




SME development in LED in Bosnia and Croatia



Milford Bateman
IMC Consulting
White Young Green International

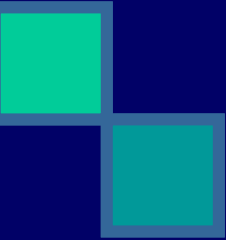



Two IMC projects in Croatia and BiH

- Croatia – contract with World Bank to design a strategy for sustainable social and economic recovery for the post-conflict regions (CSERP), to spend \$70mn
 - BiH – DFID contract to support sustainable employment generation “Pilot” projects in areas of high unemployment and social dislocation
- 

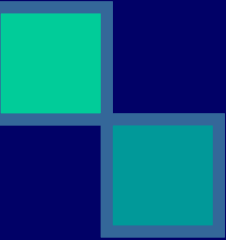



Croatia – World Bank contract

- 
- Key output was a strategic policy for the post-conflict regions
 - Strategic policy was informed by an evaluation of existing institutional responses to economic and social development in post-war zones
- 

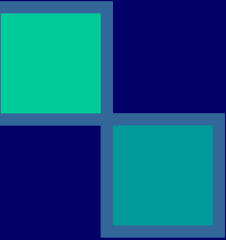



Croatia – World Bank contract

- 
- Central government initiatives also poorly performing as quasi-commercial structures
 - Development Bank (HBOR) undertakes no development funding or social risk-taking
 - Ministries SME credit lines run on commercial lines, so reach few people and mostly remain unused in bank
- 

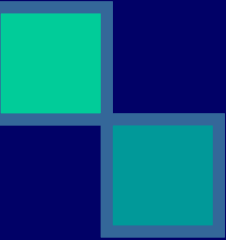



Croatia – World Bank contract

- 
- Policy goal was decision outlined was twofold: decision 1. to prioritise co-operative development, rather than sole entrepreneurs or investor-driven structures
 - and decision 2. institution-driven recovery must factor in local government
- 

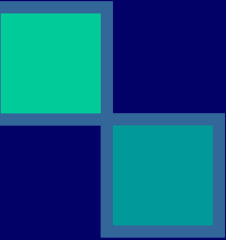



DFID contract in BiH

- 
- Enterprise restructuring project with social component to help redundant workers
 - We supported three agricultural co-ops involving redundant workers from Zenica steel mill
 - Also gave training in co-op development to municipality economic and agricultural department officials
- 

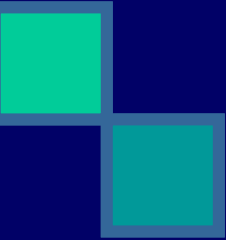



DFID contract in BiH

- 
- Also assisted in design of new LED agency, which Canton wanted under their control since they were to finance it
 - Existing LEDA in Zenica had failed two years before – now consulting company mainly doing translation and conference organising services
 - Local government-driven not possible
- 

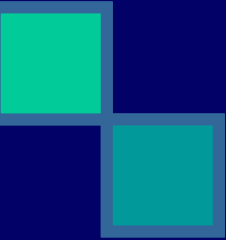



LEDAs in Croatia

- 
- 4 established from 2001 onwards
 - 2 now collapsed into other structures, while other two near their end
 - Failed to achieve any developmentally meaningful results
- 

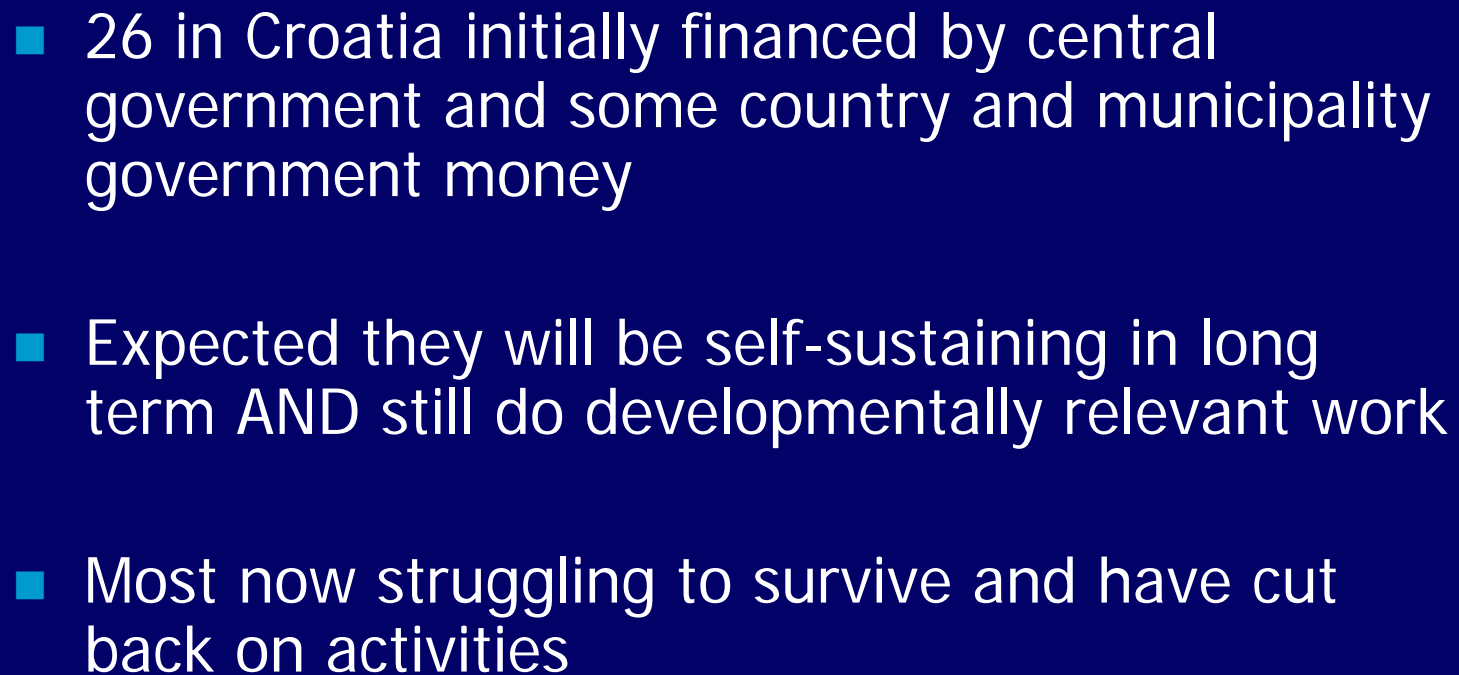


LEDAs in Croatia

- 
- Simply “surviving” was sometimes held up as a “result”
 - They simply tried to find paying jobs with SMEs and anyone else
 - Simply not structured to do long term developmental work
- 




Entrepreneurship Centres

- 26 in Croatia initially financed by central government and some country and municipality government money
 - Expected they will be self-sustaining in long term AND still do developmentally relevant work
 - Most now struggling to survive and have cut back on activities
- 




Entrepreneurship Centres

- Most do little that could be seen as developmental, and take some work from other consultants in private sector
 - They ended up doing business plans for sole entrepreneurs mainly
 - We found this created “entrepreneurial ghettos” not “Industrial Districts” - Vukovar best example
- 




Commercial micro-finance institutions

- We found commercial microfinance had generated mainly “no-technology”, quick return, shallow economic structure – Bosnia
 - Significant failure rate (50-70%) of micro-businesses supported, and displacement effects too very high
- 




“Dumbing down” of local economy main end result

- All technology-intensive and sustainable SMEs discouraged by “disabling environment” created for everyone – most notable in BiH
- Main intended clients - refugees, demobilised, IDPs - would have been better off in Temporary Employment Programmes – infrastructure rebuilt?
- So we had to work with other financial institutions, including a still state owned bank in BiH and suggest new ones – financial coops



Co-operatives seen as better prospects for sustainable development

- Better to work with co-operatives
 - More skills and finance-intensive.....
 - but results better in longer term – market access, fairness, trust-building, equality, efficiency, higher rate of reinvestment, ethical anchor in community,
- 



But co-ops require different skills-set and different business culture

- Support also needed for cluster and supply chain development
- Supply chains dominated by downstream processors and retailers, who are new tycoons ("typhoons") - Croatia

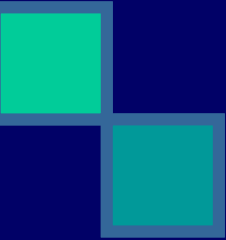



What for the future?

- 
- Local government capacities urgently need to be strengthened and take centre stage
 - There is a crucial need for strategic local government planning, to reap complementarities, social capital building and externalities
 - Developing capacity in municipality economic and agriculture departments pays results in long term, but costs money in short term
- 



What for the future?

- 
- But there are strong competences there that can be used once SUPPORT and LEGITIMACY offered by donors
 - Financial support for SMEs must be long term developmentally structured, otherwise creates self-employed ghettos and nothing more
 - Focus on enterprises should shift to co-operative structures
- 



Our conclusions

- 
- We found very little positive experience to date in both countries with market-driven SME-LED institutional and financial models
 - and in some countries an outright disaster
 - Western Balkans has so far embarked on “Latin Americanisation” anti-development trajectory
- 



Conclusions

- Future now is clearly Bolivia or Brazil, not Belgium or Brussels.....
- 