

Women's Entrepreneurship in EU Candidate Countries

Reducing Gender
Inequalities and
Advancing Economic
Growth

Abstract

While the EU has recently started making strides in promoting women's entrepreneurship within its borders, significant obstacles are yet to be addressed by its close neighbours, where the roots of the gender gap in entrepreneurship must be analysed against dominant patriarchal social norms which shape institutions and policy-making. This paper calls for support to women's entrepreneurship through targeted programmes in EU candidate countries to serve the dual goal of accelerating both gender equality and economic development, with benefits for society as a whole.



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Introduction

Women's entrepreneurship is crucial for thriving economies and to promote gender equality. Women entrepreneurs play a central, if often underestimated, role in promoting inclusive growth and making economies more resilient. Women-owned or -led businesses are more likely to have strong management practices in place and have been proven to play a central role in driving innovation, creating value through new products and services, and fostering new employment opportunities – especially for other women (UNDP & RCC, 2020; EIB, 2024). This is essential not only for local economies but also for women's economic empowerment, a driver for gender equality. When women can meaningfully participate in the economy, they can benefit from increased social protection and autonomy and advance their fundamental human rights (UN Women, n.d.). Empowering women to start their own businesses can contribute to overcoming traditional harmful stereotypes and social norms and foster a more inclusive environment where women contribute equally to economic growth.

Yet research has consistently shown that women are also the group that is most disproportionately absent from entrepreneurship at all stages, with negative effects on economic growth and poverty reduction. In the EU, there are 6.8 per cent more male-owned businesses than female owned ones and women are only 58 per cent as likely as men to start their own business or be self employed (OECD & European Commission, 2023). This is also true in EU candidate countries, where so far not enough has been done to support women entrepreneurs. In the Western Balkans, considerable challenges to women's entrepreneurship result in women representing only 27.5 per cent of business owners. GDP would increase by 5 per cent on average in the Western Balkans if women were included in entrepreneurship at the same rate as men (UNDP & RCC, 2020). In Ukraine and Moldova, women still face many obstacles rooted in unequal legislation and social factors (UN Women, 2023). Additionally, several shocks in the economy in recent years – from the COVID-19 pandemic to the war in Ukraine – have particularly affected women's businesses, in part given structural differences with men's. Nevertheless, women have shown great resilience and initiative.

To strengthen economic growth and advance gender equality in candidate countries – contributing to the overall human rights situation – women's entrepreneurship must be addressed through projects that address specific challenges that women face, recognising that obstacles often stem from deeply

rooted social norms reflected in current governments and policies. This is crucial considering the centrality of gender equality in the EU's acquis and the extensive untapped potential of women entrepreneurs.

Obstacles to women's entrepreneurship

The extent of women's entrepreneurship in a country depends on the situation of women in society – determining the supply of women who have the resources, skills, and opportunities to start their own business – and on the situation of entrepreneurship in that same country – determining the demand for women entrepreneurs.

The wide diversity of women's experiences suggests that the gender gap in entrepreneurship is the result of several factors that must be addressed in a systematic and comprehensive way. To enable women to advance, it is therefore crucial to address the full range of obstacles that women face in starting or growing their own business and the context from which they stem.

According to a recent survey among women entrepreneurs in the Western Balkans, for many women who decide to become entrepreneurs, unsatisfactory working conditions were a determinant factor. Unfair treatment by employers, the decline of state-owned companies for which they previously worked, financial

and social insecurity including in the work–life balance for women and mothers, and a wish to feel self-fulfilled (UNDP, 2023) pushed women towards what can be defined as necessity entrepreneurship. Nonetheless, in many cases women who started a new business did not have a strong network to rely on, strong entrepreneurship skills, or access to adequate funding – affecting the nature of the businesses they could start, their resilience to shocks, and their ability to grow and expand over time.

Research has shown that the size and nature of women's businesses are generally different from men's. Across the Western Balkans, Ukraine, and Moldova, women entrepreneurs operate predominantly in smaller, non-capital intensive, and low-income sectors (UNDP & RCC, 2020). In Bosnia and Herzegovina, for instance,

women operate primarily in services and agriculture, sectors that offer fewer opportunities for scaling-up and growth (UN Women, 2022). A similar trend is also visible in Ukraine, where women gravitate towards industries such as retail, beauty services, education, and healthcare, which are traditionally seen as more stable and flexible (YC.Market, 2024).

While these differences could be attributed to preferences, access to opportunities is also a determinant factor in women's decision to start a business in a specific sector. Women generally establish small firms funded through owner equity and insider financing, with the primary source of capital being personal savings, followed by capital from family or friends with similar businesses, as was recorded in Serbia and Montenegro (UNDP, 2023). North Macedonia was one of the few examples in which grants by international actors such as UNDP were also used by women to launch their enterprise (UNDP, 2023). Yet too often the financial support which could boost women's enterprises – such as loans and grants – does not reach those who need it, and governments have been found to contribute to this missed opportunity.

Additionally, women generally find themselves operating in an entrepreneurship environment that is blind to their specific needs. Securing financing is often linked to significant regulatory roadblocks such as taxation laws or licensing requirements, which pose significant challenges for businesses and start-ups with fewer resources. Women who are able to secure financing often still face inadequate credit terms (such as collateral requirements and interest rates) that affect their decision to borrow money (RCC, 2023). Property laws in many countries continue to inhibit women from gaining access to the same collateral as men (RCC, 2023). Inadequate or unaffordable childcare services in certain regions (especially rural areas) impact women's opportunities to engage in entrepreneurship, as women are still predominantly caretakers (OECD, 2024; World Bank, 2018). These generally uncondusive conditions are compounded by a widespread lack of adequate information on opportunities and business support offers, crucial obstacles identified by women entrepreneurs across the countries considered (UNDP, 2023; UN Women, 2022). Even in cases where support is available, not enough women take advantage of it.

Thus, while women have demonstrated their interest in starting businesses across the countries considered, the policies in place still do not address the multiplicity of challenges that women entrepreneurs face. This effect is accentuated when compounded with perceptions of women entrepreneurs and women's entrepreneurship. Perhaps more than in the EU, in candidate countries research has shown that patriarchal social gender norms – resulting in stereotypes and biases about women in the labour market – remain one of the greatest challenges to women's entrepreneurship and the advancement of gender equality (OECD, 2024). Social norms still dictate that entrepreneurship is seen as a 'masculine' activity, a belief that is reflected in policies and in political structures. This in turn deeply affects the presence of positive examples that can inspire women to pursue leadership roles and encourage business growth, and of the necessary support systems in the form of trainings, networks, and administrative and technical advice.

Already from its origin, therefore, the decision to become an entrepreneur is fraught with uncertainty. Many women who seek to pursue this career lack the wide range of skills that are necessary to develop and scale-up businesses, from business management skills such as business and financial planning, to personal skills such as risk management and a sense of initiative. This can be attributed to widespread underinvestment in skills development for women from an early age (RCC, 2023). In Montenegro, for instance, women who start their own businesses were found to have drafted their business plans single-handedly, reflecting a significant lack of information and education regarding business plan drafting and preparation (UNDP, 2023). Additionally, research has found that women's networks tend to be smaller and mostly consisting of family and friends, critically affecting their access to opportunities, mentors, and best practices (RCC, 2023).

Yet many of these challenges are not unique to candidate countries. A recent OECD study found that over 43 per cent of women in the EU do not believe they have the necessary skills to start a business, making them less likely to attempt to do so (OECD & European Commission, 2023). Women in the EU often face similar hurdles in founding or growing their own business. Nonetheless, the attention the issue has garnered in the EU in recent years has led to positive change (B&K Agency, 2024). The development of networks that can foster exchanges of best practices and connect women to experts has increased know-how and developed European women's propensity to become entrepreneurs. Alongside this, private funds have increasingly invested in women's businesses, and women's business angels have become increasingly influential in creating more resilient entrepreneurial environments (B&K Agency, 2024). The EU therefore has the potential to recognise similar challenges and inspire positive change.

Best practices to redefine change: Learning from Ukraine

Despite the challenges highlighted here, one must recognise that efforts have been made to stimulate women's entrepreneurship, from specific measures to support women entrepreneurs in the National Strategy for Gender Equality 2021–2030 in Albania, to tailored strategies promoting women's entrepreneurship in Montenegro and North Macedonia (OECD, 2024). Ukraine is also a vibrant example of success, especially in recent years.

While women entrepreneurs in Ukraine face unique challenges, particularly in the context of the ongoing war, many have shown incredible resilience in the face of adversity (UN Women, 2023). In the first quarter of 2024 alone, women founded 59 per cent of new businesses in the country (Ekonomichna Pravna, 2024). The government has played a crucial role in promoting women's entrepreneurship and especially in supporting education programmes for women, encouraging employment and skills development and raising awareness about the benefits of entrepreneurship (Diia, n.d.). A particularly successful

programme was the acceleration programme 'Brave', launched in March 2023 for Ukrainian women with a micro or small business or wishing to start their own business. The programme awarded a total of 1.3 million UAH to six winners for the implementation of business concepts (Ekonomichna Pravna, 2023).

Programmes such as these can help address the root causes of the gender gap in entrepreneurship by empowering women across the board and enabling the development of an environment in which women can truly start reaping the benefits of their entrepreneurial efforts, gaining independence and exercising their agency. Only if women's empowerment is strengthened can social norms be challenged over time, leading to policies that are better suited to women entrepreneurs and that fully enable women to effectively contribute to thriving economies.

Looking forward: Policy recommendations for the EU

Accelerating women's entrepreneurship must go hand in hand with tackling the adverse social norms that women face and that can deeply influence policies and policy-making. This relies on a combination of specific policies to support women's entrepreneurship – from financing to networks – and the development of a business culture that is welcoming to women entrepreneurs. Strong policy frameworks play a vital role in setting priorities, allocating resources for implementation, supporting women's entrepreneurship organisations and networks, and driving further research in this area (B&K Agency, 2024). The EU can play a crucial role in advancing many of these objectives in candidate countries, learning from the best examples it has cultivated within its borders and from with the uniqueness of the countries with which it engages. If women's entrepreneurship is to increase, it is paramount that the EU supports the following priorities in the short term.

(1) The EU should promote the collection of gender-disaggregated data on women's entrepreneurship and adopt common definitions on the European level to initiate a systematic process of data collection. The lack of gender-disaggregated data and of common definitions of 'women entrepreneur' and 'women's enterprises' hampers a complete analysis of the potential of women's businesses.

(2) The EU should expand its networks of women entrepreneurs to consolidate systematic exchange with entrepreneurs in its candidate countries and support the development of national and regional networks of women entrepreneurs in candidate countries. Role models inspire fellow women entrepreneurs and promote the sharing of expertise and awareness about opportunities.

(3) The EU should support and encourage educational programmes for women and girls on business-related skills and digitalisation, also in cooperation with schools and universities. The development of business skills and professional knowledge related to running a business, with a focus on digitalisation, is crucial to ensure that women's businesses are innovative and resilient.

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