

# Public-Private Dialogue

## Improving Competitiveness of 4 Sectors in Bosnia and Herzegovina Through Competitive Regional Economic Development (CREDO) Boards

by

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### 1 - Background and Context

CREDO Boards are established in the framework of CREDO (Competitive Regional Economic Development) Krajina project<sup>1</sup>, being implemented in the North-West area of Bosnia and Herzegovina.

The Boards have so far had their focus on key issues such as employment, export, revenue and productivity. In spite of this dialogue initiative being very new, there has been a dynamic response from the private sector. It started with generic issues and it slowly moved to more specific issues.

CREDO Krajina project aims to support SMEs to improve their competitiveness and to enhance support to SMEs. The project, funded by Sida<sup>2</sup> and implemented by Eda, a local NGO focused on economic development, has been running since March 2013 until October 2015 and the following four sectors will receive priority attention: metal processing, food and drinks, wood processing industry, and footwear industry. CREDO boards conducted analysis on how to select the industries – the analysis was based on some criteria on getting an average and these 4 industries got a higher average.

The CREDO approach is to work with the industry and supporting institutions to identify market opportunities, performance gaps and economic constraints. Competitiveness improvement measures will be developed in close cooperation with the industry and public sector organizations.

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<sup>1</sup> More information on the project: <http://www.edabl.org/en-UK/Credo/Default.aspx>

<sup>2</sup> <http://www.sida.se/English/Countries-and-regions/Europe/Bosnia-Herzegovina/>

Even though the trends currently show decline in overall competitiveness, our early findings indicate that these sectors are able to grow. However, there are at least two key challenges.

The first key challenge is with enterprises: improving their operational performance and their relationships with key suppliers and customers.

The second key challenge is with the public and supporting institutions: enhancing their services and tailored support that enables industries to compete and grow.

A baseline study has been already conducted and key data on the performance of the sectors were presented to all stakeholders. Following, four boards representing firms from priority sectors were established in order to identify competitive pressures, key constraints, market opportunities as well as policy failures and opportunities.

This process is an ideal opportunity for various stakeholders from these industries and their supporting institutions to work together to improve competitiveness and economic conditions in the region. This is certainly worth the time and other resources that are to be invested by each of them.

Eda's role is to facilitate the process and support implementation of some of identified interventions.

## **2 - Partnership, Structure and Processes**

Four boards were established on November 2013: metal works, food and drinks, wood processing, and footwear industry.

Each board has 10-12 members and consists of directors/owners of successful companies who are competent and committed to development as well as of policy development officials from respected ministries.

PPD was seen as a means to getting something, not an aim. It started as a business club. After some consultations, the implementing agencies wanted PPD. Now they are moving into clusters.

CREDO boards are heavily dominated by the private sector - there are, however, two representatives from the public sector. The government is very little involved – the industrial experts come from the public sector, but they are not representing the government – they just give advice. When the interventions will be at a higher level then there will be more collaboration with the government.

Through involvement of leading SMEs in the work of boards it is ensured that over one year they will take over the lead part and become leaders and owners of the process. That way they are being both motivated and made accountable for the entire process.

Each board appointed a chairman who coordinates the work of the board and chairs the process. Chairmen of the boards are directors of leading companies already identified as champions by the project team and confirmed by other members of the board.

Each board is supported by a coordinator from the project team and a sector expert. The coordinator takes care not only about logistics but also about methodology and tools used, communication between the meetings and facilitation if the meeting is arranged in a more workshop oriented format. A sector expert supports the board and coordinator with some expertise when such support is necessary.

The boards hold seven sessions over the period of one year. During those sessions and between them the boards should identify main challenges their sectors are facing with key bottlenecks and barriers for growth of SMEs and specific interventions needed to improve competitiveness in both short and longer term. Some of the sessions use a workshop format with visualisation tools.

Sessions of the boards are combined with interviews and some of the tools relevant for assessing competitiveness and identifying bottlenecks, e.g. Value Chain Analysis, Porter's Diamond and Five Forces. The interviews and tools are being applied by the coordinator and the sector expert.

The process flow has two main dimensions: (1) going from generic to more specific insights regarding diagnosis of issues related to competitiveness of SMEs and sectors in the region; and (2) going from specific insights to systemic interventions at four levels (micro level - SMEs and their interactions; meso-specific policies and instruments targeting competitiveness; macro - relevant generic policies; meta - building trust, social capital and cooperation).

### **3 - Results so far**

CREDO boards are in the initial stage of development. Facilitation efforts are at the same time focused on building trust and identifying key competitiveness challenges, bottlenecks and opportunities. Even though it is a little too early to talk about successes and failures, there is a general satisfaction with the tools being used and the process in general.

Each board had two meetings up to now. Between ten and fifteen interviews were conducted in parallel in each sector and a range of hypotheses was developed.

Each board discussed main challenges their enterprises are facing with and identified some of the key threats and opportunities.

At least one value chain map in each sector is developed and boards already identified key weaknesses and bottlenecks disabling competitiveness of the enterprises.

First findings in each sectors are clustered around following issues:

- Factor conditions (labour, infrastructure, standards, education and training...);
- Strategy of leading firms, structure and rivalry in the sector and region;
- Demand conditions (access to market, sophisticated customers, new opportunities...);
- Related and supporting industries (transport, maintenance, packaging, business development services, business environment...).

There are also several challenges to the Boards. There is an uncertainty about the long-term PPD structure - right now the secretariat is temporary and it is unclear if it will become permanent. Moreover, the private sector is weak and fragmented, with non-coherent views.

#### **4 - Expected Results**

During the next period the boards are expected to:

- discuss and validate the findings provided so far;
- decide about a destination for a study tour to collect information that could help the boards to better understand customers, good practices, institutions and policies supporting competitiveness... and carry-out the study;
- discuss and develop more specific insights regarding bottlenecks, weaknesses, competitive advantages and opportunities;
- discuss and validate recommendations for both short-term interventions (quick wins) and more systemic and catalytic interventions in each of the four intervention levels (micro, meso, macro and meta);
- develop an Action plan based on findings and recommendations emerged during the process;
- decide about M&E instruments to be used;
- implement agreed actions starting from quick-wins;
- start the second loop of dialogue.

## **Biography of Author**

**Zdravko Miovcic** has a Master degree in Management (Solving Development Problems) and almost thirty years of working experience in industry, government and consultancy. For the last 15 years he is director of Eda - Enterprise Development Agency from Banja Luka, the first sustainable non-government organisation focused on economic development.

He was engaged as a key expert or senior expert in several projects in Bosnia and Herzegovina and Serbia, focusing on SME policy development, regional development, regional innovation and local/regional economic development. He is team leader of the CREDO Krajina project funded by SIDA and implemented by Eda, with total value of EUR 3,3 millions.

Zdravko has more than 15 years of proven experience as a trainer, training developer and moderator/facilitator.

He is author of several books mainly written for leaders and practitioners in local/regional government and SMEs.