development and tourism

⁶¹ Source: www.mek.org.me

⁶² Map of Resources, Ministry of Economy 2011

⁶³Source: Communication Strategy of sustainable development of Montenegro, 2011-2013



Population/People – participation, health, cultural heritage, education, cohesion of society, poverty prevention, safety, standard of life

Planet/Nature – soil, water, space, air, non renewable natural resources, spatial planning

Profit/Economy – employment, business structure, natural resources, energy consumption, knowledge, infrastructure and investments

There are significant potentials of renewable energy sources such as water flows for small-scale hydro power plants, solar and wind energy, biomass, etc. Planned and sustainable use of these resources creates significant opportunities for country development.

Taking into account available resources and society it is clear that green entrepreneurship has development potential in Montenegro. Areas with largest possibilities are energy, waste management, eco agriculture, eco tourism, recycling, education, and eco – products.

5.1.1 Energy

Energy sector in Montenegro is becoming increasingly important and critical for further development. Two questions are raised: (1) How to provide new energy sources? (2) How to provide environmentally-friendly sources? Following the principle of environmental and resource conservation, Montenegro has dedicated great attention to energy efficiency as response to these two issues. Knowing that energy is of crucial importance for sustainable development, it is for this reason Montenegro devoted itself to more efficient energy use in order to protect economy from possible negative effects, as well as to possible ways of its generation.

Taking into account that Montenegro is highly import-dependent country in terms of energy (especially electricity) and large consumption by two giants (Aluminium Plant Podgorica and Iron Plant Nikšić), more efficient energy use has gained on the importance.

For the purpose of development and improvement of energy sector, the Ministry of Economy of Montenegro is implementing two projects:

- Energy efficiency in Montenegro
- Renewable energy sources in Montenegro

The Ministry of Economy through its *Sector for Energy Efficiency* is in charge of making and implementing energy efficiency policy. Goals and mission of the Sector for Energy Efficiency is in accordance with the best EU practice that includes⁶⁴:

⁶⁴ Source: Energy efficiency of Montenegro, www.energetska-efikasnost.me,



- Identification, analysis and proposal of technically feasible and cost-effective policies and improvement of EE measures on consumer's side;
- Encouragement and promotion of activities directed towards saving and other EE ways as well as reduction of negative environment impacts caused by energy conversion in energy consumption processes;
- Promotion of renewable energy sources and other non-traditional sources with low environment impact;
- Promotion and participation in knowledge and information exchange with similar bodies and international institutions and associations acting in the field of EE.

Important projects implemented by the Sector for Energy Efficiency in cooperation with both national and international partners are the following:

1. MEEP – Montenegro Energy Efficiency Project
2. GIZ-ASE – Energy Efficiency Improvement in Montenegro
3. TA-EnCT – Technical support in implementation of the Energy Community Treaty
4. EEPPB – Energy Efficiency Program in Public Buildings
5. MONTESOL – Project of interest-free loan for solar water heating for households

Recently, there is an increasing tendency to put stress on projects for generation of energy from renewable sources such as:

- Hydro energy (small hydro power plants);
- Wind;
- Solar energy;
- Bio mass.

Great opportunity for achieving better energy efficiency, reduce import dependence as well as to enhance small-scale business on this basis (through green entrepreneurship) may be development of mini hydro power plants in Montenegro. According to the MBA's *Study on Micro Hydro Power Plant Construction in Montenegro*, it was found that there are about 600 permanent water flows in Montenegro. Out of that number, 80% belong to the small water flow group. There is no accurate information on how many water flows is possible to build micro hydro power plant. The approximate estimate is about few hundreds of location in the northern region of Montenegro, the region richest in water flows. The identified locations were usually former mills.

This information could make the work of local-self government bodies easier in defining locations for construction of micro plants on their territory, which would create conditions for business development without compromising the environment.



Montenegro has significant potential for the use of wind power. Results of analysis made say that in majority part of the territory the wind speed is less than 5 m/s⁶⁵.

Pursuant to the Provision on Wind Power Plants, the Ministry of Economy in December 2009 launched public call for the selection of investors for the construction of wind power plants and land lease on locations Možura, Municipality of Ulcinj and Bar and Krnovo, Municipality of Nikšić and Šavnik. The investors were selected, and estimated costs were in the range of 1.000 EUR/kW and expected number of work hours 2.200 annually. The anticipated minimum is 60 MW:

- Two wind farms with 10 MW (2x5 MW) total installed power;
- Two times by three wind farms with 30MW total installed power and
- Four wind farms with 20 MW total installed power.

Foreseen investments up to 2025 are 60 million EUR. In case of expressed interest of the foreign investor, the Strategy allows for greater capacity and faster dynamics, as long as potential problems of introducing the wind-farms into relatively small power system of Montenegro are solved, the problems of reserves of power system solved and as long as there is an economic justification for such projects⁶⁶.

However, it should be noted that capital investments into this type of energy production are quite large and the return period of investment is long.

According to the analysis of Ministry of Environment, Land and Sea of the Republic of Italy, it was found that Montenegro has great potential for introducing solar systems, given that the number of sunny hours is over 2.000 hours per year in majority territory of Montenegro and over 2.500 hours per years in the coastal area. The solar potential of Montenegro is comparable with potentials of Greece and Italy. To be more precise, Podgorica has the largest annual quantity of solar energy (1602 kWh/m²) in comparison to other capitals of South-East Europe (such as Rome or Athens)⁶⁷.

This type of electricity generation may, in first line, be used for individual purposes and thus contribute to lower consumption, which again could directly influence the lower electricity import.

⁶⁵ Source: Assessment of Renewable Energy Sources Potential in Montenegro, Ministry of Environment, Land and Sea of the Republic of Italy

⁶⁶ Source: Energy Development Strategy until 2025

⁶⁷ Source: Assessment of Renewable Energy Sources Potential in Montenegro, Ministry of Environment, Land and Sea of the Republic of Italy



Assessment of biomass energy potential is directed to forest resources, wood waste and agriculture. In terms of wood waste, the available data on wood industry in Montenegro are analyzed with special overview of the following:

- a) Characterization of sectorial activities at the local level (saw-mills and other branches of wood-processing industry, etc.);
- b) Production capacity assessment and
- c) Assessment of wood waste quantity generated in that way.

When it comes to agriculture, the assessment is based on considering the possibilities for production of bio-fuel.

According to mentioned results, Montenegro has great potential for the use of biomass energy potential, which primarily refers to forestry sector, and then agriculture. Forestry sector is particularly important and interesting for biomass-fuelled energy systems.

These segments should be organized in a way to contain the following (each sector respectively):

- 1) Overview of the sector on global level
- 2) Potential for development/resources for sector development in Montenegro
- 3) Regulations/limitations
- 4) Concrete initiatives that have already been implemented.

5.1.2 Waste management and recovery

The problem of waste management is becoming a serious issue in Montenegro. The current situation shows that such treatment of waste is not sustainable considering the increasingly negative environment impact. This particularly refers to the process of selection of waste (hazardous industrial, communal, etc.).

A special issue is lack of awareness of appropriate waste treatment and its lower production. The estimates say that at the territory of Montenegro 200,000 to 250,000 t of waste are generated annually.

On February 2008, the Government of Montenegro adopted *Waste Management Plan for Montenegro 2008–2012*, which contains the following⁶⁸:

1. An assessment of the situation in the area of waste management;
2. Waste management objectives;
3. Long-term and short-term measures in the area of waste management during the planning period including the implementation schedule;
4. Approximate financial means to implement the plan;

⁶⁸ Source: Waste Management Plan 2008–2012



5. Manner of implementation and institutions responsible for the implementation;
6. Raising public awareness regarding waste management.

The general objective of the Plan for the period 2008–2012 includes implementation of the main strategic activities in the area of waste management in the territory of Montenegro.

Setting up the integral waste management is based on⁶⁹:

- Increased quantities of collected waste, minimization of decrease of waste quantity disposed,
- Introduction of recycling,
- Remediation and closure of existing dumpsites,
- Remediation of 'black points', i.e. location with large quantities of disposed waste,
- Development and establishment inter-municipal (regional) sanitary landfills including
- Treatment of waste before its final disposal.

This plan defines that waste management is performed in conformity with national and local waste management plans. According to the *Strategic Master Waste management Plan until 2025*, one of the most important planning instruments for a sustainable and long term implementation of a waste management system is a sound data base regarding the current waste generation and qualities. The amount of the generated waste gives an estimation of the potential waste production. This quantity differs significantly from the amount of waste collected, treated and disposed due to several informal waste reduction steps, which happen before the waste is collected and disposed. Average quantity of waste generation is 1 kg per inhabitant per day (365 kg per inhabitant per year). By regions:

- 0, 80 kg/cap/day in central region,
- 0, 90 kg/cap/day in coastal region,
- 0, 60 kg/cap/day in mountain region,
- 1, 50 kg/cap/day per overnight stay (tourists) and
- 0, 25 kg/ cap/day for refugees⁷⁰.

Also, by the *Law on Waste Management*⁷¹, Montenegro committed to organize waste management affairs in accordance with the European directives and standards following the principle of sustainable development, closeness and regional waste management, prevention, abiding the principle 'the polluter pays' and schedule in waste management practice. Accepting the solutions from Strategic Master Waste Management Plan until 2025, *National Waste management Plan for 2010* has been created and rests on the following principles:

- Appropriate legislation structure;

⁶⁹ Source: Waste management Plan tpadom 2008-2012

⁷⁰ Source: Strategic Master Plan for waste management until 2025

⁷¹ Source: Parliament of Montenegro



- Appropriate institutional structure;
- Forming of inter-municipal waste management enterprises;
- Construction of inter-municipal landfills;
- System of waste collection and transport⁷².

5.1.3 Eco – Agriculture

In Montenegro the term eco-agriculture refers to organic agriculture. Organic agriculture is a system of sustainable agriculture, largely based on local resources to maintain ecological balance and minimize the negative impact of agriculture on the environment. It also includes the production of harmonized with the standards defined by law and the conditions controlling the entire production cycle of the authorized organization for the certification. The authorized certification organization in Montenegro is Monteorganica. *Monteorganica* is company for control and certification in organic agriculture established by the end of 2005 by the Cooperative Association of Montenegro.

The development of organic agriculture⁷³:

- Facilitates the preservation of man's environment and in this sense leaves an enviable legacy to future generations,
- Contributes to better understanding of nutrition of the population and protect human health,
- Contributes to the development of rural communities and reduce the negative demographic trends.

In Montenegro, there are about 100 organic producers (plant and livestock production) either with the status of organic producer or the status of transition period to organic producer.

Montenegro has great potential for the development of organic agriculture. This implies non-contamination of arable land (due to previous extensiveness of agriculture) and fragmentation of households with circled cycles of plant production, with no specializations in production. On the other hand, the development of exclusive tourism requires offer of high-value food, which, offered in this way has four time its value.

The Montenegro's status defined by the Constitution as ecological state and numerous national parks with prohibited use of any artificially synthesized substances, in any case binds with the development of organic agriculture.

⁷² Source: National Waste management Plan for 2010, Ministry of Sustainable Development and Tourism, 2010

⁷³ Source: Organic agriculture of Montenegro, www.orgcg.org/me



Opportunity of Montenegro for production of organic food lies in organic agriculture. Having regarded to the possibilities of green entrepreneurship development in the area of agriculture, particularly for the fact that Montenegro uses mineral fertilizers and pesticides in rather small quantities, which makes competitiveness of eco producers relatively small.

Reasons for this are numerous, (from non-treatment of agriculture as primary activity, through the poor infrastructure to the lack of connection between the primary production and processing industry), but also possibilities of this sector are huge, for organic agriculture is the only form of agriculture close to environmental principle.

When speaking of the problems organic producers face, they primarily refer to the problems of safe product sale, which should be tackled through maintaining good relations with existing buyers and attracting new ones, as well as through production planning, which could respond to the problem of market saturation⁷⁴.

It is important to mention the introduction of organic products in the areas of agriculture where they are still missing, as it is the case with the production of olive oil. There is no olive oil producer in Montenegro that is certified for organic production. But, there are plans to start this soon.

5.1.4 Eco tourism

Ecotourism is considered to be a growing market within the tourism industry. According to data of the *World Tourism Organization*, the annual growth of 5% in the global scale represents 6% of the world gross product, and also 11.4% of annual consumption is related to ecotourism market which deserves special attention. Ecotourism on the world scale is becoming the most popular type of holiday.

Montenegro has the great potential for ecotourism development. Particularly, protected areas and national parks are the best sites for conducting this type of tourism.

The Durmitor National Park (NP Durmitor) is at UNESCO's list of World Heritage Sites, The Biogradska gora National Park (NP Biogradska gora) includes one of the oldest forest areas of Europe, The Skadar Lake National Park (NP Skadar Lake) is at the list of Ramsar's wetlands of international importance, while The Lovćen National Park (NP Lovćen) is the natural, cultural and historical area and The Prokletije National Park is rich in diverse flora and fauna, so Prokletije are not only a center of high mountain diversity of the Balkans, but also a center of biodiversity of European and world importance.

⁷⁴ Source: Overview of creating the chain for fruit and vegetables in Montenegro; CEED Consulting, 2010



In addition, visitors can rest and enjoy in natural beauty in the national parks, and also, they visitors can be engaged in a range of other activities that do not disturb the environment.

By promoting and developing of ecotourism in the protected areas, Montenegro can build the image of a single eco-destination and to be distinguished with such an offer from the surrounding countries.

It is important to note that the terms "protected area" and "national park" present symbols not only for preserved nature, but also for well-planned space with the necessary infrastructure. Special attention should be paid to the visitors! They should be afforded full and unforgettable experience, but also it is necessary to ensure the preservation of natural and cultural features of the protected areas. On this basis, the green entrepreneurship should promote in this area.

Eco-tourism is not only referred to visit of some natural sites, but also other services this visit includes such as:

- Organic food;
- Cultural environment;
- Historic monuments.

Eco-tourism is the best example of green business in the tourism industry, and as the best practices of such operations could be eco / ethno villages that exist at various locations in the Northern Region, mainly around the canyon of the Tara River in Durmitor area. A large number of eco/ethno villages are aligned with the ambient environment and made from exclusively from natural materials. Only local food is served in these villages, and use of car is limited in many of them.

There are 20 eco-tourism facilities, registered in 2010, in Montenegro. Most of them are located in the municipalities Plužine (7), Kolašin (4), Pljevlja and Cetinje (2) and Herceg Novi, Plav and Žabljak (1). Total number of guests who visited the mountain homes and cottages has been growing from year to year.

Table 5: Overnight stays by type of accommodation unit from 2008 to 2010⁷⁵

Accommodation units	2008	2008	2009	2009	2010	2010
	(domestic)	(foreign)	(domestic)	(foreign)	(domestic)	(foreign)
Mountain homes and cottages	569	33	94	-	49	43
Camps	3 512	123 903	349	37 964	198	24 703
Total	4.081,00	123.936,00	443	37.964,00	247	24.746,00

⁷⁵ Source: Statistical Yearbook, 2010, MONSTAT



5.1.5 Recycling

The simple definition defines recycling as usage of the total waste or part of the waste for the production of the new product and providing new usage value. The attitude about the importance of the recycling is getting stronger within population in the process of the protection of the environment and creation of the new companies and new working places. In that direction additional efforts are needed to see the waste as a resource for the development of green entrepreneurship. First steps in that field are opening of the regional recycling center for solid communal waste on location of the landfill “Livade” in Podgorica in 2010, with the capacity of 90,000 tons per year. Regional recycling center was built as a state of the art system of the pre treatment of the communal waste and separation of the secondary raw material (cardboard, paper, plastic, metal, rubber etc.). Apart from the public companies the importance of the recycling is being more important for the private companies also.

In most of the cities in Montenegro storage of the communal waste is a major problem. The existing city landfills are not organized and in the major part without any of the supporting facilities and protection measures (except new sanitary landfill „Livade“ in Podgorica) and as is they represent real dumps (having in mind the definition that the landfill represents the facility that incorporates different specific technical and sanitary requirements, as well as environmental requirements).

One of the most important instruments for planning sustainable and long-term implementation of the solid waste management system is good database about the current situation in the area of waste production and the quality of waste. The amount of the produced waste is significantly different of the amount of the collected, treated and warehoused waste.

Current condition regarding the amount of waste in Montenegro is hard to estimate. The main reason for lack of the data about the qualitative and quantitative analysis of the waste is non existence of the inventory about the amount, content and the characteristics of the waste. The amount of collected dangerous waste from the households vary in the wide spectre (from 0.4 to 4.7 kg/cap annually) from country to country, which means that the annual amount in Montenegro is between 250 and 3,000 t/year with precondition that the real amount can be closer to the lower estimated value. Estimated amounts of waste per capita are between 0.25 and 1.5kg⁷⁶.

Collected waste is directly transported to the local official landfills, where usually without systematic approach in determining and special treatment it has been filled, without respect, in some cases minimal measures of protection of human and nature. The exception is city of Podgorica where there is a sanitary landfill.

⁷⁶ Source; Strategic Master Plan for Waste Management to 2025.



In certain municipalities recycling yards are in existing (Herceg Novi, Kotor, Budva, Bar and Podgorica), but there is no recycling in these facilities just selection of the collected waste. These deficiencies are representing chance for development of the recycling activities in Montenegro.

The benefits that can arise are not just related to the protection of the environment but also are related to opening the new working places. These deficiencies are representing chance for development of the recycling activities in Montenegro. But, special attention needs to be paid to development and implementation of the model that will be also economically sustainable.

5.1.6 Education

The transition process that Montenegro is undergoing defines the way of education of future generations. The development of entrepreneurship, accepting new techniques and technologies and intensive influence of the globalization and EU integration process, are contributing that the existing dogmas and way of thinking drastically changing. In that sense special attention needs to be dedicated to the way of apprehension of the future work of all individuals. That means looking for new chances and opportunities and utilizes the present ones maximally.

Faster economic, and by that faster social development, needs to be looked in better education, that has to decrease the level of general and focus on specialize knowledge's. Development of specialized knowledge's is opening possibilities for the development of personal business, and development of the entrepreneurship. In that sense the Ministry of health together with the Directorate for development of SME has prepared Strategy of lifelong entrepreneurship learning 2008–2013 which aims to influence the development of the human capital which will contribute in creation of the more competitive and more dynamic economy, able for sustainable economic growth with more working places and stronger social cohesion in Montenegro

In that sense education needs to be link between the institutions of the knowledge and the economy. One such example is the postgraduate studies 'Ecologic management' that study business on sustainable way through number of different subjects⁷⁷. The goal is to start entrepreneurship getting of knowledge on starting own business and economic literacy, and in the wide context, for development of the personal attributes and skills that are sought as precondition for successful action of the individual as a future green entrepreneur.

⁷⁷ Source: University of Donja Gorica



5.1.7 Eco – product

Under the term Eco product in Montenegro usually defines products produced by the means of traditional way of production with minimal use of modern technologies and use of it in the segment that is not feasible under the traditional production or they are simplifying the production process. Having in mind the level of preservation of the environment in Montenegro, raw material for production of this products are of high quality, which contribute to the high quality of the produced product. Production of the ecological products is based on natural healthy water, herbs, fruit and vegetable, forest products and olive oil in which Montenegro has competitive advantages.

In the last period the number of companies producing these products based on mentioned high quality resources is increasing.

Apart from the new established companies in the area of production of eco food, the existing companies are introducing new lines of products that are produced by ecological standards⁷⁸. With the purpose of future development and improvement of the production of ecological food, it is need to raise awareness of the population about the quality of these products and to introduce good environment for development and incentives for this type of production that can be recognized brand of Montenegro.

Apart from the agriculture, traditional eco production, eco products are made also in industry (Wood processing), construction (eco building), but also in tourism (eco villages – as eco services). The direct link between eco tourism and eco agriculture is important, because in almost all eco camps domestic food is served and the atmosphere of eco healthy tourism is created.

5.2 Emerging concepts and technologies

Current technologies implemented in Montenegro are not completely ecologically accepted due to the irrational usage of the electric energy, but also due to the higher creation of the waste, especially in the industry and exploitation of the coal.

New technologies that are in accordance with the principles of green business are not easily available to entrepreneurs due to the higher investment costs from conventional technologies but their benefits are multiple, especially due to the efficient usage of the electric energy, lower waste creation and better protection of the environment.

⁷⁸ Examples are enterprises from dairy and meat industry that introduce HACCP standards in order to meet a number of quality requests, sanitary safety, eco origin and technological process.



Development and implementation of the new technologies is not legally regulated, even though there is lot of programs that stimulates their usage. The goal of higher implementation of these technologies is apart from protection of the environment and obeying those principles in doing business also creating of the new jobs.

Special attentions need to be focused on their future development in Montenegro, having in mind that they are mostly imported and that there is no primary production in Montenegro.

New technologies are important in the waste treatment, because by its use, it can be significantly reduce the bad influence and treatment that is in existence now.

The foundation of a sustainable economy is preservation of ecosystems and biodiversity. Water, food and energy are the foundations on which life and economic systems are being built. Overcoming the problems of the global economy is inextricably linked with the state of the environment.

Entrepreneurship is a key driver of social and economic development. Some people have seen the importance of biodiversity, its need to be protected and investment opportunities in it, ie. encouraging the development of "green economy" and "green entrepreneurship". Raising awareness about preserving the environment through everyday activities and specific activities is the first step in protecting the environment through green entrepreneurship.

In 2011, when Montenegro celebrated 20 years of declaration of an ecological state, Ministry of Sustainable Development and Tourism together with a group of NGOs has launched a campaign called "*Ecological thread that connects us.*" The basic idea is the restoration of environmental spirit and activism of Montenegrin citizens, with the aim that ecology becomes our way of thinking, behaviour, culture and identity. The campaign should contribute to push individuals to become more environmentally aware of their responsibility towards the nature and the wonderful variety of plant and animal species found in it.⁷⁹

Specific steps for the development of "green entrepreneurship" can be directly found in the project:

- Energy efficiency;
- Creation of energy from renewable sources;
- Waste Management and the creation of half-recycling centres.

⁷⁹ Source: Joint action by Ministry of Sustainable Development and Tourism and group of NGOs "*Ecological thread that connects us*", www.mrt.gov.me



In cooperation with the competent institutions from the field of environment protection, through political framework and funding model of green business, the environment for the development of green entrepreneurship is being created. The energy sector is recognized as an important driver of the Montenegrin domestic economy. The country policy means the increase of renewable energy sources, promoting energy efficiency and investment promotion. The most important is that clean energy, green jobs, economic competitiveness and investment in renewable energy can provide benefit for all of us.

Previously undertaken actions create a solid foundation for development of green economy. Through the improvement and appreciation of the value of biodiversity and ecosystems, it is becoming increasingly clear that investing in nature is good even in economic sense.

In Montenegro, the entrepreneurial awareness of the possibilities of a green economy or environmental entrepreneurship strengthens, based on the natural resources available in Montenegro, as well as the environmental management of existing companies that would increase the level of technological development and application of modern technology through the development of "environmentally friendly technologies".

5.3 Perception of green entrepreneurship by stakeholders

Although green entrepreneurship is not implemented in accordance with the possibilities that exist in Montenegro, the experts noted the extensive understanding for business related to this concept. In addition, professional programs that exist in certain university institutions promote the development of sustainable business⁸⁰.

The government is making efforts to strengthen the competitiveness of domestic economy, particularly in the SME sector, while simultaneously promotes sustainable business. This clearly specifies that concept of green technologies; energy efficiency, renewable energy and waste management will be promoted in order to fulfil the obligations defined by the Constitution-Montenegro as an ecological state.

There is a number of NGOs that are committed to preserving the environment, as well as a number of international organizations which support NGOs in a variety of programs. The individuals have the biggest problem in perception of environmental protection, as well as business operations through a green entrepreneurship.

Insufficient serious understanding, irresponsible behaviour in order to obtain higher profits by reducing all possible costs, especially those relating to the protection of the environment, have

⁸⁰Postgraduate studies, course „Ecological management“, University Donja Gorica



resulted in a large number of examples in Montenegro, which directly threaten the environment without any legal consequences.

The best example of this are numerous illegal dump sites, whose number is growing with incalculable consequences for humans and their environment, with continuous practice that those who should put sanctions on it are not considered being competent.

So the problem is transferred from individuals to the whole society, which again the same problem "returned" to the individual and the problem is constantly growing and constantly circulating.

5.4 Relevant stakeholders to be addressed

According to better and faster implementation of sustainable business standards, it is necessary to provide contribution to all participants in the process. The interest for development of "green entrepreneurship" should exist both for the local and national authorities, and for individual who wants to become an entrepreneur.

Since the administration is expected to facilitate the procedure of starting this type of business and to integrate it institutionally, and to recognize green entrepreneurship as an important future resource development.

The introduction of appropriate policies through legislation and other laws, and the inclusion of green entrepreneurship through the education system and education of future generations about the importance of not only environmental, but also opportunities for successful business in the same lines, would provide a great contribution. By creating of such conditions, great opportunities for further development of entrepreneurship should be developed and the development of the economy as a whole on this basis.

Interest in developing ways of thinking about green entrepreneurship can have large indirect effects on society as a whole, because these types of promotion contributes to the integration processes in Montenegro that are still in progress, and global competitiveness and attractiveness of our country to foreign investments.

The Government (through the Ministry of Economy and the Ministry of Sustainable Development and Tourism) should have the greatest interest in developing green entrepreneurship, primarily due to its importance for a healthy life and business that would protect the environment.



The mentioned ministries should ensure that this type of business comes to life before the introduction of environmentally responsible business in order to enable better implementation of energy efficiency measures, better use of renewable energy sources, minimize and better management of waste, and of course, creating economic benefits. Government's role in this objective is crucial because if the Government notes an interest in this, it will create conditions so that target groups could perceive the same interest and jointly contribute to its better implementation.

Support institutions

The support institutions (primarily non-governmental sector) have a special responsibility. They provide a critical view, and directly affect the development and support to green entrepreneurship (business associations and organizations).

The interest of support institutions should exist in the process of development and implementation, as it should be their vision of existence - to develop and support green entrepreneurship. The way, in which each of them is going to work individually, is defined, but the interest has to exist because of those principles that are respected by the same institutions.

Business sector

The promotion of "green business" requires additional investments. Adjustments are hardly to be expected in the short run by the private sector. Taking into consideration the opportunities that can be of great benefit for the private sector, which are mostly reflected in the most efficient and healthful business and opportunities that such activity provides, the expectations are that the private sector will recognize the importance of "green business" and the creation of future jobs based on green entrepreneurship accepting those principles in the long run.

Universities

Education is the most important role of the universities. From the experts' side (primarily from academics), it is expected that they will be the first to promote the importance of green entrepreneurship and its benefits, following the principles of modern business, current issues and problems, as well as positive European and world practices.

In this sense, the education is of great importance, because it provides influence on the future generations and provides the best contribution that can create effects continuously.



5.5 Recommended activities to be developed

If this type of business is going to be promoted and affirmed in future, it is necessary that activities are coordinated and affiliated between all influential groups. The activities that are proposed for the development of green entrepreneurship are directly or indirectly related to the shown institutions, that could implement the recommended activities through their organizational units in the short or medium term (up to 3 or 5 years).



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Recommended activities to be developed

Competence	Activity
Government: Ministry of Economy Ministry for Sustainable Development and Tourism Ministry of Education and Sports	<ul style="list-style-type: none"> • Analysis of existing legal regulations and making proposals of new one which will include ‘green entrepreneurship’. • Providing information on benefits for starting a business through green entrepreneurship. • Forming a credit line for stimulating entrepreneurs and start up companies for ‘green businesses’. • Programs of stimulating and promotion of green entrepreneurship; • Promotion of ‘green entrepreneurship’ through primary and secondary education and through establishment of special program units in tertiary education for this type of business.
NGO sector	<ul style="list-style-type: none"> • Conduct survey among entrepreneurs and small and medium-sized enterprises on their readiness for ‘greening their businesses’.
Business Centres	<ul style="list-style-type: none"> • Conducting workshops aimed at promotion of possibilities for ‘green entrepreneurship’ development.
Business Associations	<ul style="list-style-type: none"> • Promotion of ‘green entrepreneurship’ in the purpose of further development through round tables, seminars and public conferences; • Transferring good business practice among association members who already do business in accordance with the principles of ‘green entrepreneurship’; • Networking of entrepreneurs with manufacturers of environmentally-friendly equipment and offering training programs.
Consulting Companies	<ul style="list-style-type: none"> • Professional assistance in the process of starting and development of business.



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7 Appendix

GREEN Entrepreneurship

7.1 Successful business cases of Green Entrepreneurs in the Montenegro – 1

Company name: Olivmont doo	
Location: Bar	
Owner: Mirjana Babić	
Contact: +382 067 225 002	
E-mail: olivmont@t-com.me	
Web site: www.olivmont.com	
Description	Production of soap from olive oil. The entire production process is manual and that makes the product unique. The main ingredient is olive oil obtained from the cultivar "žutica" from olive trees in the vicinity of Bar. Production is done in a cold process during which the olive oil, as well as all the other ingredients, retain all the useful elements. Besides olive oil soaps contain palm oil, coconut oil, almond oil and castor oil.
Investment	<ul style="list-style-type: none">• Initial investment of EUR 10,000.00• Partial funding was provided by a loan (EUR 8,000.00) and the remainder from own funds.
Stakeholders	Souvenir shops of organic products, hotels and family members, as well as the founders
Employment generation	Currently one person is employed. Due to business expansion and future plans, hiring of two additional employees is planned.
Timeline	<ul style="list-style-type: none">• The idea was born in 2000 (ever since ancient times, olive oil is used for obtaining soap. Soap obtained in this way (cooking) loses healing properties. In the same year the owner started to think about the production of soap in a different manner, in order to preserve its healing properties. She managed to do that.• From 2000 to 2009 market research and ideas test was carried out.• In 2009 the owner participated in a competition with the project "Production of natural soap from olive oil" in Business Start-up centre in Bar. This project won the second place in competition received preferential conditions and benefits for business development (free opening of the company, affordable credit, affordable work space and technical assistance in perfecting the product). That same year it became a business incubator;• In 2009 and 2010 the company took part in trade fairs (Business Base – Belgrade, Fair ZEPS, and Fair in Budva). In 2010 during the souvenir fair in Becici, the products have been declared the official souvenir of Montenegro. In 2010 the company took part in entrepreneurship participation at the fair in Brussels (Mirjana Babić received an award as one of the best women



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	entrepreneurs in Montenegro);
	<ul style="list-style-type: none"> • In 2011, the business is well organized and it makes progress
Feasibility study	Knowledge of techniques of soaps' production led the owner to the idea that she should make business. The market research was conducted and it gave the conclusion that production should be started, but with small amounts at the very beginning.
Key features	Techniques knowledge of production of soaps led the owners to the idea to test them in that business. A market research was done and it led to the conclusion that the production had to start, but in the beginning with smaller amounts of soaps.
Overall rationale and motivation	<ul style="list-style-type: none"> • Cold-pressed virgin olive oil from olives "žutica" from Bar. • All other oils are squeezed in extra cold conditions. They are made in a cold process so that all the ingredients could retain their qualities. • The natural glycerine remains in the soap. • They are produced by hand in wooden moulds. • They contain high quality essential oils. • Soaps are wrapped in natural materials. • Complete environment protection
Strengths	The goal is to create a unique product not only in Montenegro but also beyond that will be completely natural.
Challenges and constraints	The business is conducted with respect for all ecological requests. The production process is traditional. Products are natural, and therefore unique. However, the product is not completely an organic one. There is no olive oil producer in Montenegro that is certified for organic production while some essential oils that are used in soaps are certified organic products.
Direct activities and impacts	Unfair competition due to insufficient control of production and sales of the product by the competent authorities. Payment problems hamper business. Barriers for exporting small quantities of products.
Use of innovative technologies	Soaps are handmade and contain 70% of cold-squeezed olive oil. Other ingredients are natural base and essential oils. Soaps are made entirely by hand and in that way keep all the natural elements.
Evidence of a holistic approach / world view	The product was perfected and meets all standards. It has licenses and certificates.
Scale of benefits	The turnover in 2010 was 7,000.00 EUR while the turnover in 2011 was 12,000.00 EUR
Policies, incentives and regulations needed	Support from the BSC Bar through technical and advisory services.
Lessons and recommendations	There is a need for more attention entrepreneurship developing through simpler regulation and better access to finance.



GREEN Entrepreneurship

7.2 Successful business cases of Green Entrepreneurs in the Montenegro – 2

Company name: Garmin doo Location: Danilovgrad Executive director: Dejan Brnović Contact: +382 20 815 045 E-mail: garmincg@t-com.me Web site: www.garmin.co.me	
Description	Production of various types of biodegradable bags, mini recycling old bags of which they produce inputs for biodegradable bags, paper packaging, paper bags, thermo foil rolls in dungarees, boutique bags and garbage bags.
Investment	In 2006 the company was founded. Production takes place in a rented space, and initial investments are secured by a loan. In 2008 the company invested in new building and modern equipment. Property and equipment are financed from loans and IRF Mne funds (the value of funds invested was around EUR 2,000,000.00)
Stakeholders	Large retail chains, but also all those who use the bags for the packaging of its products to end customers. Also the NGOs sector who are committed to the proper treatment of all the bags.
Employment generation	In the beginning the company employed 10 workers. By expanding markets the number of workers increased to 25. The company currently employs 46 workers, seven with university degrees, and the rest with a high school diploma.
Timeline	<ul style="list-style-type: none">• Initially, the company was located in rented space in Danilovgrad and distributed its products to MEX trading chain stores;• In 2007 years they started expanding the market and began to cater to other retail chains operating in Montenegro;• In 2008, the regulation of eco-packaging was adopted and the company adjusted its production to bio-degradable bags;• In 2009 the company built its own facility in the municipality of Danilovgrad and purchased equipment for the production of environmental packaging;• In 2010 the company began to deal with a mini recycling bags from which, further, started obtaining inputs for bio-degradable bags.
Feasibility study	The idea of the bag production was created by the current owners realizing that in Montenegro did not exist an organized production of bags and that the market is fully covered by imports.
Key features	<ul style="list-style-type: none">• The production is completely environmentally friendly and sustainable;• Products are in accordance with quality standards;• Bags degrade in one year, also used additives decompose bag within 90 – 120 days;• The company carries out business of recycling used bags;



Study of Green Entrepreneurship Development in Montenegro

- All products are controlled and have a certificate of health and micro-bacterial correctness of the Institute of Public Health and the Center for Environmental Health.

Overall rationale and motivation To create a recognizable brand and promote ecologically sustainable II operations in Montenegro.

Strengths

- The business is conducted with respect to all environmental requirements,
- They create a high quality and market-friendly products,
- The production is unique in Montenegro.

Challenges and constraints

Unfair competition (poor control of production of these and similar bags, gray economy);
Payment problems hamper business;
It is very difficult to access the finances for micro and small enterprises in Montenegro.

Direct activities and impacts

- The relationship with suppliers is good and there is mutual satisfaction,
- The company operates and develops an ethical way of doing business with everyone,
- The products are environmentally friendly, with bio-friendly additives
- Since its establishment until today, the company constantly increased circulation of money.

Use of innovative technologies

For the production of biodegradable bags modern equipment is used. Machines that are used are highly productive and economical. Manufacture, agriculture is mostly automated.
The main ingredient mixture used for the manufacture of bags is an additive that is added to the decomposition bags. Additives are procured from Canada by the company "EPI", one of the leaders in the world in the production of additives for biodegradation.

Evidence of a holistic approach / world view

The company has HACCP i ISO 9001 certificates.

Scale of benefits

The turnover in 2010 was 1,000,000 EUR
The turnover in 2011 was 1,500,000 EUR

Policies, incentives and regulations needed

Support policies are reflected in specific incentives for the production of bio-degradable products by government and relevant institutions in the field of entrepreneurship development. The state could invest more in the promotion of micro and small businesses. It also should promote more domestic products and thus reduce the import.

Lessons and recommendations

The company faces a difficult charge. Credit institutions must increase and support micro, small and medium enterprises which have the potential for a healthy business.



GREEN Entrepreneurship

7.3 Successful business cases of Green Entrepreneurs in the Montenegro – 3

Company name: Flores doo	
Location: Mojkovac	
Owner: Veselin Vučinić	
Contact: 067 225 002	
E-mail: flores@t-com.me	
Description	Manufacture of essential oils, herbs and tea filter. Production is authentic and completely natural. Brand products are from Montenegro, and apart from the domestic market are distributed in neighbouring countries.
Investment	<ul style="list-style-type: none">• The initial capital of 5,000 EUR - purchase of equipment,• 100% of its investments,• Additional investments provided by the loan funds (formerly Development fund and Employment Agency of Montenegro)• Family business.
Stakeholders	Target groups that benefit most from this business are families, users of herbal teas, sellers, collectors of plant material, conservationists and promoters of healthy foods.
Employment generation	The company currently employs six workers. 3 in production process, 2 in distribution and 1 in administration.
Timeline	<ul style="list-style-type: none">• In 1992 the company was founded. It started with the essential oil production. That same year, begins with the export through dealers;• In 1995 year began with the purchase of medicinal plants and their processing into finished product;• In 1999 years begins with the production of filter teas;• Today the company produces 36 types of filter teas, 10 types of herbs and 10 kinds of essential oils.
Feasibility study	The market is covered by imports. Domestic production, completely environmentally friendly, represents a new market of essential oils and herbal teas. The founder saw an opportunity and, on this basis, developed the business.
Key features	The production is completely environmentally friendly, sustainable and authentic. Product quality is proven. The production is innovative and reflects the combination of traditional methods and natural materials and modern technology.
Overall rationale and motivation	To create a recognizable brand and promote environmental business in Montenegro.
Strengths	Production of environmentally sound products from Montenegro, with proven quality and original origin.
Challenges and constraints	<ul style="list-style-type: none">• Unfair competition from import markets;• Problems with charging makes the process difficult, to the extent that threatens its existence• Very difficult access to finance.
Direct activities and	With all the vendors there is a long-standing trust. The company respects and develops an



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impacts	ethical manner of business with everyone. All products are 100% organic. For the quality they received numerous awards. By 2006 the business was constantly growing. Since 2006 due to the late payments and interstate barriers (difficulty in exporting to Serbia) the business stopped its growth. The growth rate until 2006 was 15-20% per year. Since 2006 there was a decline of 15-20% annually.
Use of innovative technologies	The production process is completely environmentally friendly. The equipment used includes: <ul style="list-style-type: none">• Mini-drying;• Mill for the preparation of medicinal herbs;• Distillery;• Packer;• Packer of tea;• Machines for cellophaning
Evidence of a holistic approach / world view	The production of healthy food by HACCP quality standards
Scale of benefits	270,000 EUR – annual turnover in 2006 130,000 EUR - annual turnover in 2010
Policies, incentives and regulations needed	There are specific, symbolic, support from the Ministry of Agriculture, Forestry and Water Management in the form of cheaper funds for the purchase of equipment and tools.
Lessons and recommendations	Better treatment of micro and small entrepreneurs. Better support from the state, or at least, a little better protection. Support may relate to training or experts help to increase efficiency and marketing



GREEN Entrepreneurship

7.4 Successful business cases of Green Entrepreneurs in the Montenegro – 4

Company name: **Winsol doo**

Location: Podgorica

Executive director: Jagoš Bajić

Contact: +382 069 016 445

E-mail: info@winsolco.com

Web site: www.winsolco.me

Description The main activities of the company are design, installation, servicing and maintenance of renewable energy sources. (Small wind generators, high-power, solar systems for electricity generation, solar water heating systems and additional systems based on biomass for heating buildings, solar lighting systems, LED lighting and electric bicycles). In Montenegro, the products are assembled while production is done in other countries.

Investment In 2010 the initial investment amounted to € 300,000.00. Certain quantities of components for the aforementioned systems were purchased; staff training and performing at fairs in Montenegro and in the region were organized.

Stakeholders Family business, users of solar systems and other systems that generate energy from renewable sources.

Employment generation At the beginning of operation - 3 employees. In 2011, increased the number of employees and now there are 8 employees
Qualification structure of employees - 6 engineers, a designer, a skilled worker.
All workers are admitted on a permanent basis in accordance with labor law

Timeline

- In 2009 was created the idea of a company;
- The idea was born due to frequent residence in Germany and introduction of renewable energy sources as well as by watching trends in Europe;
- In 2010 the company was founded;
- In 2011 started export activities;
- In 2011 years, the company opened offices in Belgrade (Serbia) and Athens (Greece).

Feasibility study Considering the growing importance of renewable energy sources, there is an idea to promote systems that generate energy directly from this. The owner initially only dealt with the import of technologies and their execution, and recently began with the production (not in Montenegro, but there are plans for it).

Key features

- Renewable energy sources;
- All products offered are 100% environment friendly and energy saving;
- Contribute to reducing CO2 gas emissions and thus protect the environment.



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Overall rationale and motivation	To create a recognizable brand and promote environmental and sustainable business in Montenegro.
Strengths	<ul style="list-style-type: none"> • Business is conducted in compliance with all environmental requirements; • There is no any adverse impact on the environment and health.
Challenges and constraints	<ul style="list-style-type: none"> • Lack of awareness about renewable energy; • The problems of financing projects (renewable energy) by the banks as they do not realize the importance of renewable energy and cost savings for LED lighting for overall social development; • Not enough understanding of municipal and state authorities to the importance of using renewable energy sources; • High input costs, which are long-term cost-effective.
Direct activities and impacts	<ul style="list-style-type: none"> • Relationship with suppliers is good and there is a mutual satisfaction. • From its establishment until today, the company constantly increased traffic • Export activities (Serbia, Bosnia and Herzegovina, Croatia, Slovenia, and Macedonia).
Use of innovative technologies	For every product high technical achievements are used. The company is trying to keep up with global trends when it comes to these products. Currently most products are imported from the markets of Germany, a part of them (ie. electric bikes) are assembled in Podgorica. The company plans to build a building of 900 m2 which is planned to organize the production of certain components.
Evidence of a holistic approach / world view	The company has all the certificates for designing and installing solar systems issued by authorized institutions in Germany (and thus fulfilled all the EU standards in the design and construction)
Scale of benefits	<p>Turnover in the first year of business was at a level of € 200,000.0</p> <p>Traffic made in 2011 amounted to € 2,000,000.00</p> <p>The traffic is constantly growing.</p>
Policies, incentives and regulations needed	The incentives for this type of business are very low. It is necessary to make further efforts and recognize the importance and application of products that contribute to saving and preserving the environment and allow some forms of incentives.
Lessons and recommendations	Application of renewable energy is gaining more importance in the world. It is necessary to create a good environment and infrastructure in our country to adopt and apply the current technology in this field and thus contribute to environmental protection.



GREEN Entrepreneurship

7.5 Successful business cases of Green Entrepreneurs in the Montenegro – 5

<p>Company name: Frutiera doo Location: Podgorica Owner: Radojka Ražnatović Contact: +382 69 596 339, +382 20 643 500 E-mail: frutiera@t-com.me Web site: www.frut.me</p>	
Description	Production of natural fruit bread and cakes on the basis of wheat flour and dried fruit.
Investment	<p>Production started with minimal investment and using the available equipment in the household</p> <p>With the increase of production also the investments increased.</p>
Stakeholders	Knowing the fact that it's a family business- all family members as well as the clients.
Employment generation	In the beginning the company employed two workers. Current number of employees is five. They all possess a middle school diploma
Timeline	<ul style="list-style-type: none"> • 2008 – The idea of producing fruit bread; • 2008 – Market Research; • 2009 – The company is registered; • 2010 - The company is registered as Frutiera Ltd.; • In 2011 – The company started considering possibilities for export (Russian market).
Feasibility study	Immediately after the emergence of ideas, the owner exercised feasibility testing of its implementation. During the 4 years of testing it was recognized that it was possible to start production activities based on customer reactions on first products. The product is an innovative, all-natural and can be included in a group of healthy food.
Key features	<ul style="list-style-type: none"> • Natural organic raw materials from the area of Montenegro (flour, dried fruit); • Manual production; • Dried fruit that maintains the nutritional value.
Overall rationale and motivation	To create a recognizable brand and promote environmental and sustainable business in Montenegro.
Strengths	<ul style="list-style-type: none"> • The business is conducted in compliance with all eco requirements ; • High-quality products; • Unique products.
Challenges and constraints	<ul style="list-style-type: none"> • Relationship with the smaller domestic producers; • Problems with payment collection; • Barriers to export small quantities of products; • Very difficult access to finance for micro and small enterprises in Montenegro.



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Direct activities and impacts

- The relationship with suppliers is sufficient and there is a mutual satisfaction;
- The company respects and develops an ethical manner of business with everyone;
- All products are 100% organic;
- Turnover from year to year increases.

Use of innovative technologies

Production takes place in the traditional way which contributes to the quality of the product and makes them unique. The product range includes: Fruit bread, buckwheat bread, Fugača, Londoner, Fružita, buckwheat biscuits

Evidence of a holistic approach / world view

The product is refined and meets all standards. Quality control is conducted by the Institute of Public Health of Montenegro.

Scale of benefits

The turnover from year to year increases. Turnover in 2011 amounted to 50,000.00 EUR.

Policies, incentives and regulations needed

The producer believes that there should be subsidies and incentives for this type of production (Green Entrepreneurship). The government also could invest more in the promotion of micro and small businesses. It should also promote more domestic products.

Lessons and recommendations

It is necessary to pay more attention to small and local producers and find ways to stimulate, support and constantly monitor and listen to small business and market trends. Joint dialogue to reach a satisfactory solution is needed.



GREEN Entrepreneurship

7.6 Successful business cases of Green Entrepreneurs in the Montenegro – 5

Company name: Vila Jelka doo Location: Kolašin Owner: Darko Bulatović Contact: 020 860 150 E-mail: vilajelka@t-com.me Web site: www.vilajelka.co.me	
Description	Eco-tourism through the full board accommodation, with other service and rafting on Tara.
Investment	Investment costs are 80% financed by the company, 20% are borrowed - the loan.
Stakeholders	Family (since it is a family business), tourists (domestic and foreign) and nature lovers.
Employment generation	Ever since 1992, until now, were constantly employed 3 workers (family members). However, given that the business is seasonal, they employ a number of seasonal workers, depending on needs.
Timeline	In the mid eighties, there is the idea of creating an eco-camp. The realization of the idea began in 1992. When the current owner dropped his job in a state company he decided to engage in private business.
Feasibility study	Family Bulatović dealt with the small production of food in the past, and, after identifying the possibility of the creation of an eco camp, along with an existing food production, it was decided to embark on the implementation of the envisaged activities.
Key features	<ul style="list-style-type: none">• Eco camp from all natural materials, modern equipment;• Professional services;• Domestic food;• Natural beauty of area.
Overall rationale and motivation	Creating a unique eco-place, which will be recognized in Kolašin and Bjelasica?
Strengths	<ul style="list-style-type: none">• Business in accordance with the principles of sustainable development and environmental protection;• Tradition;• A unique offer in the territory of Kolasin and Bjelasica.
Challenges and constraints	<ul style="list-style-type: none">• Seasonal operations;• Limited resources.
Direct activities and impacts	<ul style="list-style-type: none">• Excellent relations with tourists so far. Many of them have returned for many years;



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- A high percentage of foreign tourists - over 80% from all countries of the world;

Use of innovative technologies	The facility is equipped with environmentally friendly equipment, in a way that allows more rational use of energy without harmful effects on the environment.
Evidence of a holistic approach / world view	Regular supervision by competent authorities in order to protect the tourists is held, as well as compliance with applicable legal documents. So far they have not implemented any standards, but there are plans to soon introduce quality standards.
Scale of benefits	Business has been positive in recent years. Annual turnover ranged from 40,000 to 60,000 EUR.
Policies, incentives and regulations needed	The owner believes that the key problem for the further development of his operations is the lack of government assistance in obtaining a favourable loan funds in order to maintain levels of service quality accommodations. The current conditions are not favourable for this type of business knowing that it is a seasonal business.
Lessons and recommendations	The investor is actively working on the eco-camp training in Bjelasica and believes that more money could be invested in roads and other forms of infrastructure in order to develop business faster.

