

Social entrepreneurship:

a potential for improving socioeconomic conditions in Montenegro



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Summary

Social or societal entrepreneurship represents a combination of entrepreneurial activities aimed at addressing social issues. While its principles have been present for centuries through philanthropy, the modern model of social entrepreneurship emerged around 1980.

Considering how social enterprises contribute to communities in the European Union, where they employ over 13.6 million people, accounting for 10% of all enterprises, the question arises: how can this potential be developed in Montenegro to address key social challenges, such as unemployment and sustainable development?

In Montenegro, social entrepreneurship has been recognized in various strategic documents for over a decade. There have been attempts to pass a specific *Law on Social Enterprises* that would comprehensively regulate this area, but such legislation has yet to be passed. Due to this legal gap, the entire sector lacks formal support, significantly hindering its growth and institutionalisation, as well as its impact on positive changes.

In Montenegro, the topic of social enterprises is primarily addressed by non-governmental organizations. Numerous projects and initiatives, such as the *Social Impact Award*, are designed to support the development of social entrepreneurship, especially among youth. However, the lack of an adequate legal framework and systemic support from institutions remains a serious obstacle to the further development of this sector. As a result, most social enterprises operate as non-governmental organizations and fail to become independent market entities.

In the context of high youth unemployment and regional inequalities, social entrepreneurship in Montenegro represents a valuable resource that can offer solutions and contribute to economic and social development. To strengthen social entrepreneurship in the country, it is essential to adopt a *Law on Social Entrepreneurship*, ensure a strategic approach by decision-makers, provide financial support to enhance the capacities of new social enterprises, and conduct comprehensive annual statistics on this type of business activity.

Table of Contents

01	Introduction	6
02	On social entrepreneurship	8
03	The Role of Social Enterprises in the Development of Social and Circular Economy	12
04	Social entrepreneurship in European Union	14
05	Social entrepreneurship in Montenegro	16
	Social entrepreneurship as a Response to Social Problems	16
	Social enterprises in Montenegro	18
	Challenges	22
	Timeline of adopted Strategic Documents that recognize Social Entrepreneurship	23
06	Concluding remarks and recommendations	26
07	Literature	28

Introduction

Social or societal entrepreneurship, as a relatively new concept in Montenegro, is becoming an increasingly important element in the idea of economic and social development.

Although scholars exploring this field often point out that defining social entrepreneurship is a challenging task,¹ the simplest explanation is that *social entrepreneurship is a form of entrepreneurship that combines profit generation with achieving positive social and environmental changes.*

Social entrepreneurship is gaining increasing significance and is recognized as one of the “jobs of the future.” However, despite the growing importance of this concept and its practice worldwide, it should be noted that its prevalence varies both within and between different regions.²

In the European Union, social entrepreneurship is an integral part of the concept of social, green, and circular economies, which aim for sustainable



Social entrepreneurship is gaining increasing significance and is recognized as one of the “jobs of the future.” However, despite the growing importance of this concept and its practice worldwide, it should be noted that its prevalence varies both within and between different regions.

1 Martin, Roger L., and Sally Osberg. “Social Entrepreneurship: The Case for Definition.” *Stanford Social Innovation Review* 5, no. 2 (2007).

2 United Nations. *Executive Summary of the World Youth Report: Youth Social Entrepreneurship and the 2030 Agenda*. n.d. <https://www.un.org/development/desa/youth/wp-content/uploads/sites/21/2020/05/WYR-2020-Executive-Summary-REV.pdf>.

development and greater social inclusion of citizens. On the other hand, in Montenegro, this remains an underutilised potential.

This study aims to explore the current state of social entrepreneurship in Montenegro and compare it with relevant practices from the European Union. Through the analysis of relevant documents and case studies, the study identifies key success factors and the challenges faced by social enterprises. It also highlights the role of social entrepreneurship in reducing youth unemployment, examining how promoting this concept as an attractive career option can create better socio-economic conditions for young people. In this way, social entrepreneurship could become one of the key drivers of economic growth and social development in the country. Finally, the study provides recommendations for institutions, entrepreneurs, and employers aimed at improving the conditions for the development of social entrepreneurship in Montenegro.

The first section explains the basic definitions of social entrepreneurship, the social economy, and the circular economy. The second section is dedicated to good practices from European countries that could serve as inspiration for developing this concept in Montenegro. The third, and central part of the study, focuses on the current state of social entrepreneurship in the Montenegrin economy. It presents successful examples and analyses business models that have proven effective. Additionally, it discusses the challenges faced by social enterprises in the country and potential obstacles to their further development. The study concludes with a set of recommendations for relevant stakeholders who can create change in this field.

On social entrepreneurship

In modern society, traditional business models face serious challenges, and an ethical approach to business is becoming increasingly significant. Numerous brands, companies, and organisations have been subject to boycotts when information about their practices, which negatively impact the environment or involve outsourcing to countries with poorly regulated working conditions and low wages, became public. For example, *Nike* has been criticised for using factories in countries like Vietnam, where workers are subjected to inhumane conditions and minimal wages. Such criticisms have highlighted the need for ethical business practices and popularised models that prioritise social missions.

Moreover, the growing problems arising from global warming and climate change compel international organisations and governments worldwide to develop strategies, action plans, and other documents committing to reducing the negative impact of individuals and companies on the environment in the future. Among the most significant measures are reducing carbon dioxide emissions and other greenhouse gases through a transition to renewable energy sources, such as solar and wind energy, as well as promoting energy efficiency. Additionally, improving waste management is one of the key measures, considering that inadequate waste disposal significantly contributes to land, air, and water pollution. In this context, one of the drastic examples is the so-called “*Great Pacific Garbage Patch*,” the largest oceanic zone of accumulated waste in the world, which is estimated to be the size of three times the size of France.

At the same time, the trend of strengthening the negative image of capitalism compels an increasing number of large companies and corporations, which have an interest in preserving or enhancing their image among target groups, to attempt to present their work and/or their products as socially beneficial, with social entrepreneurship emerging as a response. Consequently, they employ various methods and techniques of corporate social responsibility and/or public relations.³

3 Nenezic, B. and Kalezic M. *Studija o socijalnom preduzetnistvu u Crnoj Gori*. Juventas, 2016. https://juventas.me/wp-content/uploads/2020/03/SPEED-UP_-Studija-o-socijalnom-preduzetni%C5%A1tvu.pdf.

The concept of social entrepreneurship is believed to have emerged in 1980 when the term was used by *Bill Drayton*, the founder and CEO of *Ashoka*⁴, which nowadays helps the most prominent social entrepreneurs globally, analyses patterns of their innovations, and brings together the global community.⁵

However, the principles of social entrepreneurship have guided philanthropic activities for centuries.⁶ For example, philanthropic activities from the period of the Industrial Revolution, such as those carried out by figures like *Andrew Carnegie*, are cited as precursors to modern social entrepreneurship because they were aimed at addressing social issues.

Furthermore, social entrepreneurship is described as a complex, multidimensional construct⁷, recognizing opportunities to create social value in morally complex situations, and making key decisions through innovation, proactivity, and a willingness to take risks.

Social enterprises can take on various legal forms, including private limited liability companies, cooperatives, voluntary associations, foundations, or charitable foundations, among others.⁸ Despite their differences, they share several common characteristics:

- Their primary motivation for commercial activities is to contribute to social or environmental goals, particularly for the benefit of the local community.

4 Thorpe, Devin. "Father of Social Entrepreneurship Says 'Society Is at a Profound Turning Point'." *Forbes*, September 13, 2019. <https://www.forbes.com/sites/devinthorpe/2019/09/13/father-of-social-entrepreneurship-says-society-is-at-a-profound-turning-point/>.

5 Ashoka. *About*. n.d. <https://www.ashoka.org/en-us/about-ashoka>.

6 United Nations. *World Youth Report 2020: Youth Social Entrepreneurship and the 2030 Agenda*. United Nations, 2020. <https://doi.org/10.18356/248b499b-en>.

7 Sullivan Mort, Gillian Maree, Jay Weerawardena, and Kashonia Carnegie. "Social Entrepreneurship: Towards Conceptualisation." *International Journal of Nonprofit and Voluntary Sector Marketing* 8, no. 1 (February 2006): 76–88. <https://doi.org/10.1002/nvsm.202>.

8 Baker, Paul, Marta Kulesza, and Robert Pollock. *Social Economy and Social Enterprises: Observations from International Experience*. START technical assistance activities from the European Commission's Initiative for Coal Regions in Transition, October 2023.

- People take precedence over profit, and most of their income is used to achieve social or environmental objectives, either by reinvesting in their business or by supporting other social enterprises and initiatives that have a positive impact on the local community or beyond.
- They apply business organisation and/or ownership methods based on democratic or participatory principles, or they focus on social justice.

The OECD describes social entrepreneurship as entrepreneurship whose primary goal is to address pressing social challenges and meet social needs in an innovative way, serving the public interest and the common good, driving the community forward.

To illustrate the diversity and reach of social enterprises around the world, it is useful to look at concrete examples that demonstrate how these business models operate in practice. Their initiatives are often targeted at vulnerable groups for whom some standard services are difficult to access.

For instance, the Indian company *Sevamob* uses artificial intelligence for rapid diagnostics and telehealth. In this way, it provides affordable primary healthcare in underdeveloped areas by offering quick diagnostic services and healthcare, thereby reducing healthcare costs by up to 50%.⁹

Others address agriculture, such as the software company *Farmerline* from Ghana, which provides information on weather forecasts, market prices, and new agricultural techniques through SMS and voice messages, reaching over 200,000 farmers across five countries.¹⁰

These are just some of the numerous examples of various enterprises that operate and address local issues in different areas. These areas be found in all the sectors mentioned in the 2010 Canadian Social Enterprise Guide:

- *addressing environmental issues*: social enterprises engaged in recycling, education, ecotourism, and car-sharing services offer effective models for tackling key environmental challenges;

⁹ Sevamob. *About Us*. 2024. <https://www.sevamob.com/gaon/about-us.jsp>.

¹⁰ Farmerline. *About Farmerline*. 2024. <https://farmerline.co/>.

- *encouraging economic revitalization*: in certain communities, especially those affected by poverty, social entrepreneurship is an important factor for economic diversification and development;
- *poverty reduction*: social enterprises fight poverty by providing training, skills, resources, and opportunities for decent wages, building affordable housing, and offering support to help low-income individuals achieve lasting financial independence;
- *providing healthcare*: accessible and affordable healthcare is essential in rural areas and for immigrants, low-income families, and the elderly;
- *immigrant integration*: immigrants are part of many communities, and social enterprises assist in their integration;
- *providing services and products to marginalised groups*: social enterprises are effective in meeting the basic needs of the most vulnerable parts of the community;
- *developing social and cultural capital*: social and cultural capital are essential elements of thriving communities, and many social enterprises directly address these needs.¹¹

11 Enterprising Non-Profits. *The Canadian Social Enterprise Guide*. 2010. <https://ceric.ca/wp-content/uploads/2022/03/the-Canadian-Social-Enterprise-Guide-1.pdf>.

The Role of Social Enterprises in the Development of Social and Circular Economy

Social enterprises are an integral part of the concept of the social economy. This is an economy not driven solely by profit but founded on social values and sustainable development.

The European Commission defines the social economy as an economy that encompasses entities sharing common principles and characteristics, including:

- prioritising people, as well as social and environmental goals, over profit;
- reinvesting most profits and surpluses into activities that serve the interests of members/users (“collective interest”) or society as a whole (“general interest”);
- operating on principles of democratic and/or participatory governance.¹²

Some authors add that the social economy refers to business activities that, while aiming for economic sustainability, also have a strong social or environmental mission. Social enterprises typically provide goods and services to their members or the community while promoting broader social interests.¹³

12 European Commission. *Social Economy Definitions and Glossary*. n.d. Social Economy Gateway, https://social-economy-gateway.ec.europa.eu/about-social-economy/social-economy-definitions-and-glossary_en.

13 Baker, Paul, Marta Kulesza, and Robert Pollock. *Social Economy and Social Enterprises: Observations from International Experience*. START technical assistance activities from the European Commission’s Initiative for Coal Regions in Transition, October 2023.

In addition to the social economy, the term *circular economy* is often used in the context of social enterprises. This refers to an economic system that seeks to minimise resource use, waste production, emissions, and energy consumption by slowing, closing, and narrowing material and energy loops. This is achieved through strategies that design products and services for longevity, regular maintenance, repair, reuse, refurbishment, recycling, and remanufacturing. These practices create sustainable cycles that reduce environmental impact and maximise resource efficiency.¹⁴

Social enterprises, as an integral part of innovative and sustainable economic systems, contribute to the achievement of the goals of the social and circular economies. They also create new jobs and enable non-profit organisations to sustain the services they provide. In summary, social enterprises offer an alternative that not only generates economic profit but also contributes to social development and sustainability.

Many young people recognize the value of this model and are increasingly seeking opportunities that involve not only financial profit but also a positive impact on the community. Social entrepreneurship, therefore, fits within the broader framework of corporate social responsibility while also addressing the needs and aspirations of a new generation that seeks change.

14 Zero Waste Montenegro. *O Nama*. n.d. <https://zerowastemontenegro.me/cirkularna-ekonomija/>.

Social entrepreneurship in European Union

In the EU, social entrepreneurship plays a key role in economic and social life, with approximately 2.8 million social enterprises employing around 13.6 million people, which accounts for about 6% of the total workforce.¹⁵

Although most of these are micro, small, and medium-sized enterprises, some have achieved international success, such as the *Spanish Mondragon Group*, which is the seventh-largest industrial group in the country, and the Italian *CGM Group*, which employs 40,000 workers.

The target groups of social enterprises in the EU are diverse:

- 65.9% focus on specific vulnerable groups,
- 61.6% address broader social needs,
- 27.3% collaborate with non-governmental organisations,
- 8.4% focus on ecological aspects (specifically plants),
- 8.1% relate to abiotic groups (non-living environmental factors),
- 7.8% engage with animals,
- 3.5% focus on other users.¹⁶

Social enterprises in European countries operate in various legal forms, including

¹⁵ European Commission. *Social Economy Definitions and Glossary*. n.d. Social Economy Gateway. https://social-economy-gateway.ec.europa.eu/about-social-economy/social-economy-definitions-and-glossary_en.

¹⁶ Duplain, W., K. Scharpe, T. Gazeley, T. Bennett, J. Mair, M. Raith, and N. Bosma. *The State of Social Enterprise in Europe - European Social Enterprise Monitor 2021-2022*. Euclid Network, 2022.

associations (Austria, Croatia, Estonia, France, Portugal, Switzerland), limited liability companies (Austria, Denmark, France, Italy, Latvia), cooperatives (Croatia, Hungary, Poland, Turkey), and foundations (Bulgaria, Estonia, Poland). Additionally, there are innovative start-up companies with a social mission (Italy) and registered social entrepreneurial companies (Denmark).¹⁷

Research conducted within the European Social Enterprise Monitor indicates that 65% of the surveyed sample believes that social enterprises should have their own legal status, which currently does not exist in most of the analysed countries.

The rise of this concept in the EU is the result of investments and policy direction toward this area. Since 1990, there has been a Group for Social Entrepreneurship in the European Parliament that contributes to the development of policies aimed at supporting this sector. The EU continuously develops a favourable strategic and legislative framework for social entrepreneurship with a focus on innovation and sustainable economy. Social entrepreneurship is recognized as a priority area in the EU and is supported through the European Social Fund (ESF). This is complemented by support from the European Commission through the Program for Social Change and Innovation. Additionally, the European Commission has an Expert Group on Social Economy and Social Enterprises (GECES), which advises the Commission on public policies affecting social enterprises.

The EU also financially supports the *European Social Enterprise Monitor (ESEM)*, established in 2020 with the aim of collecting data on social enterprises across the EU and its neighbouring regions, as well as informing decision-makers in governments, civil society, and the economy.

Additionally, organisations such as ENSIE (*European Network of Social Integration Enterprises*) and CECOP (*European Confederation of Industrial and Service Cooperatives*) play a crucial role in networking social enterprises and promoting their contributions to inclusion, employment, and economic growth.

All of this suggests that social entrepreneurship in the EU is a significant factor in economic development and social cohesion, with its further growth depending on political and strategic support to enhance the capacity of these enterprises to address social challenges.

¹⁷ *Ibidem*.

Social entrepreneurship in Montenegro

This part focuses on the current state, potential, challenges and legal status of social enterprises in Montenegro.

Social entrepreneurship as a Response to Social Problems

Social entrepreneurship, although increasingly popular among young people, is still an underdeveloped concept in Montenegro, influenced by a lack of institutional support and a legal framework.

Therefore, it is important to highlight not only the opportunities that social entrepreneurship offers but also the significant role it can play in addressing numerous challenges and its subsequent contribution to the sustainable development of Montenegro. By strengthening social entrepreneurship, concrete and long-term benefits can be achieved for society, ranging from economic inclusion and responses to high youth unemployment and marginalised groups to addressing structural socio-economic issues and regional inequalities, as well as fostering greater social solidarity.

Many reports confirm the vulnerability of the Montenegrin economy due to its excessive reliance on single sector tourism. The European Commission's report on Montenegro for 2023 states that the labour market situation has improved, but structural problems persist, such as significant regional and gender disparities, the shadow economy, and high youth unemployment rates, as well as long-term unemployment.¹⁸

Data from Monstat indicate that the unemployment rate in 2022 was 3.6% in coastal municipalities, while it was 11.6% and 34.1% in the central and northern parts of the country,

18 European Commission. *Montenegro Report 2023*. https://neighbourhood-enlargement.ec.europa.eu/montenegro-report-2023_en

respectively. Monstat statistics¹⁹ also indicate that young people are the group at the highest risk of falling into poverty. Additionally, in 2022, 23.2% of young individuals aged 14 to 29 belonged to the NEET group.²⁰

Public opinion surveys in Montenegro consistently show that the majority of the population views socio-economic issues and unemployment as the most significant problems in the country, even though decision-makers do not prioritise these issues in the same way.²¹ Concerns are also prevalent among young people - 43.9% of youth indicate that unemployment is the biggest or most pressing problem in the country, while 42.1% view the rising number of people living in poverty as the greatest issue.²² As a result, a significant number of young people (37.9%) express a desire to leave Montenegro.²³ These data highlight the need for adequate addressing of socioeconomic challenges and the strengthening of Montenegro as a sustainable community where its youth want to build their future.²⁴

Numerous indicators suggest that social entrepreneurship has the potential to be a significant factor in the Montenegrin economy. Specifically, social enterprises are generally smaller in scale, which complements the economic structure of Montenegro. In

19 Monstat. *Statistički godišnjak 2023*. 2023. Monstat.

20 NEET - not in employment, education or training

21 Centre for Civic Education (CCE/CGO), *MNE Pulse warns of politicians' alienation from basis and bad trends*, 2021. <https://cgo-cce.org/en/2021/10/25/mne-pulse-warns-of-politicians-of-alienation-from-basis-and-bad-trends/>

22 Mirković, Nikola., Obradović, Nikola., Četković, Željka., Đukanović, Petar. *Young people between marginalization, radicalization, and potential*, Centre for Civic Education (CCE/CGO). 2023. <https://cgo-cce.org/en/2023/08/28/young-people-between-marginalization-radicalization-and-potential/>

23 *Ibidem*

24 Ostojić, V. "In Terms of Living Conditions, How Far Is Montenegro from the EU? A Look at Poverty, Wages and Unemployment." *European Western Balkans*, September 25, 2024. <https://europeanwesternbalkans.com/2024/09/25/in-terms-of-living-conditions-how-far-is-montenegro-from-the-eu-a-look-at-poverty-wages-and-unemployment/>.

2023, micro-enterprises accounted for 93% of all businesses in the country.²⁵

Considering that social enterprises employ marginalised groups and provide valuable services to society, this potential can also address the problem of social exclusion that Montenegro faces. According to official data for 2023, the rate of the population living at risk of poverty or social exclusion is 31%, meaning nearly one in three residents.²⁶

This category includes individuals with disabilities, people over the age of 50, young people with low educational qualifications, young mothers with children, workers from rural areas, as well as marginalised groups such as former prisoners, the homeless, migrants, and low-income workers,²⁷ which are connected by their limited opportunities for employment in the labour market.

In this regard, social enterprises can complement the work of other actors, starting with institutions involved in social work and employment, in addressing the problem of social exclusion for these groups. Their contribution can include providing essential services (e.g., social protection, education, water, and electricity) and creating additional employment opportunities. The development of social enterprises in Montenegro would thus ensure that the interests of various social groups are addressed, contributing to the overall democratisation of the system.

Social enterprises in Montenegro

Nowadays, social enterprises in Montenegro operate as associations, cooperatives, limited liability companies, and “protective workshops”²⁸. A small number of non-gov-

25 Chamber of Commerce of Montenegro. *Analysis of Montenegro's Economy in 2023*. <https://komora.me/wp-content/uploads/2023/12/cg-privreda-2023-3.pdf>.

26 Monstat. *Survey on Income and Living Conditions. (EU-SILC)*. 2024.

27 Borzaga, Carlo, Gianluca Galera, and Rafael Nogales, eds. *Social Enterprise: A New Model for Poverty Reduction and Employment Generation*. United Nations Development Programme (UNDP) and EMES European Research Network, 2008.

28 The Law on Professional Rehabilitation and Employment of Persons with Disabilities ("Official Gazette of Montenegro," No. 49/2008, 73/2010, 39/2011, and 55/2016) defines a protective workshop as a special type of organization that employs persons with disabilities, with at least 51% of employees being persons with disabilities out of the total number of employees.

ernmental organisations are working to position the issue of social enterprises on the public agenda, such as the Center for the Development of Non-Governmental Organisations (CRNVO), the Center for Youth Education (COE), and the Union of Young Entrepreneurs of Montenegro (UMPCG).

Among recent projects in this field, the *Social Impact Award (SIA)* stands out as the largest European support program for youth social entrepreneurship. It was launched in 2009 by *Impact Hub Vienna*, in partnership with the *ERSTE Foundation* and the *Vienna University of Economics and Business*,²⁹ and which Center for Youth Education has been implemented in Montenegro since 2022. The program focuses on creating equal opportunities for all young people in the country. In 2022, it hosted more than 40 different trainings and workshops across 15 municipalities, engaging over 1,000 young people and 50 experts from various fields, resulting in 33 entrepreneurial ideas.³⁰ This project successfully fostered examples of social entrepreneurship, such as *Igraj.me* and *Komunumo*, which became finalists for the Social Impact Award that year.

In Montenegro, there is no “registry” of social enterprises, while the Map on social enterprises³¹ recognized some in Montenegro:

- **Sejak.me** - Montenegrin Digital Village, whose mission is to facilitate connections between farmers as well as with end consumers. The goal is to support farmers, enhance the sale of local products, and contribute to the health and quality of life of all members of society;
- **Igraj.me** - A social enterprise led by a team of young female entrepreneurs from Pljevlja. They focus on producing educational board games that promote the history and culture of Montenegro, adapted for both Montenegrin and English languages and suitable for various age groups. Their goal is to encourage learning in an enjoyable way, contributing to the preservation of cultural heritage and raising awareness of history among youth and adults;

29 Social Impact Award Montenegro. *About Us*. n.d. <https://montenegro.socialimpactaward.net/>.

30 Government of Montenegro. "Otvorene prijave za SIA program: Prve edukativne radionice za mlade od 27. marta." 2023. <https://www.gov.me/clanak/otvorene-prijave-za-sia-program-prve-edukativne-radionice-za-mlade-od-27-marta>.

31 Map of Social Enterprises. n.d. <https://www.socialenterprisesmap.org/>.

- **OSnovčić** - A mobile application focused on building financial literacy for children, contributing to greater social responsibility. Through fun games, it teaches children financial terms that were previously unfamiliar to them, helping them learn how to manage money more effectively;
- **NGO Bioinformatika** - It focuses on providing educational content in bioinformatics and science for young students, with an emphasis on women in science;
- **Komunumo** - A digital platform addressing the challenges of migration and social inclusion, providing migrants with tools for integration and professional development in their host country. The platform enables language learning through a web application, with the option to assess proficiency levels. Additionally, it offers a migrant database that includes information on education and work experience, aimed at enhancing employment opportunities for migrants;
- **NGO Paradigma** - A non-governmental organisation dedicated to educating the general population about sustainable development, advocating for sustainable practices, and assisting socially disadvantaged families;
- **NGO Srećne šapice** - It focuses on pet care and assists abandoned animals, offering services such as pet sitting, pet transportation, veterinary assistance, grooming salon, and animal education;
- **Our ID card** - Founded in 2009 in Herceg Novi, this organisation specialises in digital printing. It is managed by the NGO *Nova Šansa*, with the aim of employing and training young people with developmental disabilities.

The *NGO Development Strategy in Montenegro 2014 - 2016* identified two social enterprises: the craft cooperative **Rukatnice**, which operated under the NGO SOS from Nikšić, engaged in tailoring and hairdressing, and employed women of Roma nationality; as well as **Nova Šansa** from Herceg Novi, an enterprise focused on the employment of people with disabilities.³²

Social Enterprises Report in Montenegro³³ maps three social enterprises established

³² Government of Montenegro. *Strategy for the Development of NGOs in Montenegro 2014–2016*. 2013. <https://www.gov.me/dokumenta/8b369aa2-5e7b-451b-93ca-8e8dd976f7d7>.

³³ European Commission. *Social enterprises and their ecosystems in Europe. Country fiche: Montenegro*. 2018. Author: Anto Janković. Luxembourg: Publications Office of the European Union.

by the humanitarian organisation Caritas Bar, aimed at providing training and employment for people with disabilities. These enterprises, located in the municipalities of Bar and Berane, include laundry services (**Mondo Bianco**), digital printing (**SCRIPT**), and toy and souvenir production (**MOST**), providing job opportunities and social inclusion for vulnerable groups. The report also mentions the **Zračak Nade** association, which focuses on the inclusion of children with disabilities. They launched a digital printing service in 2012, employing individuals with disabilities, but had to cease this activity due to administrative barriers and a lack of resources. They renewed this service in 2016 when they officially registered the economic activity and began receiving subsidies from the Employment Bureau of Montenegro, generating over €7,500 in revenue in 2017. Additionally, the report highlights the women's cooperative **Crveno zlato**, founded by the NVO Open Center Bona Fide, which focuses on supporting women who are victims of violence and long-term unemployed women in the municipality of Pljevlja. The report estimates that in 2018, there were about 150 social enterprises in Montenegro that were primarily associations with registered economic activities, with around 50 permanently engaged in economic activities, generating an estimated turnover of €200,000 to €250,000.³⁴

From this, it can be concluded that in Montenegro, non-governmental organisations predominantly take on the role of social enterprises by employing marginalised and vulnerable groups and addressing their issues. However, they often lack a key component that would truly make them social enterprises – the ability to provide services or products through which they could generate profit. Instead, most of them are frequently funded through donations. In contrast, certain non-governmental organisations have established their own social enterprises that operate independently, while these non-governmental organisations remain their owners. Another option is for non-governmental organisations to register an economic activity. The Law on Non-governmental Organisations³⁵ allows non-governmental organisations to engage in economic activities provided they register their operations in the Central Register of Business Entities (CRPS), but their economic activity is limited to annual revenues of €4,000 or 20% of the total annual revenue in the previous calendar year.

³⁴ *Ibidem*.

³⁵ Official Gazette of Montenegro, br. 39/11, 37/17. <https://www.paragraf.me/propisi-crnegore/zakon-o-nevladinim-organizacijama.html>.

Challenges

Social entrepreneurship is not legally regulated as such in Montenegro, which further complicates the process of establishing such enterprises.

More than a decade ago, there was an initiative to adopt such a law, but it was not realised. Specifically, a working group was formed in 2012, consisting of representatives from relevant ministries, representative trade unions, employers, and NGOs, to draft the *Law on Social Entrepreneurship*. This group prepared a *Draft Law on Social Entrepreneurship* intended to create a general legal framework for the further development of social entrepreneurship in Montenegro. However, the Ministry of Finance expressed concerns that the proposed regulation was unlikely to yield positive effects in social policy or the broader economic environment, noting that the focus of the measures was not directed toward hard-to-employ groups. Consequently, the initiative was abandoned.³⁶

Therefore, today social enterprises in Montenegro can operate in accordance with the following laws: the Law on Non-Governmental Organisations, the Law on Business Companies, the Law on Professional Rehabilitation and Employment of Persons with Disabilities, and the Law on Cooperatives. Besides NGOs, the most common legal form for social enterprises is a limited liability company, or “LLC.”³⁷

Non-governmental organisations that focus on this area continuously urge relevant institutions to enact a Law on Social Entrepreneurship³⁸, which would facilitate the promotion and development of this concept, making it significantly easier for young people and other interested individuals to develop and implement their ideas in this format.

36 Government of Montenegro. *Opinion of the Ministry of Finance on the Draft Law on Social Entrepreneurship*. 2012. <https://media.gov.me/media/gov/2024/mif/2012/zakoni-2012-95/predlog-zakona-o-socijalnom-preduzetnistvu.pdf>.

37 Government of Montenegro. *Strategy for the Development of Micro, Small, and Medium Enterprises for the Period 2018-2022*. 2018.

38 Vijesti. "Socijalno preduzetništvo u povelju: za svoj džep, ali i društvo u cjelini." *Vijesti*, 2022. <https://www.vijesti.me/vijesti/drustvo/613672/socijalno-preduzetnistvo-u-povelju-za-svoj-dzep-ali-i-drustvo-u-cjelini>.

Timeline of adopted Strategic Documents that recognize Social Entrepreneurship in Montenegro

The **National Employment and Human Resources Strategy (2012–2015)** of the Government of Montenegro highlights the importance of social entrepreneurship as a concept that can contribute to creating new alternative jobs, particularly for members of the most vulnerable population groups. It also notes that social entrepreneurship aids in reducing poverty, serving as an alternative and innovative tool for promoting social inclusion and activating the most vulnerable groups in society.³⁹

The **NGO Development Strategy in Montenegro 2014–2016** mentions the need to develop an informational-educational campaign about social entrepreneurship and emphasises the importance of encouraging NGOs involved in social entrepreneurship to join European networks, such as ENSIE and CECOP. Additionally, it highlights the value of exchanging experiences from the region, especially with countries like Slovenia and Serbia, which have already enacted or are in the process of preparing a legal framework for social entrepreneurship.⁴⁰

Social entrepreneurship is recognized in the **National Strategy for Sustainable Development of Montenegro until 2030** as a key element of social inclusion and economic integration of marginalised groups. It is assessed that, although the private sector shows some positive examples, there remains a need to strengthen its role in achieving sustainability goals, particularly through green entrepreneurship projects and the enhancement of sustainable consumption and production. The strategy calls for the promotion of clean technologies and a circular economy, with social entrepreneurship highlighted as an important factor in these processes.⁴¹

39 Government of Montenegro. *National Employment and Human Resources Development Strategy 2012–2015*. 2012. <https://www.gov.me/clanak/111188--nacionalna-strategija-zaposljavanja-i-razvoja-ljudskih-resursa-2012-2015>.

40 Government of Montenegro. *Strategy for the Development of NGOs in Montenegro 2014–2016*. 2013. <https://www.gov.me/dokumenta/8b369aa2-5e7b-451b-93ca-8e8dd976f7d7>.

41 Government of Montenegro. *National Strategy for Sustainable Development until 2030*. 2016. <https://www.gov.me/clanak/nacionalna-strategija-odrzivog-razvoja-do-2030-godine>.

The Strategy for the Development of Micro, Small, and Medium Enterprises for the period 2018–2022 mentions that social enterprises are an important area for promoting social inclusion, socio-economic development, and poverty reduction. It recognizes that, in Montenegro, there is no dedicated network to support the development of social entrepreneurship, apart from the network of non-governmental organisations. In the process of affirming and encouraging social entrepreneurship, it is necessary to create a strong partnership between the government and non-governmental sectors.⁴²

Social entrepreneurship is also mentioned in the **Strategy for the Development of Women's Entrepreneurship in Montenegro 2021-2024**, prepared by the Ministry of Economic Development in 2021. It emphasises the need to provide support for self-employment and the development of social entrepreneurship for women from vulnerable groups (women with disabilities, older women, Roma women, single mothers, victims of violence, etc.).⁴³

The Strategy for Cooperation between State Administration Bodies and Non-Governmental Organisations 2022-2026 notes that social entrepreneurship and philanthropy are areas where further promotion of the potential of functional, proven models of operation is needed - not only in terms of their importance for the sustainability of non-governmental organisations but also for the overall well-being of society. It also highlights the potential for additional forms of support for non-governmental organisations involved in volunteering, social entrepreneurship, and philanthropy.⁴⁴ However, this document does not mention any specific social enterprises that exist in Montenegro.

42 Government of Montenegro. *Strategy for the Development of Micro, Small, and Medium Enterprises for the Period 2018–2022*. 2018. <https://biznis-api.gov.me/media/files/1648105682-strategija-razvoja-mmmsp-2018-2022.pdf>.

43 Ministry of Economic Development. *Strategy for the Development of Women's Entrepreneurship in Montenegro*. 2021. <https://www.zzcgc.me/wp-content/uploads/2022/02/predlog-strategije-razvoja-zenskog-preduzetnistva-crne-gore-2021-2024-s-predlogom-akcionog-plana-za-sprovođenje-strategije-za-period-2021-2022-godina-i-izvjestajem-sajavne-rasprave-1.pdf>.

44 Government of Montenegro. *Strategy for Cooperation Between State Administration Bodies and Non-Governmental Organizations 2022-2026*. 2022. <https://www.gov.me/dokumenta/cc6fef07-782f-4b78-8b15-fa851ccc3abf>.

Social entrepreneurship:

a potential for improving socioeconomic conditions in Montenegro

Although social entrepreneurship is mentioned in various strategic documents in Montenegro as an important element for addressing economic and social challenges, particularly regarding the employment of vulnerable groups, there is a lack of in-depth analysis of this concept, as well as recognition of the need to enact a Law on Social Entrepreneurship, thus legal framework for its further development and institutionalisation. Without a legal framework, this sector lacks formal support to enable its effectiveness in society.

Concluding remarks and recommendations

Social entrepreneurship in Montenegro, though still an under-researched area, offers significant opportunities for economic and social development.

Considering successful examples from EU countries and the region, Montenegro can and must develop and implement policies that will stimulate this form of business.

In this regard, three key policies would ensure the sustainable development of social entrepreneurship:

1. Establishment of Annual Statistical Monitoring

Effective and sustainable policies are based on prior research and data collection on current conditions and facts. Therefore, it is essential to conduct annual statistics on social enterprises in Montenegro, enabling policymakers and experts in this field to plan adequately. The collection of these statistics should be regulated by a certain Law to avoid delays or abandonment of the process. In this context, Montenegro can join the European Social Enterprise Monitor, which includes not only EU countries but also countries like Serbia, Turkey, and the United Kingdom. This would allow Montenegro to utilise an established methodology for maintaining such statistics. This approach would facilitate the collection of relevant data necessary for developing and implementing effective policies in this field, while also enabling comparisons with other countries participating in the program.

2. Adoption of a Law on Social Entrepreneurship

Montenegro must establish a regulatory framework that recognizes social entrepreneurship as a distinct form of profit-making and business activity. This framework should provide legal certainty for this type of enterprise, including clear definitions, objectives, and operational methods for social enterprises. For instance, in neighbouring Serbia, the Law on Social Entrepreneurship was adopted at the

beginning of 2022, creating a foundation for supporting the development of this sector.

3. Implementation of Financial Support Mechanisms

Young people are a key target group for social entrepreneurship, as they often bring entrepreneurial qualities such as creativity, innovation, and proactivity. However, their limited experience and lack of resources and financial support frequently make their path to success challenging. Therefore, concrete financial support through various funds and programs is essential. Specifically, it is recommended to provide newly established social enterprises with support in covering fixed costs during their initial years of operation. This could include funding for website creation, design, hosting, domain fees, as well as costs related to developing marketing strategies. Such intervention would ease the start of their business, position them in the online space, enable access to a specific community and market, and overall strengthen the concept of social enterprise.

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