



Institutional Infrastructure for SME Development in Bosnia And Herzegovina: Establishment of the First Think Tank for SME Policy Development

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Existing Institutional Framework

Considering the complexity of the country such as Bosnia and Herzegovina, the existing institutional framework to support SME sector is also complex, with a number of institutions operating at the state, entity and local level, and with at least three different locally based policies.

The main weaknesses of institutional framework for the enterprise development and SME support in BiH are:

- the complexity of the institutional arrangements, due to the existence of 14 governments on their territorial entities, each with its own policy prerogatives,
- the lack of co-ordination and cooperation among the institutions dealing with the SMEs policy at the state and entity level,
- the limited capacity of those institutions and
- the high dependency on donor sponsored initiatives and programs.

The institutional framework for the enterprise development and SME support in BiH remains weak and under-developed, when compared both with international best practices and the institutional frameworks developed by other countries in the South East Europe.

Despite the efforts that have been made lately, and on the international organizations' initiative (EC, OECD), policies from entrepreneurship development spheres are formulat-

ed at all authority levels, and consequently, they are very often uncoordinated and inconsistent, due to the fact that there is no body at the state level that would have the SME policies coordination as the aim.

The indispensable condition for the enactment of quality policies is the existence of an adequate institutional infrastructure that does not exist in Bosnia and Herzegovina. It is true that there is some progress due to the above mentioned international organizations' initiatives on the institutional infrastructure improvement, primarily in establishing regional development agencies, and subsequently, in establishing business incubators and a smaller number of clusters. But, all of that is still insufficient for the establishment of quality business and competent infrastructure for the SME sector development and far behind the countries in the region.

The Regional Development Agencies are actively engaged in business development and investment promotion. While they have enjoyed some success, much still has to be done in order to transform regional development into job creation, as has happened in other transition economies.

Besides that, RDAs are fighting for their own survival, because they considerably depend on donors' support.

The existing network of regional development agencies in BiH is very weak at the moment. Due to insufficient staff and resources, these agencies have limited capabilities in stimulating regional development. Therefore, they must be strengthened and provided with

Summary

How to impact most efficiently the development of SME sector politics in the country, which due to the inexistence of political willingness is the only country in South-Eastern Europe (and much broader as well) that does not have an adopted strategy for the entrepreneurship and SME sector development, and where the only strategy is the poverty reduction strategy (PRSP), in spite of the fact that micro, small and medium sized enterprises constitute the backbone of the Bosnia and Herzegovina economy, contributing to over 60% to GDP and much of the job creation?

sufficient funding by interested municipalities. Furthermore, it is necessary to improve coordination between the agencies and with governments at the local level.

RDAs are aware of this fact because at the moment they significantly depend on international support on which they cannot count forever. Therefore, they express their readiness to join the new development initiatives for the SME sector support such as the establishment of policy center for the SME sector development. Among the academic society members there are those who are also interested in initiating the SME policy centre establishment, especially due to the fact that there is already a good cooperation between the universities from Bosnia and Herzegovina and Croatia (i.e. between Tuzla in BiH and Osijek in Croatia).

Recommendations

Therefore, although RDAs are an important factor, they cannot affect the creating of SME policies in the near future, at least not independently.

International organizations made a considerable contribution, among other things, to a good organizational analysis of the existing institutional infrastructure, but there is no impact analysis of it; neither can it be expected.

To wait for the political will to solve the above mentioned problems is also very uncertain.

Therefore, a proactive approach of relevant participants is needed, in this case development institutions (RDA), academic societies (universities, institutes), and businessmen associations (Chambers of Commerce), in terms of organizing a think tank organization (policy centre) directed at SME sector issues, and patterned on a policy centre that exists in the Republic of Croatia, so that the positive practice can be acquired.

In the situation in Bosnia and Herzegovina, i.e. as it has been described in the mentioned research subjects, the necessity of establishing the think tank as an institution has been expressed in order to influence the removal of shortcomings caused by the non-existence of integral and coordinated policy for entrepreneurship development at the state level and SME support in the entire Bosnia and Herzegovina.

As there is no national institution supporting the entrepreneurship development, the think tank's role is very important, because it will provide the opportunity for development by affecting the launching of business processes and entrepreneurship activities, which then proceed and reproduce, and expand by their own dynamics. Due to this, it is very important that the impetus is strong enough in order to cause and multiply a further cycle of an autonomous economic activity renewal in a bigger scope with no additional engagement of national support instruments.

The think tank's role is even more important if we know that its activity can refer to the creation of a coalition for entrepreneurship development and support, primarily with strategic conception and operative support, in three main fields, which are:

- Strategy (policy) development towards entrepreneurship and SME development,
- Encouraging the support institutions development for entrepreneurship and SME,
- Development and implementation of different support programs for these processes.

One of the most important projects for this Centre is the initiation and adoption of the Strategy for entrepreneurship and SME development in Bosnia and Herzegovina that would be in accordance with all important acts that



regulate this field in the European Union. Additionally, important projects of this Centre would be:

- The development and implementation of the “Global Entrepreneurship Monitor” project in cooperation with other Centers in the region that already implement this project (CEPOR in Croatia),
- With regard to economic development, the development and implementation of benchmarking projects for the evaluation of economic potentials and developments at the local, regional, and national level,
- The development and implementation of the Benchmarking project for the evaluation of competitive abilities of small and medium-sized enterprises in Bosnia and Herzegovina compared to the standards of the European Union,
- Initiating projects for establishing other types of entrepreneurial support infrastructure.

In this manner the former important role of international organizations in terms of support to the development of BiH will be maintained on one hand, and on the other, the strengthening of a local institution will also be enabled, which will have a long-term and constant effect on the entrepreneurship and SME development in the entire Bosnia and Herzegovina.

Being led by Porter’s words, who stresses that “the nations choose the prosperity if they create such politics, laws, and institutions that support the productivity growth”, it is clear that regardless of the existing monetary and fiscal politics, judicial system and stable democratic institutions, the country cannot be competitive, unless it creates by its policies a stimulating environment for the growth and development of small and medium-sized enterprises.

Sources:

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