

EACES Seminar  
“The Role of Microfinance in Promoting Sustainable  
Development in Southeast Europe”

University of Juraj Dobrila  
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Croatia

**To be held on the island of Brioni, Croatia  
July 5-6, 2007**

**Background**

The recent award of the Nobel Peace Prize jointly to the Grameen Bank of Bangladesh and its founder, Mohammad Yunus, following on from the ‘Microcredit Summit Campaign’ begun in 1997 and the UN’s ‘International Year of Microcredit 2005’, effectively caps a decade of unprecedented attention upon one particular development intervention – microfinance. Microfinance is now by far the most important, well-financed, and certainly most high-profile, institutional innovation designed to address issues of poverty, under-development and marginalisation in both developing and transition countries alike. According to the World Bank, IMF and other international development agencies, the main western governments and their bilateral aid agencies, many major corporations, as well as the international NGO sector, microfinance has an enormous potential to reduce poverty by providing poor individuals with access to very small amounts of loan capital. With this microloan, the recipient can start his/her own micro-business, generate some income, accumulate some assets, perhaps thenceforth extend their education and skills, maintain their personal health, and ultimately, it is hoped, a micro-enterprise can grow into an SME or even into a much larger enterprise. Moreover, by prioritising its own financial self-sustainability, the microfinance institution need not become a permanent drain on government or international donor funding, but can instead eventually survive unaided by commercialising its operations and ‘earning its keep on the market’.

The existence of such massive financial, technical and political support for the microfinance concept does not, of course, confirm its positive economic and social impact. As Nobel Economics Laureate Douglass North, and many development economists, such as Ha-Joon Chang, have argued, economically and socially *inefficient* institutions can very often prevail and triumph simply because it is in the interests of the powerful for this to happen. And, indeed, mounting evidence from the field has contributed to an increasing unease and uncertainty about the long-term sustainable economic and social impact of microfinance, as well as the political economy of microfinance. These and other issues provide the background motivation and rationale for this EACES seminar.

While many economists are of the opinion that the short-run poverty impact of microfinance is positive for some microloan recipients and some others in the community, the same cannot be said with regard to the longer run aggregate impact. The longer run impact of microfinance must take into account various opportunity costs, negative externalities and adverse ‘path dependency’ trajectories. When these wider factors are taken into account, then the assumed positive impact of microfinance need not necessarily hold. In countries such as Bangladesh and Bolivia, two of the most high-profile and long-running country experiments, it is hard to point to any localised sustainable development trajectories arising from the provision of significant quantities of microfinance since 1970. The same is true of Sub-Saharan Africa, South East Asia and Latin America, where microfinance has absorbed significant international donor community financial and technical resources over the last thirty years, yet

the gradual informalisation, marginalisation and industrial ‘hollowing-out’ of these regions and countries has nevertheless continued apace, if not actually accelerated. In the previously highly industrialised transition economies of Eastern Europe, channelling both donor funds and local savings into microfinance after 1990 has often provided material support to ongoing processes of deindustrialisation and infantilization. Moreover, those countries and regions successfully escaping large-scale poverty and under-development over the last fifty years or so - Taiwan, South Korea, China, India, Thailand, Malaysia, Brazil, Vietnam - all relied on a variety of state and non-state interventions and institutional vehicles quite unrelated to microfinance. Arising out of these real concerns is a growing body of work pointing to the important political role allocated to microfinance by the international development community which is to legitimise and give further impetus to individual responses to poverty and marginalisation and thereby, according to some, to deliberately delegitimise and block all collective, community-based and state-driven responses to poverty and under-development. Finally, there are also many alternatives to microfinance that might be more appropriate from a sustainable development perspective, including development banks, cooperative banks, development funds, social venture capital funds, community development banks, technology funds, and so on.

### **Aims**

This EACES seminar will therefore provide a forum for constructively critical discussion of the real contribution, motivation, impact, political/ideological ambitions, and future trends involving microfinance in an increasingly globalised world. The primary geographical and comparative focus is on the countries of South East Europe, but important comparative experiences and insights from elsewhere are also very welcome. Discussion is also very welcome of alternative regional/local financial systems models.

Papers are therefore invited on the following issues:

- The political economy of microfinance within the global political economy and the international development establishment
- The long-run sustainable economic and social developmental impact of microfinance in developing and transition countries
- National, regional and local experiences of microfinance from South Eastern Europe
- Assessing the developmental role of microfinance using insights from the New Institutional Economics (NIE)
- The historical and emerging alternatives to microfinance, including development banking, cooperative banks, social venture capital funds, technology funds, community development banks, etc.
- Innovative and ‘tried and tested’ methodologies that can underpin successful ‘local savings and investment cycles’

### **Program Committee**

Milford Bateman – chairperson  
Soumitra Sharma  
Malcolm Harper  
Marinko Škare  
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## **Organizing Committee**

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## **Abstracts**

The number of papers will be limited. Those seeking to present a paper should send by March 30<sup>th</sup> a short abstract (max 300 words) to both co-organisers:

Dean Sinković:  
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and

Milford Bateman  
[milfordbateman@yahoo.com](mailto:milfordbateman@yahoo.com)

Those selected to participate in the EACES seminar will be informed by the first week of April. Final papers are expected to be available by June 15<sup>th</sup>. The official language of the seminar is English.

## **Registration fee**

**€220**, which includes:

1. Conference programs, conference materials and proceedings
2. Official pre-seminar dinner on Thursday and dinners on Friday and Saturday.
3. Transportation from Fazana to and from Brioni Island
4. All refreshments during coffee breaks (coffee, tea, juice, biscuits and fruits)
5. EACES membership for one year for all non-EACES members.

The fee for non-participating guests accompanying participants is ~~€80~~.

All payments should be made immediately on arrival on Brioni Island.

## **Conference Proceedings**

A selection of the papers will be put together into an edited book to be published by a leading UK-based international publisher (negotiations are already underway).

## **Hotel and other information**

We have been able to negotiate very favourable prices for the conference hotel on Great Brioni Island for all those participating in the seminar.

The price of a single room with breakfast per night per person is €60

The price of a double room with breakfast per night per person is €50

To reserve your accommodation on Great Brioni island and for all other information (e.g. directions by air, road, railway or boat) please contact:

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## **About EACES**

EACES was founded in 1990 in order to initiate international collaboration and to promote theoretical and applied knowledge in the field of comparative economic studies in Europe. Its aims are purely scientific. The Association is envisaged as a broadly based organization in which all schools of analysis are encouraged to exchange views and ideas on current and prospective research. EACES organizes international conferences and workshops, promotes the study of comparative economics focusing on transition and accession countries in Europe and emerging economies worldwide. The Association also has a Working Paper series. Its own on-line peer refereed journal, the *European Journal of Comparative Economics*, was established in 2004, available on <http://eaces.liuc.it/default.asp>. EACES also collaborates with the refereed journal *Economic Systems*. For additional information about the organisation and activities of EACES please visit our website at <http://www.eaces.org>.