

# FINAL REPORT



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## Gender Dynamics in Businesses: Barriers for Development

## 1. Scope

### 1.1. Project Goals and Objectives

The project's goal was to present a women-specific initiative to address obstacles faced by women entrepreneurs in Kosovo in three specific sectors in Kosovo.

The objectives of the project were:

- identifying obstacles that women face in terms of developing their businesses;
- identifying issues that impede tax compliance and reasons why a number of women owned businesses prefer to stay in the informal sector;
- proposing measures needed to address the identified obstacles;

### 1.2. Tasks

The tasks of the projects were as follows:

- Identify women owned businesses in each sector
- Finalize the list of women owned businesses in each sector
- Prepare the Interview and Focus Group Questionnaire
- Conduct the interviews
- Conduct the focus group
- Process findings in excel format and finalize the database
- Draft the report based on findings
- Finalize the final report with conclusions and recommendations

### 1.3. Implementation Plan and Deliverables

This project's activity dates were 20 Jan 2022 to 14 April 2022 and four main deliverables were delivered. Each of the deliverables were submitted and confirmed within the deadlines.

Deliverable 1	Deliverable 2	Field Work	Data Analysis	Deliverable 3	Deliverable 4
Report with project plan and selected interviewees	Final Questionnaires	Data Collection 45 Interviews + 1 Focus Group	Data Processing from the Field Work results	Draft Report including recommendations	Final report including recommendations
27-Jan 2022	31 Jan 2022	7-Feb to 15-Mar	16 Mar to 20 Mar	March 29 2022	April 5 2022

## 2. Main Findings

**Trade:** Based on the findings, 82% of the interviewed businesses were unable to afford export activities and did not have any export activity, while out of those that engage in export activities, the main destinations are the regional countries. The export potential alternated from business type to business type, showing that the size and financial self-sustenance are important factors to achieve the export goal.

**Financing:** In terms of financing, it was found that most women in business face financial obstacles when they start a new business or continue its operation since they do not have large saved amounts or inherited assets. Most of women owned businesses were initially financed through family support or self-financing. The same was valid in terms of future business-financing form, as majority declared they are currently able to self-finance their businesses and remain positive for the near future that they will be able to operate from their income. Grants were also considered significant forms of financing and the majority of businesses in the study did receive some sort of grant throughout their operational life. Nonetheless, the fact that they are not so optimistic about getting loans as a means of financing, but relying only on their own revenues, suggests that the main goal of their businesses is self-sustenance instead of business expansion/growth. All in all, most women-owned businesses face financial obstacles which limit the expansion of their companies, e.g., to export or grow in size/employees.

**Inter-Business Cooperation:** Issues in terms of business cooperation and competition were also expressed. The findings reveal that women find it hard to network and forge business connections with the market players. Over half of the interviewees declared that they do not cooperate with other sectors and/or businesses, either due to lack of interest or financial inability. Businesswomen mainly cooperated with their suppliers, whereas larger customer bases seemed harder to establish due to the lack of networking skills, small and competitive Kosovar market, and low financial means.

**The Pandemic Crisis:** COVID-19 pandemics had an overall negative impact for the women owned businesses part of this study. Most of them had trouble making use of technology to sell their products, demand for their products dropped, and overall sales dropped. This is particularly related to the sector in which they operated as well, since these sectors were directly affected by social distancing and containment measures.

**The Taxation System:** The study found that that the taxation system in Kosovo is moderately an obstacle, however it pointed out to several issues that need to be addressed. First, most women owned businesses do have an accountant that deals with tax compliance procedures, however, they do find it financially burdensome to do so. Furthermore, the actual tax burden is perceived to be higher than these businesses can afford, especially for recently opened businesses. Experience with TAK and tax officers was generally positive. Whereas, in terms of formalization and turnover declaration, more than half of the respondents believe that businesses in their sector (their competitors) do not fully declare their turnover, suggesting for a considerable level of informality.

### 3. Recommendations

#### 3.1. Taxation related

- **Women 4 Women Organization** could assess and consult businesses that it cooperates with, in terms of whether a new taxation scheme targeted at startups would be welcomed, as suggested by the findings of this study. Both businesses in the study and women associations through the focus group agreed that introducing a new taxation scheme specifically targeted at start-ups would help businesses to cope with liquidity issues, reduce compliance costs, and increase overall tax compliance, during the first year of operation. While it is true that Kosovo has a reduced scheme in place, that is targeted to specific sectors and not time specific. However, since there is no specific incentive for start-up businesses, a new scheme can be devised in order to assist them in their early business stages. This could be proposed as an amendment during the process of public consultation in regards taxation legislation changes that will be published soon by the Ministry of Finance, Labour, and Transfers. **Both Women 4 Women and EBRD** could comment in the public consultation platform and propose a special scheme for start-ups. In addition, EBRD through the National Council for Economic Development could address this proposal.
- **Taxation Education** was deemed important during the study and **EBRD** could support the need of introducing a training program that would educate women entrepreneurs on taxation matters and electronic declaration system. While the EBRD itself does not have to be the organizer of such trainings, its representatives could address the issue with representatives of TAK and Ministry of Finance, Labour, and Transfers, so that KBRA and TAK initiate a Taxation Educational Program for new women owned businesses. That is, when businesses register in KBRA, they have the option to sign up for this training which will offer all the necessary insights on matters related to taxation system in Kosovo, how to file for taxes, how to use the electronic system, and so on.
- **Introduce a special scheme for seasonal/short term employees.** Considering that employee formalization was reported as an issue, especially in terms of seasonal workers in the agriculture sector, a special scheme could be devised to tackle the issues and increase formalization. One of the issues raised by employees is the fact that when they engage in short term/seasonal work and they are registered in the system, they will automatically be disqualified from social assistance schemes which are more sustainable and long term. Therefore, in order to not discourage such individuals, a provision in taxation legislation could be made that allows workers to register in the system and if their engagement is less than four months and their salary is below a specific threshold (i.e. minimal wage level), to continue receiving social assistance. This would encourage more people to work in these sectors where employment is seen as an issue and it would also contribute to formalization. This could be proposed as an amendment during the process of public consultation in regards taxation legislation changes that will be published soon by the Ministry of Finance, Labour, and Transfers. **Both Women 4 Women and EBRD** could comment in the public consultation platform and propose that some special scheme is introduced for seasonal/short term workers with the aim of lowering informality in these sectors.

### 3.2. Business Growth Related

- **Develop entrepreneurship and digital skills through training courses and mentoring.** Based on the findings, women businesses owners still consider themselves lacking certain skills especially related to digitalization and networking. While there are several training programs and workshops aimed at women entrepreneurs, the proposed approach which could be addressed by **EBRD** is a more hands-on approach which will allow the women to practice those skills. Such programs on developing skills would help support business growth. These programs, besides increasing entrepreneur's know-how about operating a business, would also help provide networking opportunities, leading to potential partnerships.
- **Increase Access to Finance**

As reflected in the findings, access to finance is a major and common barrier for women entrepreneurs, leading them to remain micro and small businesses without many opportunities to grow. Policy makers need to address challenges on both sides of the financial market. At the same time, in order for women entrepreneurs to better understand financing items and how to approach them, financial literacy programs need to be available.

  - i) EBRD** could advocate towards a further expansion of Microfinance institutions to supporting women-owned businesses. Microfinance provides assist businesses by offering them small amounts of finances when they may have difficulties to obtain such services by banks due to low collateral. Generally, microfinance is a generally supported instrument aiming to support economic development through the growth of entrepreneurial activities.
  - ii) EBRD and Women 4 Women Organization** could propose to the government a customization of grant criteria aimed at women owned businesses or MSMEs in general, especially larger scale grants that aim to help develop bigger business ideas. The criteria should be proposed to be mainly linked to the business plan and business idea as an indication to success, rather than turnover as it is currently.
  - iii)** Another approach that could be advocated by both **EBRD** would be to link Grants issued by Government and with Loans by Financial Institutions. Government grant programs can be offered in cooperation with banks and micro-finance institutions and agree upon the criteria for such grants. This way, after women-owned businesses are screened for their grant applications, the same ones can be forwarded to the partner banks and micro-finance institutions for additional financial support. The issued grant can serve as a supporting item for women entrepreneurs who do not have extensive credit history or significant amounts of collateral.
- **Develop a Market Access Manual**

The study found that many of the respondents had little to no information regarding export potential or export procedures, as such, a manual could help increase that knowledge and increase

market access. This manual would be a sustainable tool that would offer women insights on several aspects and would be sector specific. The manual could be produced by a team of experts with the support of **EBRD**.

The first part of the manual would include the basics of legal and regulatory requirements in Kosovo, regional and EU countries. The second part of the manual would focus on Marketing and Branding development. These will include: a) marketing in digital context. This will help women owned and minority owned businesses to increase the exposure of their products/services; b) basic non-automated framework for digital transactional processes, c) digital aftermarket customer support; d) development of automated digital functions for contracts with automated purchase orders. Furthermore, the manual would inform women on how to conduct Target Market and how to engage in Social Media – Basics Marketing and practical items such as email samples for establishing contacts/business relations.

- **Build entrepreneurial networks**

Engaging women in business networks is very important since it can help them access resources such as business ideas, potential business partners, customers, financial instruments, and sharing of knowledge. While currently, most this networking occurs between women owned businesses, there is a need to expand this to other partners-potentially larger businesses owned by both genders. In order to Enhance Cooperation with Business Associations and Chambers of Commerce in order for beneficiary businesses to be in line with other Kosovar business developments, it would be recommended that **Women 4 Women Organization** organizes national and regional fairs to bring together businesses and business associations.