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SMEs - Essential For The Serbian Economy

The Development Agency of Serbia (RAS) and the Japan International Cooperation Agency (JICA) recently announced the continuation of their joint project to advise and support the operations of micro, small and medium-sized enterprises (SMEs) in Serbia

JICA has had a long history of supporting SMEs in the Balkans. JICA's support to Serbian SMEs started in 2006, with the Project for Small and Medium-Sized Enterprises Supporting-Agency Reinforcement. Through this project, JICA collaborated with the ADSMEE and regional agencies in introducing the standardisation of service for SMEs.

• Why is the mentoring of micro, small and medium-sized enterprises in Serbia so important?

- There are a few reasons why JICA supports SMEs and mentoring services. Firstly, Serbia has a good base as a country that once had a developed automobile and aeroplane manufacturing industry and an excellent workforce in this field. Therefore, JICA believes there is huge motivation and potential in supporting the economic and social development process of Serbia on its path to EU accession, through assistance in private sector development.

Secondly, it is clear that strengthening SMEs is an essential tool for the development of the Serbian economy. Given that 99% of Serbian companies are SMEs, we need strong SMEs for the development of the Serbian economy. Good training and skilful trainers are necessary for strengthening SMEs. To date we have provided

50 hours of free mentoring service to each SME within the project, and through this mentoring service each SME receives good training. Needless to say, strengthening the SME sector also increases the employment rate.

Finally, after World War II Japan became one of the world's few highly industrialised countries. This development was mainly supported by the SME sector. After WWII, the Government of Japan implemented several strategies for promoting SMEs during the economic development process and has the experience and knowhow of the same mentoring system that the Serbian government is now focusing on. We are sure that this system can be applied to the strengthening of the Serbian SME sector.

• Since the beginning of JICA's activities on this area in Serbia, how many companies have so far participated in the mentoring programme? And how many more should still receive these services by 2020?

- Since 2013, some 786 beneficiaries have been provided with the mentoring service, or approximately 150 beneficiaries annually. The project team is currently trying to increase the number of beneficiaries. In order to achieve this, they need the support of the Government of Serbia and to improve the visibility of mentoring service among SMEs.

• What is a common issue and challenge for Serbian SMEs; and how can mentoring services help them?

- Based on the observation of JICA consultants, it seems that most SMEs lack some practical marketing skills. They had compiled business plans and conducted some marketing activities, but lacked a clear image of their target group and didn't know how to reach potential clients. This further led to them losing their focus and this problem caused waste in terms of time and money. JICA consultants therefore intentionally included practical marketing knowledge into mentoring services, so that beneficiaries can improve their business together with the support of mentors.

It seems that SMEs mostly face difficulties in the first 10 years of doing business. Through the mentoring service, beneficiaries receive 50 hours of mentoring, which means that they have a lot of time to meet, analyse and discuss their problems with mentors. The uniqueness of this service is that mentors provide technical advice to beneficiaries, but they also remain with them, sharing difficulties and encouraging them to seek solutions to emerging problems. It is reported that 90 per cent of the beneficiaries are satisfied with the mentoring service and the immense support they received from mentors.

• Statistics show that a low percentage of small businesses in Serbia endure for more than 10 years, while Japanese companies, in contrast, are known for their longevity. Is there anything in which we are similar; could you compare Serbian and Japanese SMEs?

- I believe there are no major differences in terms

of the individual skills of Serbian and Japanese businesspeople, and the reason for that is the good education system in Serbia. However, two main differences are noticeable with regard to the business activities of Serbian and Japanese SMEs.

Firstly, Japanese SMEs have a long-term plan for employee training and educate their staff continuously. In some sense, Japanese SMEs believe that their responsibility is to increase the overall number of skilled businesspeople through their business activities. On the other hand, Serbian SMEs do not have a strategy for the long-term training of their employees.

Secondly, Japanese SMEs nurture employees who think and act like business owners. A phrase used often in Japanese SMEs is "You should think as if you were the owner". Expectations are the same, regardless of an employee's position or title. As such, SMEs train employees to think and act with the mind of a business owner. Kaizen is now famous as a unique feature of Japanese business and it is one of the most important aspects of Japanese management philosophy. All employees are constantly trying to improve their workplace, products and services, as well as their own skills.

• **What are the other most important projects that JICA is currently implementing in our country?**

- In Serbia, JICA focuses mainly on private sector development and environmental protection. There are some standards related to environment protection that Serbia needs to adjust to on its path to EU accession. The JICA project in Serbia that focuses on environmental protection is "The Flue Gas Desulphurisation Construction Project for the Thermal Power Plant Nikola Tesla". Through this project JICA will finance the necessary construction of environmental protection facility at TPP Nikola Tesla A, through an Official Development Assistance (ODA) loan worth up to 28.252 billion JPY (approximately €213 million), in accordance with the loan agreement that JICA signed with EPS (Electric Power Industry of Serbia).

• **How would you evaluate the business environment in Serbia at the end of 2017? What should we work on more in order to make the business environment better?**

- The Foreign Investors Council recently presented the White Book – Recommendations for the Improvement of the Business Environment

in Serbia. I also attended this launch ceremony, where the list of the attendees included Prime Minister Ana Brnabić and officials from ministries related to the economic sector. I must say that I felt the enthusiasm of the Government of Serbia to improve the investment climate. The investment climate is said to have improved drastically in the last couple of years, but that there is still room for improvement in terms of Restitution, Corporate Income Tax and Corporate Law.

With regard to the promotion of investments from Japan, unfortunately, Japanese investors do not know about these improvements. The problem is that access to information related

- JICA has been supporting tourism in Serbia by deploying a Japanese Tourism Advisor to TOS, and that Advisor has supported TOS in drafting a regional tourism strategy in collaboration with neighbouring countries. The popularity of the region as the "next destination" for Japanese tourists is definitely increasing, as it satisfies their needs in terms of safety, reasonable prices and interesting culture and food. This became clear after tours for media and tour operators were organised in 2016 and 2017 and resulted in positive feedback. This region has not been recognised as a tourist destination for many years, but we hope that our support will increase



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to the investment climate in Serbia is really limited in Japan. Therefore JICA, in cooperation with JETRO, will work on finding a solution to this problem by providing support to the Government of Serbia and RAS.

• **The Tourist Organisation of Serbia (TOS), with the support of JICA, has appeared at the Tourism Fair in Tokyo for several years now. Apart from that, TOS – along with colleagues from the region and in partnership with JICA – also organises visits to the Balkans for the most important Japanese tour operators. How attractive is our region to Japanese tourists?**

its popularity and consolidate this region as the next destination for Japanese tourists.

• **What will be the focus of JICA's activities for Serbia in 2018?**

- We will continue to provide support to Serbia in terms of economic and social development, focusing on private sector development and environmental protection. We are considering formulating a proposal for supporting the sector of rural area development from next year onwards. Moreover, we are also planning to expand our activities with the newly-introduced JICA Volunteer programme. ■