

March 15, 2007

## Overcoming Obstacles: How Women are Rebuilding Bosnia

Gayle Tzemach

In post-conflict societies, continued support for peacebuilding efforts is dependent on the delivery of tangible, measurable improvements in the economic situation of everyday citizens. Conflicts often wipe out the country's pre-war economic base, leaving the business community in ruins and compromising the infrastructure so crucial to reconstruction. The task of rebuilding a state and its economy falls to those who remain.

Post-conflict societies suffer from depleted human capital, so revitalizing an economy means tapping all the economic resources available – including women's expertise and commitment. Women are central to reconstruction efforts, as they are often left in the majority following the death of husbands, fathers, brothers, and sons. Many become heads of households, and are the direct link to their society's children. In post-conflict Bosnia and Herzegovina, women have expanded the boundaries of traditional roles to become leaders in reconstruction. Support for their efforts is support for lasting peace and economic rejuvenation.

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published by the

**Center for International Private Enterprise**

an affiliate of the U.S. Chamber of Commerce

1155 Fifteenth Street NW • Suite 700 • Washington, DC 20005 • USA

ph: (202) 721-9200 • web: [www.cipe.org](http://www.cipe.org) • e-mail: [cipe@cipe.org](mailto:cipe@cipe.org)

## Introduction

Working for a Norwegian NGO during the war in Bosnia, Lejla Radonic wanted to find a way to help refugees flooding into Tuzla from nearby Srebrenica, where more than 7,000 Bosnians perished in some of the war's worst violence. Realizing that international funding would not continue forever, she developed a program to help women support themselves.

Her project grew into Bosnian Handicrafts, a clothing and home furnishings line produced by Bosnian women and sold globally online and through retailers in Europe, Japan, the U.S., and elsewhere. Nieman Marcus, National Geographic, and Sundance are among the U.S. retailers who sell the handmade goods. The effort began with 50 women in one settlement and now provides work for up to 700 women at a time. Bosnian Handicrafts is the sole source of economic support for more than 80 percent of its workers, who receive ten weeks of training in sizing, specifications, and meeting the demands of foreign markets.

The program, says Radonic, allows many women to send their children to school, purchase necessities, and “get their self confidence and their dignity back.”

This social success is equaled by commercial achievement. Last year Bosnian Handicrafts generated 250,000 euros in sales with a profit margin of 20-25 percent. All profits are returned to developing the business, which is now more than 80 percent self-sustaining. Radonic's goal for the firm is to reach a million euros in annual sales and to sell the knitted goods at Saks Fifth Avenue. “It is incredible when you can see the progress of the women, the turn-over, new lines, better quality,” says Radonic. “It is all growing.”

Programs like Bosnian Handicrafts are vital to state reconstruction in the aftermath of war. Once security is established and peace takes hold, economic resuscitation leads the list of priorities. Continued and prolonged support for peace construction efforts is dependent on the delivery of tangible, measurable improvements in the economic situation of everyday

citizens. Yet conflicts often wipe out the economic base of the pre-war period, leaving the business community in ruins and compromising the infrastructure so crucial to reconstruction. Even worse, conflicts can entrench negative economic structures, such as trade in illicit arms or drugs. The daunting task of rebuilding a state and its economy falls to those who remain and those who are willing to return from abroad to join the reconstruction effort.

In addition to jump-starting economic activity, there is the additional challenge of rebuilding political institutions. Without a solid economic base, governments find it difficult to provide the social services of a peaceful, stable society, often growing dependent on foreign funding. The difficulty of restoring a viable political infrastructure is compounded by the fact that countries' human capital is often severely depleted by conflict.

Women are central to this work of post-war reconstruction and to rebuilding political and economic institutions for several reasons:

1. They often are left in the majority following the death of husbands, fathers, sons, and brothers in battle. Revitalizing an economy means tapping *all* the economic resources available, including women's productivity, ingenuity, and commitment.
2. Many become heads of households for the first time in the wake of war. Efforts to reduce poverty must integrate women into the economy as the main providers of support for their families.
3. Reaching women means reaching children. As a recent International Monetary Fund working paper noted, “Women in control of their household's resources spend more on basic necessities for the household and on the development of their children's potential than men do in similar circumstances.”<sup>1</sup>
4. Women typically are more trusted in post-conflict situations given their status as either bystander or victim in the recent violence. Additionally, the post-war period provides an opportunity for women to expand the boundaries of their traditional roles. Following the 1994 genocide in Rwanda, the new government adopted legislation that gave women

inheritance and property rights for the first time. In Afghanistan, women who were cloistered away from society under the Taliban regime are now guaranteed seats in Parliament.

## Focus on Bosnia

The war in Bosnia and Herzegovina ended in 1995 after three years of conflict that left 250,000 dead or missing and more than a million displaced. War shattered the economy, leaving somewhere between \$50 and \$100 billion in losses. Nearly a decade after the fighting ended, Bosnia's GDP was only 50 percent of its 1990 pre-conflict level.<sup>2</sup> The World Bank has called it the "most devastating economic collapse of any economy in Central and Eastern Europe since World War II."<sup>3</sup>

The International Labor Organization reports:

In the course of a few years, Bosnia was transformed from a fairly sophisticated middle-income European country with an educated population and a reasonable standard of living to a country with indicators comparable to a least developed country. Basic utilities such as water, electricity, sewage systems, heating and telecommunications were largely wiped out during the war. Both agricultural and industrial production in most parts of the country ground to a halt, necessitating reliance on international aid handouts. These deprivations impacted particularly severely on women who are responsible for the care and maintenance of their families.<sup>4</sup>

When the conflict ended, women were left as the sole providers for a quarter of Bosnia's households, with unemployment in these households 77 percent higher than in those led by men.<sup>5</sup> With women both poorer and less likely to work outside the home than men, their economic independence means greater productivity and a higher standard of living for the entire country. As the Millennium Development Report argues, "A key indicator for a successful reduction of poverty will be improved conditions in the labor market for women, especially an increase in the female share of the labor market,"<sup>6</sup> which is currently among the lowest in the region.

While no statistics yet document the numbers, there are signs that women are initiating business activity to create a brighter economic future. Anecdotal evidence and periodic surveys point to a small but growing network of women entrepreneurs. In a survey from the STAR Network, a Bosnian NGO, the number of women who said they would start their own business jumped from 18 to 60 percent between 1998 and 2002.<sup>7</sup>

These women entrepreneurs are creating businesses that support families, spur growth, and provide jobs. While their work is often unheralded by the government, fellow citizens, and the international community, it is quietly creating the kinds of enterprises so crucial for Bosnia to continue on the path of economic progress. In a country where one in five live in poverty and unemployment hovers around 40 percent, these efforts are significant.

One example of this enterprising spirit is Narcisa Kavazovic, who launched her linens business, Kana, in 1996 in an abandoned Sarajevo garage shortly after returning from Spain, where she had lived during the war. Her family lost homes and businesses in the conflict and her husband had suffered a stroke. She needed her work to pay for her husband's medical treatment and to support her family – none of the 20 members of her extended family had jobs.

Sewing on the floor of a garage and later an abandoned apartment, Kavazovic made duvet covers and bedspreads piece by piece. She sold them in cities all around the country, fighting for tables at markets. Eventually she was able to rent a production space on the outskirts of Sarajevo near the former front line of the war, and later purchased this space by selling the homes where she lived before the fighting began.

All along, she says, she faced the challenge of capital. In the immediate shadow of the war, she needed 3,000 Bosnian KM (1,500 euros) to begin her sewing business, but no one would lend her the money since everything she owned was in Bosnia's newly created Serb Republic. Without collateral, there could be no loan. In 1998, a woman she met in Spain while working as a housekeeper agreed to loan her 20,000 euros to expand her business.

Today Kana employs 25 people, most of whom are women displaced by the war, and operates out of a sunny, newly opened factory next door to her makeshift former headquarters. In 2005 the firm had 350,000 euros in sales and 87,500 euros in profits. Kavazovic sees exporting as the future, but says it is very difficult to sell abroad from Bosnia. Her dream is to sell her linens in the U.S. and other lucrative foreign markets.

“There are two things I love,” Kavazovic says. “One is to work with textiles, the other is to give these women [my employees] a chance and to help them support their families.”

Vesna Beganovic, another notable example, was left as the sole provider for her two small children after her husband was killed in the war. Following his death, for six months she could not speak and for three years she could not cry.

After five years, at the age of 27, she launched her advertising agency Via Media, driven by a desire to create something better for her children. Using 25,000 euros from the sale of her student apartment in Croatia, Beganovic began to build her business, registering with the government and buying materials for her fledgling agency.

At that time, no banks were willing to fund her business. Furthermore, it was challenging for male clients to do business with a woman running her own firm. Some of her earliest clients preferred to work with Beganovic’s male employees rather than the founder herself. “It was difficult for men to work for me at the beginning, but now they are used to it,” she says. “Now they have faith in my work; there’s a certain respect.”

Today Via Media is a leading strategic communications company whose clients include Bosnia’s foremost telecommunications and tobacco firms. With 22 full-time and 20 contract employees, Via Media earned three quarters of a million euros last year on revenues of 1.8 million euros. The firm recently opened a million-euro post-production studio and is currently considering acquisitions.

“I always say that economics is the best politics of the world,” says Beganovic. “The most important thing for Bosnia is that everything develops sooner and faster.”

## Challenges to Entrepreneurship

While these women have achieved tremendous success – driven by the desire to survive, they took advantage of new opportunities and ventured independently into the business world – their journey was not without challenges. The challenges they face are daunting for all aspiring Bosnian entrepreneurs, regardless of gender. Radoncic and many others in Bosnia say much work is still needed to improve the country’s business environment: Bosnia was ranked 141 out of 175 for ease of starting a business in the World Bank’s 2006 “Doing Business” report, falling from its 2005 ranking.<sup>8</sup> Bosnian entrepreneurs face challenges in the following areas:

### *Bureaucracy and rule of law*

The nation ranks 160 out of 175 for the ease of dealing with licenses and permits, according to the “Doing Business” report.<sup>9</sup> The World Bank found that it took 467 days and 16 procedures to obtain the permits and licenses to build a warehouse in Bosnia, and furthermore, 331 days and seven procedures to register property. By comparison, the OECD averages are 150 days and 14 procedures to obtain the permit and licenses to build a warehouse and 32 days and five procedures to register property.

### *Pace of economic reform*

A number of formerly state-owned enterprises in Bosnia have yet to be sold, preventing the country from receiving the direct investment so crucial to job creation and economic growth. The World Bank acknowledges that privatization “has been one specific area where faster pace could have made a significant difference.”<sup>10</sup> Government spending continues to account for nearly half of the GDP. Privatization is inhibited by lingering ethnic divisions and by weak governance structures in both the public and private sectors. Accountability, transparency, and responsibility are not widely understood or implemented by

policymakers, undermining incentives for effective reform and perpetuating aid dependency at all levels.

### *Corruption*

In 2005, Transparency International reported that more than 50 percent of Bosnians felt business was “adversely affected” by corruption.<sup>11</sup> 40 percent of those polled in 2005 said they expected corruption to rise in the future. Stories abound of permits that take days longer to receive if unaccompanied by additional cash. One businesswoman active in local politics went to battle with local officials when a business permit her brother wanted encountered nearly endless delay. Only her intervention on his behalf resolved the situation. Doing business is a lot more difficult for people who do not wield any additional influence over unconstrained bureaucracy or get protection from criminal groups.

## **Challenges Facing Women Entrepreneurs**

For women entrepreneurs, these challenges are exacerbated by a lack of economic and political power.

### *Traditional roles and values*

In a Star Network survey of Bosnian women, 75 percent of were not satisfied with their position in society. Most placed the source of their dissatisfaction in the “patriarchal tradition and customs that [inflexibly] delineate the position of women.”<sup>12</sup> Traditional culture permeates the economic climate, even though women enjoy legal protection under Bosnian law. As noted by the UNDP, “The legal illiteracy of women, i.e. the lack of knowledge about the legal framework protecting human and therefore women’s rights, is a major obstacle, especially for rural women.”<sup>13</sup>

Women also have family factors to consider when starting an enterprise. According to USAID, a lack of access to child care and persistence of a traditional preference for women to stay at home reduces the percentage of women available for employment.<sup>14</sup>

### *Collateral and access to credit*

Property in Bosnia is typically registered under the name of a man in the household despite the fact that women possess full legal rights to share and inherit

property.<sup>15</sup> This complicates access to mortgages and to financial services more generally. Of the women entrepreneurs surveyed in a STAR Network study, 40 percent said that this lack of registered property makes obtaining credit more difficult.<sup>16</sup> “By virtue of not possessing property,” the 2003 Millennium Development Goals report noted, “women are automatically excluded from loans since real property is always required as collateral.”<sup>17</sup>

### *Lack of knowledge*

With little support from public agencies or social networks, women often lack access to business communities and other entrepreneurs. Lacking both knowledge and contacts, few know where to find business skills training, information on obtaining credit, or marketing know-how. One of the only support networks available to women entrepreneurs, the Bosnia and Herzegovina Women’s Economic Network (BHWEN), closed due to lack of funding in 2004.

According to Selma Hadzihalilovic of STAR Network, which had sponsored BHWEN, “I am really sorry there is no more funding for this project. It is a pity that the international community doesn’t support such target groups. Aid comes for six months, a year, or two years maximum. That makes a few waves but then everything returns to where it was.”<sup>18</sup>

This underscores the importance of building sustainability of groups such as BHWEN. Avoiding aid-dependency and using start-up funds to create a viable business model are challenges facing many organizations in Bosnia.

## **Recommendations for Improving the Climate for Women’s Entrepreneurship**

Women entrepreneurs in Bosnia lack access to information, capital, and markets. The following recommendations are aimed at meeting needs in these three areas.

### *Access to information*

A formal women’s entrepreneurship network such as BWHEN would greatly augment current efforts to

support women entrepreneurs. To avoid the funding problems faced by BWHEN, the network should be institutionalized and funded through a combination of multi-year grants and a nominal membership fee for participants.

As BHWEN did successfully, the network would:

1. Conduct studies of women's entrepreneurship in Bosnia to increase awareness among the domestic government and international community.
2. Disseminate best practices guidelines on a range of business topics, and bring women together at workshops and conferences to share information and build skills.
3. Serve as a single destination for agencies seeking to work with women entrepreneurs to improve their access to training, credit, and markets. For donor agencies, this would ease the process of reaching women entrepreneurs, many of whom are often overlooked by international agencies that are not aware of their existence.

The sustainability of such a network is imperative; stop-and-start efforts fail to address what USAID calls the "tremendous need for consistent economic growth and development in [Bosnia and Herzegovina] through increased SME business activity."<sup>19</sup> An appetite for entrepreneurship is growing among Bosnia's women. Creating a center for local information dissemination and knowledge sharing would foster both awareness and expertise over time.

#### *Access to capital*

While banks in Bosnia have sufficient liquidity to fund SMEs, women entrepreneurs continue to cite access to capital as a prominent constraint to their businesses. As USAID noted in 2003, private enterprises still find it difficult to secure medium- and long-term loans. The establishment of a loan guarantee facility specifically for women entrepreneurs would help address this issue.

This facility would issue guarantees for loans in Bosnian currency and assure direct lenders of at least partial repayment in the event of default. The program would help to address women's lack of collateral

and would encourage banks to institutionalize a due diligence process for SME lending. Along the lines of the USAID Development Credit Authority program, which guarantees up to half of loan principal, this program could issue loan guarantees, loan portfolio guarantees, or a portable commitment guarantee given directly to borrowers with viable business plans. The Bosnian banks covered by this USAID program have to date disbursed more than 150 loans worth more than \$20 million to entrepreneurs with businesses in sectors such as agriculture and food processing, wood processing, and tourism.

The facility could be used for both working capital and fixed asset loans and backed by multilateral institutions such as the World Bank or the UNOHR. Alternatively, bilateral agencies such as USAID or the United Kingdom's Department for International Development could pool resources to support women-owned SMEs.

Promotion of such a facility would be essential, as women need to know these services exist before they can apply for them. Any program aimed at helping women access credit must also include an information dissemination component. A women's entrepreneurship network would be the logical place to begin an awareness-raising effort.

#### *Access to markets*

Trade intermediation is a service international agencies could offer to help Bosnian women entrepreneurs access the foreign markets so vital to their business' success. This already occurs on a small scale with help from concerned private individuals who have worked to find markets in the U.S. and Europe for firms such as Bosnian Handicrafts. If larger organizations with global resources were to expand these efforts, Bosnian women entrepreneurs would be able to operate on a much larger scale.

Specifically, a trade intermediation service would:

1. Link women's business networks in Bosnia with women's business networks in developed economies, creating a communication channel between producers and potential buyers.

2. Create a virtual “bulletin board” and online presence to link global buyers with producers in Bosnia and other emerging economies.
3. Host fairs and match-making events in major economic centers to highlight goods produced by women entrepreneurs and promote the work of women-owned export businesses in magazines and other materials.

## Conclusion

In post-conflict environments, a thriving economy is an essential component of successful reconstruction. Entrepreneurship offers hope, opportunity, and the possibility of a better future. When citizens are able to see concrete material improvements in their daily lives, they are more likely to continue to support governments working to build the institutions of a market-oriented democracy. However, prosperous economies cannot develop without institutions and programs that provide economic opportunities for broad segments of society.

In Bosnia’s post-conflict reconstruction, women are an untapped resource at a time when mobilizing all remaining talent is crucial. Bosnian women have among the lowest labor participation rates in the region, which is detrimental both to the economy and the well-being of individuals. Supporting successful and aspiring women entrepreneurs is a key way to encourage the private sector development needed to help move the country forward. Harnessing this economic potential is crucial to combating rampant unemployment and widespread poverty, as well as maintaining the peace.

Already, and with little fanfare, women entrepreneurs are doing their part for Bosnia’s economic reconstruction. Their work creates jobs and spurs growth, and is part of helping Bosnia get back to where it was before war claimed so much of its talent and potential.

The Bosnian government and the international community can and should do more to explore these opportunities. Skills training, access to capital, and knowledge sharing would all help broaden the ranks

of this small but significant network of women who have dared to launch their own ventures with few resources in the face of numerous challenges. The success of these women is essential to sustain Bosnia’s constituency for peace.

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## Notes

<sup>1</sup> Janet Stosky, “Gender and Its Relevance to Macroeconomic Policy: A Survey.” IMF Working Paper. October 2006.

<sup>2</sup> Millennium Development Report 2003.

<sup>3</sup> Bosnia and Herzegovina Country Economic Memorandum. May 2005. Poverty Reduction and Economic Management Unit Europe and Central Asia Region, Report No. 29500-BA.

<sup>4</sup> International Labor Organization.

<sup>5</sup> “Access to Financing and ITC for Women Entrepreneurs in the UNECE Region.” United Nations Economic Commission for Europe, 2004.

<sup>6</sup> Bosnia and Herzegovina Human Development Report/ Millennium Development Goals, UNDP Bosnia and Herzegovina, June 2003. [www.undp.ba/download.aspx?id=772](http://www.undp.ba/download.aspx?id=772).

<sup>7</sup> Socio-economic Status of Women in Bosnia and Herzegovina

<sup>8</sup> World Bank 2006 “Doing Business” Report.

<sup>9</sup> World Bank 2006 “Doing Business” Report.

<sup>10</sup> 2006 interview, *City Magazine*.

<sup>11</sup> Transparency International 2005 Report.

<sup>12</sup> Socio-economic Status of Women in Bosnia and Herzegovina

<sup>13</sup> Bosnia and Herzegovina Human Development Report/ Millennium Development Goals, UNDP Bosnia and Herzegovina, June 2003. [www.undp.ba/download.aspx?id=772](http://www.undp.ba/download.aspx?id=772).

<sup>14</sup> USAID/Bosnia-Herzegovina Gender Assessment. DevTech Systems, Inc. May 2005.

<sup>15</sup> “Access to Financing and ITC for Women Entrepreneurs in the UNECE Region.” United Nations Economic Commission for Europe, 2004.

<sup>16</sup> STAR Network 2004 Report.

<sup>17</sup> Bosnia and Herzegovina Human Development Report/ Millennium Development Goals, UNDP Bosnia and Herzegovina, June 2003.

<sup>18</sup> Author’s interview with Selma Hadzihalilovic. June, 2006.

<sup>19</sup> “Small and Medium Enterprise Interventions and Gap Analysis.” USAID, May 2004.

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*Gayle Tzemach is a freelance researcher based in Laguna Beach, CA. In 2005, while in her first year of MBA study at Harvard, she launched a project on women entrepreneurs in post-war economies. Since then, her work has taken her to Rwanda, Afghanistan, and Bosnia to interview women founding small- and medium-sized enterprises. Her pieces on this topic have been published*

*by the Financial Times and the International Herald Tribune, along with Harvard, CIPE, and the University of San Francisco's Entrepreneurship Department. Before attending business school, Ms. Tzemach served as a journalist for nearly nine years, including time as a television producer for ABC News in Washington.*

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