

ANNEX I

Description of the Action



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## **Annex I to the European Union Delegation Agreement**

### **“Bosnia and Herzegovina Local Development Strategies”**

#### **IPA II Sector: Competitiveness and Innovation**

#### **Description of the Action**

Total budget: EUR 16,1 million

October 2017

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## List of Abbreviations

BDS	Business Development Service
BFC	Business Friendly Certification
BiH	Bosnia and Herzegovina
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung ( <i>Federal Ministry for Economic Cooperation and Development</i> )
BSO	Business Service Organisation
CfP	Call for Proposals
CSO	Civil Society Associations
ERF	Economic Reform Programme
EU	European Union
EUD	European Union Delegation
FAO	Food and Agriculture Organisation of the United Nations
FBiH	Federation of Bosnia and Herzegovina
GDP	Gross Domestic Product
GEF	Gender and Entrepreneurship Together
GFF	Grant Fund Facility
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
ICT	Information and Communication Technology
IFAD	International Fund for Agricultural Development
ILO	International Labour Organisation
IPA	Instrument for Pre-Accession Assistance
LAGs	Local Action Groups
LEADER	Liaison Entre Actions de Développement de l'Économie Rurale ( <i>Links between the Actions for the Development of Rural Economy</i> )
LED	Local Economic Development
M&E	Monitoring and Evaluation
MoFTER	Ministry of Foreign Trade and Economic Relations
MSMEs	Micro, Small and Medium Enterprises
NGOs	Non-governmental organisations
PSC	Project Steering Committee
ProLocal	Program for local Self-Government and Economic Development
R&D	Research and Development
RARS	RS Agency for Development Small and Medium Enterprise
RS	Republika Srpska
SBA	Small Business Act
SDC	Swiss Agency for Development and Cooperation
SCCs	Sector-specific Coordination Committees
SEE 2020	South East Europe 2020 Strategy
SERDA	Sarajevo Economic Region Development Agency
Sida	Swedish International Development Cooperation Agency
SIYB	Start and Improve Your Business
SME	Small and Medium Enterprises
TA	Technical Assistance
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

## 1 Context

### *Sector Background*

Even though micro, small and medium enterprises (MSMEs) constitute an important backbone of the economy of Bosnia and Herzegovina (BiH) (2013: 68.4% of employment and 62.4% of added value)<sup>1</sup>, they face several challenges preventing them from successfully competing in national and global markets.

The “**SME Policy Index**”<sup>2</sup> 2016 considers the SME policy framework of the country as rather weak, with relevant strategies being outdated or inactive, or differing considerably between entities and BD. One of the main challenges is the it level of cooperation between institutions at state and entity/BD level that could be improved. Consequently, the current report of the World Bank on “Doing Business” (2017) ranks the country considerably low for starting a business (174<sup>th</sup> position out of 190 countries), dealing with construction permits (170) and in paying taxes (133), despite regulatory improvements (e.g. reducing minimum capital for limited liability companies and eliminating the tourist community fee).

**Export** constitutes an important part of the economy of the country, particularly for commodities and energy. Yet, further export potential remains untapped, especially for high value-added products. A number of internal and external impediments hinder companies to fully exploit global markets. This refers inter alia to comparably expensive and time-consuming import and export procedures, while the regulatory and institutional framework remains inconsistent and insufficient. At company level, there is a need for further investment in and upgrade of technology, product development, marketing and technical skills as well as quality of raw material input.

The country also lags behind in terms of **innovation**, as compared to its neighbouring countries. The Global Competitiveness Report (2016-17, World Economic Forum) ranks BiH considerably low in terms of capacity for innovation, company spending on research and development (R&D), and university–enterprise cooperation on R&D. Policy and institutional support is rather fragmented and inconsistent in its implementation, including a lack of financial support instruments. A range of business development services and start-up support exist, but their actual impact on business growth and job creation remains unclear. In terms of entrepreneurial learning, progress seems to be made through a national entrepreneurial learning strategy tackling all levels of education. Activities to improve the situation have been undertaken, but require further efforts to generate substantial results. While SMEs are constantly improving their ICT skills, the digital entrepreneurship in BiH is underdeveloped in terms of access to digital supply chains and e-business networks, interoperability, knowledge sharing, access to ICT standardisation and e-invoicing.

**Agriculture** is still an important contributor to GDP (2015: 6.3%) and employment (2014: 17%, World Bank) of Bosnia and Herzegovina, even though the share of arable land is comparably small and characterised by small plots and a high share of subsistence farming. The large majority of agricultural producers typically sell their produce unprocessed, although a number of food processing companies exist. Overall, there is a need for further product development and diversification, coupled with enhanced market access strategies. Moreover, lack of coherent strategic vision, institutional constraints, as well as relatively low and poorly targeted public spending focusing on direct price or output subsidies, instead of investment subsidies, prevent the country’s agri-food sector from reaching its full potential.

<sup>1</sup> Small Business Act government questionnaire

<sup>2</sup> A benchmarking tool to monitor progress in SME development policies, developed by Organisation for Economic Co-operation and Development (OECD), the European Commission, the European Training Foundation (ETF) and the European Bank for Reconstruction and Development (EBRD)

**Tourism** plays an increasing role for the economy, but is at its early stages of development compared to neighbouring countries. Its total contribution to GDP remains at a low 2.5% in 2016, with a direct contribution to employment of 22,000 persons or 3% of total employment in 2016<sup>3</sup>. Yet further growth potential exists, based on the country's cultural and natural assets. Outdoor tourism (sport and recreation, eco-tourism, adventure tourism, research and mountain tourism on the water, rural) and cultural tourism (culture, events, history, ethno-tourism, gastronomy) in particular, have been singled out as the key tourism pillars with great development potential, despite inadequate infrastructure, shortage of accommodation capacities and services. Overall, a more diversified touristic offer is needed, requiring skills development and better networking among sector actors. Tourism is by nature a “connecting business”, so networks and clusters are key elements for success of SMEs in tourism. Consequently, there has been a considerable interest and dynamism in developing clustering and networking among destinations and tourism related SMEs, aiming to strengthen their competitive advantage. Both agricultural and tourism sector offer additional opportunities for development of the SME sector as well as economic inclusion of under-developed regions.

**Information and communication technology (ICT)** can play a critical role in improving competitiveness in all sectors, and transformation of the “traditional” business to e-business presents significant growth potential for BiH economy. However, BiH businesses are currently underdeveloped in terms of usage of advanced technologies or the innovative business models offered by the available digitalization and digital tools. By utilizing the digital technologies such as: advanced manufacturing, robotics, 3D printing, blockchain technologies etc. in traditional *export sectors*, ICT will enable the MSMEs from to capture a share in the export markets for their products and services. At the same time, ICT can enable increased incomes for small-scale producers and other players in the *agri-food sector*, while providing livelihood opportunities for young people able to develop high-tech solutions. Relevant entry points for ICT in agriculture are: enhancing production, improving markets and building farmer's capacities. *Tourism* is information intensive sector, highly open to digital delivery and targeted towards customers who are typically not local. ICT tools can be very helpful in bringing closer the tourism products to their international markets, enabling at the same time customer satisfaction and individual treatment.

### Relevance

The Action is in line with the provisions of the two economic reform documents at national level - the current “**Economic Reform Programme (ERF) 2017-19**” as well as the “**Reform Agenda for Bosnia Herzegovina 2015-18**”. Both strategies aim at enhancing the framework conditions for the private sector, in the case of the Reform Agenda through comprehensive structural and legal reforms including business environment and competitiveness, but also public finance, labour market and rule of law reforms. The ERF aims at promoting one single economic space in the country, and focusses on a wide range of reform priorities including competitiveness of companies, research and innovation, business environment and enhancing agricultural production.

With the competence for SME development being located at entity/BD level, the RS disposes of an adopted policy, the “**SME Strategy 2016-2020**”. Drafted in line with a range of relevant documents<sup>4</sup>, the strategy covers main intervention fields for the Action, such as competitiveness of SME, a conducive environment for SME as well as entrepreneurship promotion. In the **Federation of Bosnia and Herzegovina (FBiH)**, the main strategic framework for SME development is the Action Plan for the realisation of the FBiH Project „Development of Small and Medium Entrepreneurship” (2016-2018), defining strategic goals, priority activities and a financial framework.

<sup>3</sup> World Travel and Tourism Council

<sup>4</sup> Europe 2020, EU Entrepreneurship Action Plan 2020, South East Europe Strategy, Danube Strategy, Adriatic-Ionian Strategy, Regional Innovation strategy and other relevant documents covering the area of SMEs

In the field of agriculture, the FBiH adopted an “**Agricultural Strategy 2015-19**”, promoting topics relevant for the Action, such as a wider use of technologies in the sector, raising income and living conditions in rural areas and enhancement of the institutional and legal framework. Furthermore, the RS adopted a “**Strategic Plan for Development of Agriculture and Rural Areas 2016-2020**”. Efforts are currently undertaken to design a “Strategic Plan for Rural Development of BiH 2018-2021”, supported by USAID and Government of Sweden.

In the field of tourism, the Action is in line with draft “**Framework Document for Tourism Development in Bosnia and Herzegovina - Recommendations for the State, Entity and Brčko District BiH tourism institutions 2013 – 2023**”<sup>5</sup>. RS disposes of an adopted “**Tourism Development Strategy 2011-2020**”, aiming at enhancing the competitiveness and higher outcome of the sector (e.g. increased number of tourists and foreign exchange inflow, improved contribution to GDP and employment) while natural and cultural heritage shall be protected, again covering essential elements of the Action.

**Strategy of development of Brčko District** for the period 2008-2017 recognise agriculture, transport, food industry, knowledge, innovation and infrastructure facilities as main strategic goals.

At **canton and local government level**, a number of development strategies exist, including in some cases sector-specific strategies. While most of them are of relevance for SME development and a favourable entrepreneurial environment, as well as agri-rural development their implementation is at times impeded by the lack of capacities and skills, as well as insufficient finances.

The **EU Indicative Strategy Paper for BiH (2014-2017)**, highlights the importance of enhancing competitiveness and economic development at local level, and identifies export-oriented sectors, the agri-rural sector and tourism as priority fields for private sector development support.

The Action is also in line with the **Europe 2020 strategy** which emphasize smart, sustainable and inclusive growth as a way to overcome the structural weaknesses in economy, improve its competitiveness and productivity and underpin a sustainable social market economy.

The Action is also aligned with strategic programme priorities of the **United Nations Development Assistance Framework (UNDAF)** for BiH 2015-2019 and the UNDP Country Programme Document 2015-2019, namely in terms of efforts to reduce regional, economic and social disparities.

## 2 Logic of the Action

### 2.1 Objectives and Results

The **overall objective** of the Action is to strengthen BiH capacity for generating growth and employment through support to competitiveness and innovation. In that light, the **specific objective** is to support BiH private sector development with a focus on export oriented, agro-rural and tourism sectors, as well as on enhancing the operational environment for MSMEs including development of local digital entrepreneurship<sup>6</sup>.

The Action envisages three inter-related **results**: 1) MSMEs performance is increased due to better access and availability of well targeted measures and innovative business development services in competitive export oriented sectors; 2) Business environment for development of new businesses and support to existing ones is improved; and 3) Entrepreneurial initiatives in tourism and rural value chains for income and employment generation are increased.

<sup>5</sup> Prepared with assistance of the EU Tourism Project

<sup>6</sup> The implementing partners understand “local digital entrepreneurship” as a concept related to the use of ICT solutions in business operations, that includes promotion of e-learning, digital supply and financial solutions as well as access to ICT in rural areas under the cover of “entrepreneurship”



## 2.2 Indicative fields of activities

The Action will be based on a two-pronged approach, namely a **Grant Fund Facility (GFF)** complemented by **Technical Assistance (TA)**. Both GFF and TA will be focused on the following three priority areas of intervention: 1) Export-oriented sectors; 2) Tourism; 3) Agri-food and rural development. The Action will also promote entrepreneurship and start-ups within these sectors emphasizing importance of the digital economy. GFF and TA are closely interrelated, whereby TA will be designed in a complementary approach to prepare the fundamentals and meet institutional requirements at various levels and increase capacities of the applicants for the effective operationalisation of the funding mechanism.

The preliminary assessment undertaken by GIZ, UNDP and ILO have revealed that the main stakeholders and beneficiaries in the priority sectors require a differentiated approach to ensure most effective deployment of the GFF resources. Hence, it is suggested that these resources should be managed separately for each of the three sectors, within the **separate Calls for Proposals (CfP)**. Active promotion of the Calls for Proposals will be undertaken (where possible with contribution and participation of the state and entity/BD institutions) in order to inform the potential applicants about funding opportunities and consequently secure sufficient number of quality proposals.

*Support to export oriented sectors* will follow the requirements and needs of the MSMEs for utilization of their innovation potential, both through support to implementation of innovation approaches. The approach will be based on knowledge flows and interactions among actors as well as through improved digitalization, usage of modern ICT and introduction of innovative and advanced digital solutions. The GFF in export oriented sectors will have separate approach towards *individual MSMEs* (to achieve quick results) from the approach towards *development partnerships* (to secure sustainability of the achieved results).

The segment of *GFF focused on the tourism sector* will consider the specifics of different tourist niches (outdoor, adventurous, cultural and heritage, as well as ecotourism) focusing on integration in international value chains with simultaneous efforts for improvement of the content and quality of tourism products. Having in mind that the tourism assumes networking approach in order to have sustainable development, cooperation within development (local) partnerships will be promoted and supported.

*Support to agriculture and rural development* will consider specificities of the sector, such as the sector's cyclical nature, primary production challenges, limited processing capacities, low use of technology and innovation, constraints related to market access, climate change concerns, as well the multitude of stakeholders, with varying degree of capacities.

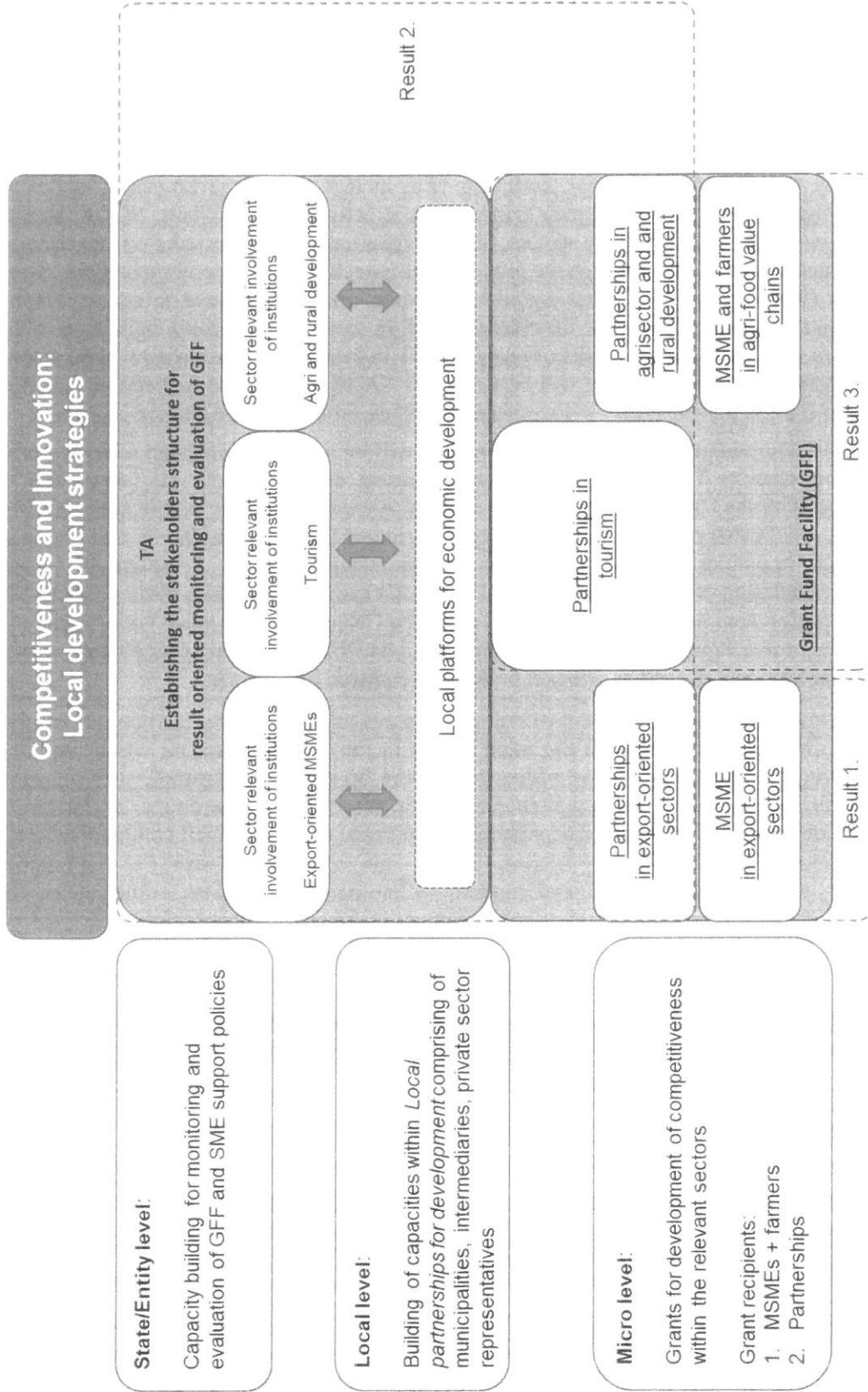
## 2.3 Overview and schematic presentation of the fields of activities

The Action foresees multi-level implementation approach and simultaneous efforts are foreseen at the state/entity/BD level, local level as well as micro level (Graph 1. on the next page). TA will be provided at 3 levels:

- Institutional partners level (State/entity/BD);
- Local level (local governments, development agencies/bodies, development partnerships, organizations that represent private sector), and
- Micro level (grant beneficiaries).

The **TA on the State/entity/BD level**, will be provided to the main stakeholders in coherence with the GFF. Focus will be on improvement of the capacities of institutional partners (sectoral and line ministries/agencies for designing and implementing coherent measures) aiming to establish a conducive business environment and favourable conditions for entrepreneurship. Based on the review of sector studies/analyses, as well as available policy and strategic documents, the assistance will identify shared strategic focuses in the three target sectors (export, tourism and agriculture) and utilize

them as a basis (focals) for development of the GFF in the respective sectors. These strategic focuses together with the cross-cutting issues of e-business and innovation, will be used for joint inter-entity elaboration of the GFF Calls for Proposals within the foreseen sector groups, as well as for a basis for delivery of diverse TA content as foreseen in the Action.



Graph 1. Schematic presentation of the fields of activities

The Action will have a country wide approach in its implementation, so the Calls for proposals within the GFF will be open for eligible applicants from the entire country. However, it is foreseeable that in some areas of the country there will be a higher number of successful applicants. This is expected in areas with more developed entrepreneurship culture, vital export sectors and/or propulsive agricultural sector, as well in areas that have a certain tradition and predisposition for tourism. In these areas with higher number of successful applicants (regardless of the sector), these applicants (stakeholders) will be supported with the foreseen **TA efforts on local level** as foundation for organizing of **Local platforms for economic development**<sup>7</sup>. These platforms will include Local governments and respective development agencies/bodies, development partnerships as active grant recipients, NGOs that are active in the respective localities and priority sectors, SMEs, organizations that represent private sector as well as other relevant organisations. Through the proposed cross-sectoral and sectoral roundtables, workshops and seminars (where possible utilizing digital tools), they will be reinforced to enable effective and growth oriented business environment for entrepreneurship support and start-up facilitation in the three priority sectors. Importance and benefits of usage of ICT in local service provision will be emphasized. After the selection process, the effort will be expanded **TA to the grant beneficiaries (partnerships and individual)** through mentoring for strengthening of their project implementation capacities.

The funds available within the **Grant Fund Facility** will be distributed through Calls for proposals. There will be separate CfPs for export sectors, tourism and agri-food. All those calls will be complemented with the Calls for proposals for support to entrepreneurship within the relevant sector. Improvement of MSMEs performance in export oriented sectors (Result 1) and increasing of entrepreneurial initiatives in tourism and rural value chains (Result 3) leading to income and employment generation will be achieved at the **level of grant beneficiaries** (being either individual MSMEs or development partnerships) – micro level. The Calls will be preceded with **review of sector studies** on innovative capacity and development potentials **within each targeted sector** (export, agri-food as well as tourism), as well as relevant policy and strategic documents.

**Innovation** as a basis for improvement of competitiveness as well as for generation of employment, turnover and income, will be one of the main merits in the selection process within the GFF. The Action will target **critical aspects for utilization of the innovation potential**<sup>8</sup>, such as: *innovation activities, interactions among actors and relevant knowledge flows*. In the course of this targeting, it will support improvement of business sophistication, increase of international competitiveness, higher integration into global value/supply chains, linking and cooperation with EU innovation hubs, digitalization, advanced use of ICT and modern technologies, as well as utilization of flows of information and knowledge as a central driver of economic growth and innovation.

## 2.4 Result 1: MSMEs performance is increased due to better access to and availability of innovative Business Development Services (BDS) in competitive export oriented sectors

### *Activity 1.1 Support to MSMEs centres for technology, know-how transfer and access to e-business and EU digital economy (Responsibility for implementation and achievements: GIZ)*

In order to secure simultaneous effect at two levels: a direct impact on innovation and digitalisation on a company level, with a complementary effort to enhancing the business environment for the sector within the entire country, the two pillar-approach (individual and partnership) has been selected for

<sup>7</sup> We would like to emphasize the difference between the **Local platforms for economic development** that include key stakeholders working on **business development measures from economic point of view** (incentives for SMEs, technological upgrades, support infrastructure, local government reform, SMEs needs for development etc.), whereas **Local employment partnerships – LEP** (utilized in the Action focusing on entrepreneurship) are agreements among local key stakeholders working exclusively on **HR development measures from social point of view** (education of unemployed and new entrepreneurs, capacity building of PES and municipalities and education providers).

<sup>8</sup> OSLO Manual - Guidelines for Collecting and Interpreting Innovation Data 3<sup>rd</sup> Ed. OECD. 2005.

implementation of the GFF in export oriented sectors. Fostering the innovation approaches on two parallel levels will provide short-term results and enable their sustainability. Grants on individual MSME level will bring rapid results in terms of innovations, employment and export, whereas the grants focusing on enhancing business environment (partnerships) will result in longer-term effects.

For **export-oriented sectors**, up to EUR 4.5<sup>9</sup> million are foreseen for grants, including sub-granting of the final beneficiaries. Two different pillars are envisaged:

- 1) the first pillar would address improvement of MSMEs innovative capacity at **individual MSME** level (individual MSMEs as grant applicants); whereas
- 2) the second pillar would target **partnerships** as eligible applicants (MSMEs as indirect grant beneficiaries).

Based on the experiences of the implementing organizations and assessment done prior to the submission of the DoA, the sectors with highest potentials for improvement of innovation and introduction of innovative approaches, enhancing the competitiveness and generation of employment include: metal and plastic processing, wood processing and furniture production, automotive suppliers as well as ICT sector.

Along with transparency and objectivity, that will be secured through the proposed approach, the main principles of *GFF Support to export-oriented sectors* will be:

1. Sector approach;
2. Innovation leading to improved competitiveness;
3. Co-financing, and
4. Development partnerships (only for the second pillar - Activity 1.1.2.).

The Action will target the critical aspects for utilization of the innovation potential: *innovation activities*, the *interactions among actors* and the *relevant knowledge flows*.

The support will be provided for greater international competitiveness and global chains` integration, use of ICT and modern technologies, as well as greater utilization of information and knowledge as a driver of economic growth and innovation. Since the transformation of the “traditional” business to e-business presents a simultaneous growth potential and a challenge for BIH companies, the Action will stimulate usage of relevant advanced technologies and modern ICT tools as well as introduction of innovative and advanced digital solutions at company level.

During and after the implementation, the Action will have the following deliverables:

- i. Received at least 50 full applications specifically designed to support individual MSMEs in improvement of their innovative capacity,
- ii. Implemented project in at least 15 companies funded through grants for improvement of internal innovative capacity, and
- iii. Supported at least 15 innovations in the supported companies,
- iv. Received at least 25 project proposals specifically designed to support mitigation of obstacles for innovation, growth and sector development,
- v. Supported at least 10 partnerships with grants for mitigation of obstacles for innovation, growth and sector development,
- vi. Mitigated at least 5 obstacles for innovation, growth and sector development stemming from market, network and/or government deficiencies, and

<sup>9</sup> The amounts presented as available for grants within this document are approximative and depend very much on different issues, such as number of applicants within different GFF CfPs, their capacity, and the sub-granting to grant beneficiaries. The combination of the extra effort and staff needed for monitoring of the implementation of grants where sub-granting is provided, with the extra need for capacity building of the grant recipients that implement the grants as intermediaries (especially related to provision of sub-granting), increases significantly the implementation cost. Hence, the provided amounts are guidance and will be made more precise as the project evolves.

- vii. Available at least 5 new business development services (knowledge transfer, access to e-business services and EU digital economy and other).

They will lead to:

- a) Increased export capacity of supported MSMEs within the export sectors
- b) Increased utilization of business development services for knowledge transfer, access to e-business services and EU digital economy, as well as
- c) Improved business environment as a result of decreased number of market, network and/or government deficiencies.

*Sub-activity 1.1.1. Grant support for improvement of MSMEs innovative capacity*

In the **first pillar** (total share in GFF: app. EUR 1.5 million), MSMEs will receive funding for measures with **focus on improvement of internal innovative capacity** resulting in increased number of innovations<sup>10</sup> thus leading to enhanced turnover, exports and employment. The foreseen focus activities at this stage are: utilization of equipment on higher technological level, development of new products and improvement of existing products based on market research, introduction of standards and certification, digitalisation and introducing of e-business, related in-company trainings of management and staff, etc.). The focus activities will be finalized and reflected in the funding priorities corresponding to the findings of the *Sector study on innovative capacity and potentials in the companies*. This Study, as part of the TA, will identify most relevant needs and requirements for support to internal innovative capacity.

The foreseen grant size is up to EUR 100,000 with mandatory co-financing of at least 40%. Based on experience in the implementation of similar (M)SME grant schemes, a single-step approach would be utilised in this pillar (Open CfP).

Within the inception phase, a Grant Scheme Concept will be developed, that will be extended with the specific set of eligibility criteria and scoring tables for assessment of the quality of received applications within the TA. **Improvement of innovation and introduction of innovative approaches, including e-business**, would have a prominent position in Concept (as it is outlined in the description of the Activity 2.1.1.). The indicative scoring system, that will be the part of the Grant Scheme Concept will *additionally* include the following selection criteria:

1. enhanced competitiveness and employment generation,
2. improvement in sales, exports and number of employees,
3. specific added-value elements, such as environmental issues, promotion of gender equality and equal opportunities, needs of disabled people and other marginalised groups,
4. appropriateness of the rations between the estimated costs of the proposal and the expected turnover, exports and employments, etc.

*Sub-activity 1.1.2. Grant support for mitigation of obstacles for innovation, growth and sector development*

The **second pillar** of the Grant Fund Facility in the export oriented sectors (total share in GFF: app. EUR 3 million) will aim at mitigating and **removing obstacles for innovation**, growth and sector development stemming from market, network and/or government deficiencies. As removal of failures can only be deemed potentially successful in a joint effort of more different partners within partnerships, only **partnerships** will be considered as **eligible applicants**. These partnerships would be comprised of municipalities, their respective economic development and SME support structures

<sup>10</sup> The effort will be based on the OECD definition of innovation: "the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organizational method in business practices, workplace organization or external relations"). OSLO Manual - Guidelines For Collecting And Interpreting Innovation Data 3<sup>rd</sup> Ed. OECD. 2005.

units / bodies / agencies, Business Development Service (BDS) providers, sector organisations, research institutes and Academia, NGOs active in the business support and other business (support) organisations. Among others, the effort will be geared towards comprehensive partnerships allowing for targeted support to local strategies for enhancing business environments. The details and focus of the second pillar of the GFF will be finalized corresponding to the findings of the *Sector study on innovative capacity and potentials in the companies* that will be delivered within the TA within the inception phase.

As opposed to the first, the second pillar will use a restricted call (a two-step approach), meaning that the call for full applications (Step 2) will be preceded by a call for concept note (Step 1) for the pre-selection of partners and areas of intervention. Within the process of pre-selection, innovative approach and innovation potential of the application will have special merit, as will the focus on improvement of business environment. The grant size of up to EUR 300,000 is foreseen with possible sub-granting to MSMEs. Mandatory own contribution would be at least 20% from the project budget (at least 50% by sub-grants). The sub-granting effort will be more demanding in terms of monitoring of the implementation of the grants, but sub-granting is expected to enable broader impacts.

Indicative set of eligibility criteria and scoring tables for assessment of the quality of received applications will be developed in the Grant Scheme Concept within the inception phase and, in order to secure synergies, it will be done jointly with the first pillar. **Introduction of innovative approaches relevant to the sector** would again have a prominent position in the Concept (as it is outlined in the description of the Activity 2.1.1.). The scoring system will *additionally* include the following assessment criteria:

1. relevance of the proposed effort to the particular needs and constraints of the target group(s);
2. likelihood of multiplier effects, incl. scope for replication, extension and information sharing;
3. specific added-value elements, such as environmental issues, promotion of gender equality and equal opportunities, needs of disabled people and other marginalised groups;
4. improvement in sales, exports and number of employees, and
5. enhanced competitiveness and employment generation.

### ***Activity 1.2 Support to youth entrepreneurship for creation of innovative start-ups (Responsibility for implementation and achievements: ILO)***

In addition to the support for improvement of competitiveness, complementary grant support in a total amount of up to EUR 500,000 will be provided to **promote entrepreneurship** within the export sectors. The Action will focus on inclusive entrepreneurship models, by targeting local population for business start-ups and clustering for an increased added-value of their products and services, also paying attention to **social inclusion and poverty reduction and digital solutions**. In this Activity 1.2, promotion of youth entrepreneurship for creation of innovative start-ups will be the main focus. The approach for both Activities 1.2 and 3.3 will be based on the ILO intervention model on “Local Employment Partnerships<sup>11</sup>”. The **Local employment partnerships – LEP** are local agreements among local key stakeholders focused exclusively **on HR development measures from social point of view** (education of unemployed and new entrepreneurs, capacity building of PES and municipalities and education providers).

At the initial stage, a briefing and sensitisation of potential partners and beneficiaries of the Action as well as a rapid market assessment on potentials for support services will take place, as an integral element of the

<sup>11</sup> Partnerships include at least one representative of the five key local stakeholders (including municipalities or cities, public employment services, employers, educational institutions and non-governmental organizations, which are among other local and/or regional development agencies, chambers of commerce, associations of employers, trade unions, etc.) and work on the development of comprehensive strategies for local development and employment, as well as the employment action plans and to work coherently on their implementation, reduction of unemployment and improvement of standard of living in local communities.

analyses of the three priority sectors. The assessment will also cover specific demand issues related to support to youth entrepreneurship for creation of innovative start-ups in export oriented sectors. The municipal authorities are seen as one of the key stakeholders for creation of more enabling environment for business development particularly for supporting entrepreneurship. Therefore, particular attention will be given to **participation of local governments** and their start-up support structures as members of the applying partnerships. In addition, local bureaus for employment will also be invited to participate in the capacity building activities since the role of these bureaus is crucial when it comes to jobs counselling for unemployed which may influence decision of unemployed to start their own business. The foreseen activities could include efforts assisting municipalities to develop mechanisms for provision of financial and technical assistance and therewith support the new and existing entrepreneurs.

In a two-pronged approach (restricted call), a first call for concept note proposals will be launched for the pre-selection of partners and areas of intervention based on findings and results of stakeholder consultation and market assessment. A second call for full proposals will lead to the selection and negotiation of individual proposals to be supported. The entrepreneurship development projects will receive technical assistance support to up-skill capacities, while adapted ILO tools, approaches and experiences will be disseminated as well. This also includes the **ILO Start and Improve Your Business (SIYB) entrepreneurship training modules**. Grant size of up to EUR 250,000 are foreseen, with obligatory provision of sub-grants to third parties of up to EUR 10,000 per third party.

The training programme under this activity, will be delivered to the end beneficiaries (youth in age between 18 and 30 years) who will be targeted by the selected implementing partners (municipalities, public employment service, development agencies, NGOs, etc.). Therefore, the intermediary organizations, as defined under the activity 2.2, will be also trained on SIYB, GET Ahead (gender entrepreneurship training), but under the activities 1.2 and 3.3 the ILO experts will mentor the trainers during training delivery and provide additional trainings to the end beneficiaries. This activity will be focused on supporting the new young entrepreneurs in the selected areas (after the Call for submission of expression of interest – concept notes). The selection of young end beneficiaries will be performed by the implementing partners ensuring clear selection criteria and equal opportunities with strong supervision of the ILO staff. More information about the SIYB and GET Ahead trainings are available under the activity 2.2.

The Call will cover grant scheme for activity 1.2 as well as for 3.3. There will be two LOTs, first lot for youth entrepreneurship (Activity 1.2) and second for vulnerable groups (Activity 3.3). This approach is chosen in order to rationalize the available resources.

The Action will have the following deliverables:

- i. 300 youth will be disposed to strengthening of entrepreneurial skills for innovative start -up ideas
- ii. Supported at least three new entrepreneurship initiatives that generate new jobs and foster local economic development through better access to innovations, knowledge transfer and financial sources in selected areas of BiH and particularly for youth during the project life time;
- iii. Supported at least two new initiatives that generate new entrepreneurial infrastructure for youth in selected areas of BiH during the project lifetime;

They will lead to:

- a) Increased entrepreneurship skills for innovative start-ups, and at least 25 young individuals transposing their business ideas into concrete business.
- b) Increased municipal capacity to successfully create more enabling environment to support entrepreneurship in partnership with other local stakeholders.



## 2.5 Result 2: Business environment for development of new businesses and support to existing ones is improved

### *Activity 2.1 Capacity building of relevant stakeholders for monitoring and evaluation of local economic development measures and strengthening MSMEs support structures (GIZ/UNDP)*

In order to improve stakeholders' capacities to design, implement, monitor and evaluate coherent measures aiming at the establishment of a conducive business environment and favourable conditions for entrepreneurship, the Action foresees comprehensive TA based on a multi-layer approach. The TA will be provided in coherence with the GFF, involving institutions on state, entity/BD, cantonal as well as local level. Having in mind that the focus of the Action is on three separate sectors (export, agri-food and tourism) and the fact that the responsibility for their implementation has been allocated to different implementing partners, the following structure of the Activities is proposed further in the document.

The Action will have the following deliverables:

- i. Sector study on innovative capacity and potentials in the companies within the export sectors;
- ii. Country-wide summary of the tourism potentials with required up-scaling and networking measures;
- iii. Summary of the light screening of the absorption capacities in the agri-food sector;
- iv. Prepared 3 detailed GFF measures (1. Export, 2. Tourism, as well as 3. Agri-food) in coordination with the institutional partners and relevant stakeholders;
- v. Transferred experiences and knowledge in creation, management, monitoring and evaluation of MSMEs support programs and economic development measures to the institutional partners;
- vi. Extended capacity of representatives from the institutional partners in result-oriented monitoring and evaluation (M&E) framework;
- vii. Supported at least 2 local platforms for economic development in facilitation of enabling and growth oriented business environment;
- viii. Trained and mentored at least 50 members within development partnerships in implementation of EU funded projects for private sector development and enabling business environment (local/cantonal authorities and their respective development agencies/bodies, NGOs, business service providers, intermediary organizations and other relevant organisations).

These will lead to:

- a) At least one prepared harmonized business environment measure with impact on local business environment.
- b) Strengthened capacity of the relevant stakeholders for support of the target sectors (export, tourism and agri-food).
- c) Improved capability among participating local/cantonal authorities for improving of the local business framework.
- d) Increased capacity of the supported partnerships and their members (all target sectors: export, tourism and agri-food) for successful implementation of internationally and locally funded development projects.

*Sub-activity 2.1.1. Capacity building of relevant stakeholders and strengthening MSMEs support structures for export sectors (Responsibility for implementation and achievements: GIZ)*

#### Sub-activity 2.1.1.1: Institutional capacity development of relevant partners for the export sectors

Under this sub-activity, the Action will support capacity development of relevant partners at the level of ministries/agencies (state and entity/BD). The Action will extend the process-based TA and training

for institutional actors, with focus on designing, monitoring and evaluation of measures for support the development of the in the export sectors (metal, wood and plastic processing, IT and automotive). TA and training to institutional partners will be delivered throughout the Action implementation, by mobilising domestic and international expertise as appropriate.

In an effort to facilitate transfer of experiences, study visit(s) will be organised for institutional partners to one EU and/or other neighbouring countries. Transfer of knowledge will be tailored in a manner to enable the participating partnering institutions to ensure sustainability of the achieved results.

Relevant existing data, analyses and studies will be reviewed and utilized to elaborate a *Sector study on innovative capacity and potentials* in the companies within the export sectors. This study will classify/confirm the target sectors, identify most relevant needs and requirements of the companies, determinate potentials for introducing of ICT and digital entrepreneurship, but also recognize and analyse the joint policy priorities of the national and entity/BD level governments.

For export sectors, close cooperation will be established with the departments of economic development and entrepreneurship and international trade relations at the BiH MoFTER, the FBiH Ministry of Development, Entrepreneurship and Crafts, the RS Ministry of Industry, Energy and Mining, and the communication and consultation would be continuous with the Foreign Trade Chamber, Employer Associations and other relevant sector-specific associations and clusters.

To the extent possible, the envisaged activities will be implemented in cooperation with the existing sector-specific policy coordination mechanisms (SBA working group). We see this working group as a vital cross-institutional platform that will be further strengthened by the Action, through close involvement in policy review and coordination and subsequent design of measures to enhance the operational framework for the private sector.

#### Sub-activity 2.1.1.2: Design of Grant Fund Facility (export sectors)

The sub-activity will set the scope, priorities and criteria for awarding grants to proposed projects within the export oriented sectors under the GFF (Activities 1.1.1 and 1.1.2.). As previously outlined, relevant existing data, analyses and studies will be reviewed and utilized to elaborate a *Sector study on innovative capacity and potentials* in the companies within the export sectors.

The results of *Sector study on innovative capacity and potentials* created within the TA, will be a sound basis for defining of GFF focus in the export sectors. It will be reflected in the funding priorities and criteria of the CfP. The implementing effort will aim for linking of the GFF priorities to the policy priorities of the national and entity/BD level governments.

Detailing of GFF measures, preparation of competitive grant schemes, including performance indicators will be done in coordination with the institutional partners and relevant stakeholders, supported through tailored process-based TA. Detailed priorities, selection criteria and rules for applying will be developed in the CfP and Guidelines for Applicants.

The following factors will be considered in the context of GFF focusing:

- a) export trends of targeted sub-sectors and products,
- b) ability to add value to the products/ services through innovation,
- c) utilization and expansion of local know-how and technological advancements,
- d) application of modern ICT tools for modernization and optimization of the product/service,
- e) cooperation with relevant local partnerships and platforms (for the second pillar).

The effort of the designing of the Grant Fund Facility in export will be geared towards enabling the the institutional partners (in particularly state and entity/BD) to implement the process of preparation and implementation of grant support programs on their own.

### Sub-activity 2.1.1.3: Development of result-oriented monitoring and evaluation (M&E) framework (export sectors)

Within this sub-activity, the Action will support the development of result-oriented monitoring and evaluation (M&E) framework for the export oriented sectors. Designed in a practical and user-friendly way, the M&E framework will entail a clear methodology, structure and tools, that will ensure regular data collection and analysis, as well as performance reporting. This will enable progress monitoring and risk management, evaluation of GFF results, and capturing of lessons learned, thus ensuring closing of the policy cycle loop. M&E framework will be utilized by regular monitoring of awarded grants (under Activity 1.1).

Against the GFF performance indicators, M&E will be done in close cooperation with the BiH MoFTER (department of economic development and entrepreneurship and international trade relations), the FBiH Ministry of Development, Entrepreneurship and Crafts, and the RS Ministry of Industry, Energy and Mining.

### Sub-activity 2.1.1.4: Capacity development of other relevant stakeholders (export sectors)

Grant recipients under the GFF will be provided mentoring and capacity development support to ensure better implementation results. Capacity development efforts will focus on grant management, while limited on-demand specialised TA and training will also be offered for intermediary organizations on preparation and implementation of EU funded projects. Engaging local business support structures in these activities will strengthen their capacities, while also contributing to improved business environment. The areas that will evidence higher number (clustering) of successful partnerships/applicants, will be offered support through “Local platforms for economic development” (e.g. local/cantonal authorities and their respective development agencies/bodies, development partnerships as active grant recipients from GFF, NGOs that are active in the respective localities and priority sectors, business associations, business incubators, innovation centres and other relevant organisations). In addition to roundtables, workshops, webinars, trainings and dedicated group capacity building measures are foreseen for the members of local platforms for development enabling efficient knowledge transfer. Taking into account the composition of the platforms, this support will be enhanced with support to private-public dialogue.

### *Sub-activity 2.1.2. Capacity building of relevant stakeholders and strengthening MSMEs support structures in tourism sector (Responsibility for implementation and achievements: GIZ)*

#### Sub-activity 2.1.2.1: Institutional capacity development of relevant partners for the tourism sector

The Action will support capacity development of relevant partners at the level of ministries/agencies (state and entity/BD). The TA will be GFF related and will aim to foster institutional capacities for both sector-specific and cross-sectoral policy delivery in the tourism sector. In particular, the Action will extend the process-based TA and training for institutional actors, with focus on design, monitoring and evaluation of local economic development measures in the tourism sector. TA and training to institutional partners will be delivered throughout the Action implementation, by mobilising domestic and international expertise as appropriate.

Study visit(s) to one EU and/or other neighbouring countries will be organised for tourism institutional partners. Purpose of the study is to facilitate transfer of experiences and best practices in the planning, implementation, monitoring and evaluation of the tourism policies and grant schemes.

For the tourism sector, the Action will engage the BiH MoFTER, the FBiH Ministry of Environment and Tourism, the RS Ministry of Trade and Tourism, and consult continuously with relevant representative organizations of the tourism sector. To the extent possible, the envisaged activities will be implemented in cooperation with the existing working group in the field of tourism as sector-specific policy coordination mechanism. Its role as vital cross-institutional platforms will be further strengthened by the

Action, through close involvement in policy review and coordination and subsequent design of measures to enhance the operational framework for the private sector. This will not only support the implementation of the existing strategies, but could also leverage additional public resources to support priority sectors.

Sub-activity 2.1.2.2: Support to development of result-oriented monitoring and evaluation (M&E) framework at the partner level in the tourism sector

The Action will support the development of result-oriented monitoring and evaluation (M&E) framework, ensuring that the framework is designed in a practical and user-friendly way. It will be done based on the GFF performance indicators and in close cooperation with the department of tourism at the BiH MoFTER and entity/BD ministries of tourism, envisaging methodology and tools for regular data collection and analysis, as well as reporting and capturing of lessons learned. M&E framework will be utilized as a combination of coaching and learning by doing exercise during the regular monitoring of awarded grants (under Activity 3.1).

Sub-activity 2.1.2.3: Design of Grant Fund Facility component relevant to tourism sector

This sub-activity will set the scope, priorities and specific criteria for awarding grants within the measure related to the sector of tourism. Relevant existing data, analyses and studies will be reviewed and combined with international experiences, as well as policy priorities on the entity level governments in order to create a basis for defining GFF focuses in the sector. The Action will for one, take into account the diverse sectoral studies focusing on tourism in order to identify areas within the country with highest potential for tourism development, and combine them with the policy priorities of the national and entity level governments. Furthermore, the relevant international experiences in the EU and other relevant neighbouring countries, will be researched and utilized as a levelling field, but also as previously mentioned, in an effort to foster transfer of experiences to institutional partners. These transfers will aim not only to see the best efforts in providing a support to tourism, but also to understand the specifics and content of the approaches of different government institutions in doing so and enable autonomous continuation of the support efforts to the tourism sector after the finalization of the Action.

In order to allow for effective and focused usage of available funds as well as to enable complementing of grant support with a TA support to locality alliances, 3 to 5 localities in the country will be selected that show highest potential for the tourism development. The selection will be made based on the *Country-wide summary of the tourism potentials and required up-scaling and networking measures* in the tourism based on available state, entity and other documentation. The results of the first step from the restricted CfP in GFF will be also used as input in the selection of the localities.

Detailing of GFF measures, preparation of competitive grant schemes, including performance indicators will be done in coordination with the institutional partners. The existing sector-specific policy coordination mechanism/working group for tourism will be utilized for prioritization as well as for designing funding measures with particular focus on transforming policy priorities.

Detailed priorities, selection criteria and rules for applying will be developed in the CfP and Guidelines for Applicants. During the fine tuning of the focus of GFF within the tourism, the following factors will be considered:

- a) specific tourism niches (e.g. cultural tourism, outdoor tourism, religious tourism ...),
- b) cooperation with relevant local partnerships and platforms,
- c) application of modern ICT tools (e.g. tourism e-portals, smart apps), and
- d) capacity for improvement and international integration (offer, products, capacities in that locality).

Concept and potentials of ICT and **e-tourism** will be researched as well, as introduction of ICT affects all the players in the tourism sector. New technologies enable potential travellers to research travel options, compare prices and book their travel, as well as utilise geographic location services based to

increase the convenience, pleasure and security of travel. At the same time, ICT affects the way the tourism operators market their products as well as facilitate changes in their operational practices.

#### Sub-activity 2.1.2.4: Support to capacity development of other relevant stakeholders in tourism sector

The Action will provide TA (mentoring) to the partnerships receiving GFF grants aiming to strengthen their capabilities for implementation of EU funded projects, significantly contributing to a more beneficial framework for the tourism sectors. Furthermore, TA would be extended to local service providers as support structures for grant recipients during the application and implementation phase.

Capacity development support will also be offered to local/cantonal authorities to promote their role in removing investment barriers and improving business environment. Local authorities will be encouraged to engage in inter-municipal cooperation, as well as multi-stakeholder partnerships with the aim to create local platforms that could improve business environment, as well as influence future policies in the tourism sector. In the areas that have higher number of successful partnerships/applicants, they could be considered for support as “Local platforms for development” (e.g. local/cantonal authorities and their respective development agencies/bodies, development partnerships as active grant recipients from GFF, NGOs that are active in the respective localities and priority sectors, and other relevant organisations). In addition to roundtables, workshops, webinars, trainings and dedicated group capacity building measures are foreseen for the members of local platforms for development enabling efficient knowledge transfer. Taking into account their composition, this support will be enhanced with support to private-public dialogue.

Other relevant stakeholders (e.g. representatives of tourism companies and other group with vested interest in representing tourism, BDS providers, development agencies, business associations, LAGs, business incubators, innovation centres, etc.) will be mapped and engaged to contribute to public-private dialogue on business environment and related policies in the sector.

#### *Sub-activity 2.1.3. Capacity building of relevant stakeholders and strengthening MSMEs support structures for agri-food and rural development sector (Responsibility for implementation and achievements: UNDP)*

##### Sub-activity 2.1.3.1: Institutional capacity development (agri-food and rural development sector)

As in other two sectors, the GFF will be engineered as a main tool to foster institutional capacities for both sector-specific and cross-sectoral policy delivery in the agri-food and rural development sector. Process-based TA and training will be provided to institutional actors, with focus on designing, monitoring and evaluation of local economic development measures in the sector. TA on prioritization of sectors and sub-sectors, as well as on design of funding measures is foreseen for competent state and entity ministries, with particular focus on transforming policy priorities. This will not only support the implementation of the existing strategies, but could also leverage additional public resources to support the agri-food and rural development sector.

In this context, the Action will work closely with the department of agriculture, food, forestry and rural development at the BiH MoFTER, entity ministries of agriculture and selected representatives of farmers and agribusinesses groups. To the extent possible, the Action will be implemented in cooperation with the existing sector-specific policy coordination mechanism/working group in the field of agriculture and rural development, further strengthening its role as a cross-institutional platform.

A study visit will be organised for institutional partners (i.e. operational staff) to one of the countries in the region (e.g. Croatia, Montenegro, Macedonia or Albania) with the aim to acquaint them with relevant experiences when it comes to design and implementation of targeted measures in the sector.

Support will be offered for export promotion in cooperation with State level agencies, relevant entity institutions and business support organizations, such as BiH Export Promotion Agency (BHEPA), in

the form of either organizing trade missions to fairs or sector-specific exhibitions or facilitating matchmaking and business-to-business networking. This is meant to further enable BiH agri-food producers to access new markets and to promote their products internationally.

Capacity development support will also be offered to local/cantonal authorities to promote their role in removing investment barriers and improving business environment. Local authorities will be encouraged to engage in inter-municipal cooperation, as well as multi-stakeholder partnerships with the aim to create local alliances that could improve business environment, as well as influence future policies in the agri-food and rural development sector.

TA and training to institutional partners will be delivered throughout the Action implementation, by mobilising domestic and international expertise as appropriate.

#### Sub-activity 2.1.3.2: Design of GFF (agri-food and rural development sector)

The sub-activity will set the scope, priorities and criteria for awarding grants to proposed projects under the GFF.

*Screening of absorption capacities in the agri-food sector* will be based on relevant existing data, analyses and studies. It will be screened with purpose to create a sound basis for defining GFF focuses in the sector. For example, the Action will take into account the sectoral studies prepared by the FAO and funded by the EU. Where possible, the GFF will be linked to policy priorities of the national and entity level governments, ideally to be reflected in funding priorities. To inform the GFF tailoring, the Action will also undertake a light screening of absorption capacities in the sector, including in terms of administrative and legal compliance, project development and management skills, and co-financing abilities.

Detailing of GFF measures, preparation of competitive grant schemes, including performance indicators will be done in coordination with the institutional partners and relevant stakeholders, supported through tailored process-based TA. Detailed priorities, selection criteria and rules for applying will be developed in the CfP and Guidelines for Applicants.

Among others, the following factors will be considered in the context of GFF focusing: a) export trends of targeted sub-sectors and products, b) import substitution potentials, c) ability to add value to the products through innovation of local know-how or technological advancements (new processes, vocational trainings, equipment etc.), and d) farm gross income.

#### Sub-activity 2.1.3.3: Development of result-oriented monitoring and evaluation (M&E) framework (agri-food and rural development sector)

Against the GFF performance indicators and in close cooperation with the department of agriculture, food, forestry and rural development at the BiH MoFTER and entity/BD ministries of agriculture, the Action will support the development of monitoring and evaluation (M&E) framework. Designed in a practical and user-friendly way, the framework will entail a clear methodology, structure and tools, that will ensure regular data collection and analysis, as well as performance reporting. This will enable progress monitoring and risk management, evaluation of GFF results, and capturing of lessons learned, thus ensuring closing of the policy cycle loop. M&E framework will be informed by regular monitoring of awarded grants (under Activity 3.2).

#### Sub-activity 2.1.3.4: Capacity development of other relevant stakeholders (agri-food and rural development sector)

Other relevant stakeholders (e.g. representatives of farmers and agribusinesses groups, BDS and extension services providers, development agencies, agricultural cooperatives, business associations, LAGs, business incubators, innovation centres, etc.) will be mapped and engaged to contribute to public-private dialogue on business environment and related policies in the sector.

Furthermore, grant recipients under the GFF will be provided capacity development support to ensure better implementation results. Capacity development efforts will focus on grant management, while limited on-demand specialised TA and training will also be offered for beneficiary farmers and agro-processors (e.g. on technology, product design, standards and certification, marketing, operational management, finance, farm management, etc.). Engaging local business support structures in these activities will strengthen their capacities, while also contributing to improved rural business environment. In the areas that have higher number of successful partnerships/applicants, they could be considered for support as “Local platforms for development” (e.g. local/cantonal authorities and their respective development agencies/bodies, development partnerships as active grant recipients from GFF, NGOs that are active in the respective localities and priority sectors, and other relevant organisations). In addition to roundtables, workshops, trainings and dedicated group capacity building measures are foreseen for the members of local platforms for development enabling efficient knowledge transfer. Taking into account the composition of the platforms, this support will be enhanced with support to private-public dialogue as a basis for sustainability of the alliances.

Moreover, training on utilisation of EU programmes and instruments will be designed and pilot-delivered to relevant stakeholders to acquaint them with the existing funding opportunities for SMEs (e.g. Competitiveness of Enterprises and SME – COSME, HORIZON 2020).

The *contribution of Sub-activity 2.1.3* in terms of deliverables for the Activity 2.1 is the following:

- i. Knowledge and skills of at least 15 representatives from state and entity partner institutions in the area of agri-food and rural development grant scheme design, implementation and monitoring are strengthened through 4 workshops;
- ii. An inter-institutional sectoral group engaged in the design of the agri-food and rural development grant scheme, contributing to improved sectoral policy coordination;
- iii. Best practices in development policy measures in agri-food and rural development presented to at least 20 representatives of partner institutions through a study visit in EU-candidate or member country;
- iv. 15 export-oriented MSMEs in the agri-food sector internationally promoted through trade shows, with strengthened their understanding of export markets demands;
- v. At least 10 local governments and 3 cantons strengthen their knowledge and are equipped with innovative tools (incentives, support schemes, etc.) to improve business environment at local and regional levels based on best practices in the EU.
- vi. Supported at least 1 (one) Local platform for economic development in facilitation of enabling and growth oriented business environment;
- vii. A light screening of absorption capacities in the agri-food sector, including in terms of administrative and legal compliance, project development and management skills, and co-financing abilities conducted to inform the customised design of the support grant schemes;
- viii. 3 competitive grant schemes (including comprehensive application guidelines and packages) – respectively for support to investments in: i) farm holdings, ii) processing and marketing of agricultural products, and iii) implementation of local development strategies and development of the rural economy – designed in collaboration with partner institutions.
- ix. Comprehensive and result-based monitoring and evaluation framework designed for the agri-food and rural development grant schemes;
- x. Capacity and skills of at least 15 representatives from state and entity partner institutions in the area of monitoring and evaluation of grant schemes and measures in the agri-food and rural development is strengthened through practical assistance and training.
- xi. 50 farmers, agribusiness groups and sub-grant recipients improve their knowledge in the area of grant management;
- xii. At least 30 beneficiary farmers and agro-processors benefit from on-demand specialised TA and training (e.g. on technology, product design, standards and certification, marketing, operational management, finance, farm management, etc.);

- xiii. At least 50 representatives from MSMEs got acquainted with the EU financing mechanisms for private sector (COSME, HORIZON 2020).

***Activity 2.2 Entrepreneurship support and start-ups facilitation through the local partnerships and inter-municipal cooperation (Responsibility for implementation and achievements: ILO)***

Tailored TA activities are foreseen at local government level to complement GFF funded measures to support development of more enabling environment for entrepreneurship development. The main target group for the TA will be: local development agencies, municipalities (departments responsible for entrepreneurship support), and NGOs. The recipients will be known after completion of grants' awards for all three organizations. Depending on number of selected target group institutions/organizations the TA will be adjusted according to the available resources.

There will be three different TAs to be delivered: "Start and improve your business (SIYB)" and Gender Entrepreneurship Together (GET Ahead)" and "Local employment partnerships (LEP)" trainings. The TAs will also be aimed at supporting the target groups to develop entrepreneurial infrastructure (exp. Incubators) in order to support existing and new entrepreneurs. The infrastructure includes also provision of services to the entrepreneurs.

**The training package "Start and Improve Your Business" - SIYB** is one of the largest global business management training programmes. It helps small-scale entrepreneurs to start and grow their business, as a strategy to create more and better employment for women and men. SIYB has four training packages that respond to stages of business development: 1) Generate Your Business Idea (GYB) enables potential entrepreneurs to develop a concrete business idea; 2) Start Your Business (SYB) enables potential entrepreneurs with a business idea to develop a bankable business plan; 3) Improve Your Business (IYB) enables existing entrepreneurs to develop their skills and improvement plans in buying, stock control, marketing, costing, record keeping, business planning and human resource management; 4) Expand Your Business (EYB) enables growth-oriented entrepreneurs to develop a business growth strategy.

The training package **Gender and Entrepreneurship Together – GET Ahead** for Women in Enterprise – aims to assist the implementing partners in promoting enterprise development among women in poverty who want to start or are already engaged in small-scale business. The GET Ahead training package differs from conventional business training materials by highlighting essential entrepreneurial skills from a gender perspective, whether applied to starting or improving an individual, family or group business. It addresses the practical and strategic needs of low-income women in enterprise by strengthening their basic business and people management skills. It shows women how to develop their personal entrepreneurial traits and obtain support through groups, networks and institutions dealing with enterprise development.

The GET Ahead training package promotes the economic and social empowerment of women alongside men in enterprises:

**Economic empowerment:** because poor women engaged in income earning usually have had few opportunities for education and training. They often have a double or triple workload, combining economic activities with looking after the household and providing family care. They need management and negotiation skills to transform their survival activities into more productive and profitable businesses in the long run.

**Social empowerment:** because women in many countries have a lower status as compared to men. Many women stay close to the home, lack contacts with the outside world, and face mobility and networking constraints. Women need confidence-building and networking skills, to be able to trust their own judgement and rely on their own strengths.

**Local employment partnerships (LEP):** The core of this technical assistance is to foster effective and efficient partnerships among the following local key stakeholders: municipality, public



employment service, education provider, business, and civil society. This TA package is particularly important when it comes to development of sustainable entrepreneurship infrastructure which includes facilities (for instance incubators) and services. As local problems become more complex, a cross-sectoral response is often needed, drawing together government policies in the field of employment, skills and economic development among others. The government policies can be effectively combined at the local level to tackle concrete issues. It is also necessary to mobilise representatives from the social partners (trade unions and employers) and the not-for-profit sector, to work in partnership together on specific issues. This guide should be useful both for local practitioners, and national government officials seeking to provide a better framework of support for local communities. The intermediary organizations will be mainly trained in **a)** managing and facilitating effective partnerships (team work, information sharing, joint decision-making, conflict resolution, communication, facilitation; and **b)** in institutional building (governance, type of organization, legal status, management, financing, sustainability). This is expected to lead to development of sustainable entrepreneurial infrastructure (such as incubators). The infrastructure includes not only facilities but also provision of advisory services to new and existing entrepreneurs in funding solutions, markets, support network and specific business advisory service.

By receiving these three TAs the identified intermediary organizations will be enabled to better design and steer their support to entrepreneurship and better facilitate start-up businesses. In addition, the local actors will be enabled to better partner with each other in order to create more enabling environment for overall local economic development.

During and after the implementation, the Action will have the following deliverables:

- i) Prepared 1 detailed GFF measure (Entrepreneurship and start-up support) prepared in coordination with the institutional partners and relevant stakeholders,
- ii) Supported at least 1 Local platform for development/partnership in facilitation of enabling and growth oriented business environment;
- iii) Trained and mentored at least 20 intermediary organizations and members within development partnerships (40 persons) in implementation of EU funded projects for private sector development and enabling business environment (local and/or cantonal authorities and their respective development agencies/bodies, NGOs, business service providers, intermediary organizations and other relevant organisations);
- iv) Provided 3 training tool kits to all selected intermediary organizations for 3 different trainings. At least 10 trainers, coming from the targeted intermediary organizations, are licensed by ILO and capable in successful delivering of either SIYB, or GET Ahead or LEP trainings to future end beneficiaries.

These deliverables will enable the supported partners and their members to create more enabling environment to support new entrepreneurs with own financial and technical assistance.

## **2.6 Result 3: Entrepreneurial initiatives in tourism and rural value chains or income and employment generation are increased**

### ***Activity 3.1 Development of tourism products through an integration in larger regional or international tourism clusters (Responsibility for implementation and achievements: GIZ)***

In the tourism sector, the Action will support development of tourism products through an integration in larger regional or international tourism value chains. A total of up to EUR 1.5 million is envisaged to be available within the GFF (additional co-financing by the grant recipients will be required).

An effective usage of fund resources in this field will require joint efforts of sector actors and **networking approach** (e.g. cooperation between tourism companies, operators, municipalities, nature

park administrations, cultural organisations). Hence, the suggested approach would focus on partnerships (led by municipalities and/or intermediary organisations) as grant recipients with capacity for structural improvements and further sub-granting to final beneficiaries, as a wide-spread support to sector development. It will also imply disbursement of small-scale grants to a large number of small-scale final beneficiaries.

As it is already mentioned, **3 to 5 localities** with highest potential in tourism **will be selected** in accordance with the findings of the *Country-wide summary of tourism potentials and required up-scaling and networking measures*, but also based on the best proposals in the first step from the restricted CfP.

Along with transparency and objectivity, that will be secured through the proposed approach, the main principles of GFF *Support to tourism sector*, will be:

1. Sector approach,
2. Innovation in tourism (digitalization and new approaches) leading to improved competitiveness;
3. Co-financing;
4. Sub-granting, and
5. Development partnerships.

Active promotion of the CfP will be undertaken (where possible with contribution and participation of the state and entity/BD partner institutions) in order to inform the potential beneficiaries about funding opportunities trying to simultaneously entice networking and partnerships among different actors (local authorities, tourism operators and businesses, business associations, chambers of commerce, etc.), as well as among different (possibly neighbouring) localities with complementary touristic offer.

The grants should foster income and employment opportunities in the tourism sector through **improved content and quality of the existing and development of new tourism products**, as well as their integration into international value chains. Again, the application of modern ICT tools (e.g. tourism e-portals, smart apps) will be encouraged. Cooperation with relevant local partnerships and platforms will be promoted to work on structuring, development, improvement and international integration of the tourism segment (offer, products, capacities in that locality) focusing on specific tourism niches determined in the draft Tourism Framework document in BIH 2013 -2023 (e.g. "Nature and Eco" Tourism, "Cultural" tourism, "Outdoor, Wilderness, Adventure and Discovery" tourism, "Ski" tourism, etc).

A two-step approach (restricted CfP) is suggested, with a Call for concept note proposals (Step 1) for the pre-selection of partners and areas of intervention, followed by a call for full proposals (Step 2) that will be a basis for final selection of the proposals to be funded. The grant size of up to EUR 300,000 is foreseen with possible sub-granting to tourism operators. Mandatory own contribution would be at least 20% from the project budget (at least 50% by sub-grants).

Indicative set of eligibility criteria and scoring tables for assessment of the quality of received applications will be drafted within the inception phase and finalised within the TA prior the Call, in a joint effort with the relevant institutional partners. **Introduction of innovative approaches in tourism** would have a prominent position in the assessment criteria (as it is outlined in the description of the Activity 2.2.1.). The scoring system will *additionally* include the following assessment criteria:

1. relevance of the proposed effort to the particular needs and constraints of the target group(s);
2. likelihood of multiplier effects, incl. scope for replication, extension and information sharing;
3. specific added-value elements, such as environmental issues, promotion of gender equality and equal opportunities, needs of disabled people and other marginalised groups;
4. improvement in sales and incomes, and
5. enhanced competitiveness and international integration of tourism.

During and after the implementation, the Action will have the following deliverables:

- i. Received at least 15 project proposals specifically designed to support development of tourism products and integration in larger tourism value chains,
- ii. Supported at least 5 partnerships with grants for development of tourism products and integration in larger tourism value chains, and
- iii. Improved (content and quality) or supported the creation of at least 10 tourism products within the supported areas and partnerships,

These will lead to increased inclusion of BiH tourism sector in the international value chains (sales for SMEs and income streams for individuals).

***Activity 3.2 Support to rural economies and agricultural efficiency in local communities via agri-food value chains and rural development (Responsibility for implementation and achievements: UNDP)***

In the field of agri-food sector, support will be provided to rural economies and agricultural efficiency via agri-food value chains and rural development. An integrated approach will be adopted, aiming to promote competitiveness, growth and job creation, but also to foster innovation whenever and wherever possible. On the one hand, support will be provided to modernization of large agri-food industry value chains, targeting commercial agri-food operations through a systematic and integrated measures alongside the supply chain: production, collection, processing, marketing and sales. On the other hand, it will enhance diversification of rural economic activities with focus on small-scale farmers who dominate rural BiH, by strengthening their competitiveness, supporting upscaling of their holdings, on-farm processing, promotion of short value chains and off-farm activities, such as crafts and services in forestry and agriculture.

Geared towards supporting the development of efficient agri-food sector and vibrant rural economy, the Action will provide competitive grants, targeting better preparedness for and approximation to the EU funds best practices. Having in mind the existing policy documents, as well as recommendations stemming from the analyses of agricultural sectors in BiH (conducted by the FAO and funded by the EU), potential niche products/sub-sectors to be considered by the Action include milk and meat (poultry and beef), fruits (e.g. plum, cherry, pear, etc.), berry fruits and nuts, vegetables, medicinal herbs and forest non-timber products.

In total, up to EUR 3 million will be allocated under the GFF and via the following three measures:

- i) investments in farm holdings,
- ii) investment in processing and marketing of agricultural products, and
- iii) investment in implementation of local development strategies and development of the rural economy.

Broadly defined, the proposed measures are based on the best EU practices, as well as lessons learned acquired through numerous similar UNDP-implemented projects throughout BiH<sup>12</sup>. At an aggregated level, these measures are expected to contribute to improved business environment, increase of investments, sales growth as well as creation of new employment and income streams, with due consideration given to under-developed regions characterized by higher migration and low economic growth. Importantly, these measures are expected to contribute to the preparation of both public and private actors for future use of relevant EU funds.

Grant support, coupled with technical assistance (under Activities 2.1 and 2.2), will provide for working at different levels, promoting networking and partnerships, thus also serving to strengthen the

<sup>12</sup> Those initiatives include: 2009-2014 Value Chains for Employment Project (funded by the Netherlands) focused on improving the livelihoods by producing new value, generating employment and incomes; 2003-2017 Srebrenica Regional Recovery Programme (primarily funded by the Netherlands) contributing to the local economic development of Srebrenica Region; 2013-2017 Birac Region Cooperation and Development Project (funded by the Netherlands) contributing to socially inclusive and integrated development of Birač Region; and 2016-2018 Local Integrated Development Project (funded by the EU) working on stimulating good governance, economic activity and social inclusion.

local platforms for economic development comprising of local governments, private sector and other actors, who could influence future policies in the agri-food and rural development sector.

Through this Activity, up to 50 projects (among which approximately 20 farm-holdings; 10 MSMEs and 300 agricultural producers) will be supported, contributing to increased sales and income streams, access to new markets, knowledge and technologies, as well as job creation

#### Sub-activity 3.2.1: Launch and selection of projects under the GFF

For the GFF, a two-pronged approach is suggested, where expressions of interest will be requested first, while competitive CfP will be launched based on the finalised GFF parameters (Activity 2.1.). To reduce delivery risks, the CfP or some of its windows may be designed as permanently-opened, to be closed once the funds are contracted and disbursed.

Active promotion of the GFF will be undertaken, to inform the stakeholders about funding opportunities, but also to encourage networking and partnerships among different actors (local authorities, LAGs, businesses, business associations, chambers of commerce, innovation hubs, technology parks, etc.), as well as among different localities with similar agri-food resources and crops, contributing to greater production capacities and making them more attractive for investments in food processing.

When it comes to investments in farm holdings, the Action will allocate up to EUR 900,000, targeting formally registered farmers (mid- to large-scale commercial farm holdings) and cooperatives dealing with primary production, with grants ranging between EUR 50,000 and EUR 100,000, and ensuring their 40% co-financing. For investments in processing and marketing of agricultural products, the Action will allocate up to EUR 1,300,000, targeting agro-processing companies and cooperatives working on adding value to agricultural products and marketing, with grants ranging between EUR 75,000 and EUR 150,000, and requiring co-financing at the level of 50%. Finally, the Action will allocate up to EUR 800,000 to contribute to the implementation of local rural development strategies, through local authorities or LAGs, encouraging partnership with socio-economic actors (e.g. agro-processors, cooperatives, extension services, development agencies), creating conducive business environment and diversifying economic activities. Individual grants will range between EUR 50,000 and EUR 75,000, with the required co-financing at the level of at least 25%<sup>13</sup>.

As part of the selection process, all potential beneficiaries, will be required to submit documents that clearly showcase their eligibility, as well as quality of proposed projects. Those might include business/investment plans, registration, feasibility studies, project proposals and similar. For each measure, the Action will define separate set of eligibility criteria with necessary documentation and scoring tables. The scoring system that will be developed to assess the quality of applications, including among others: importance of the applicant's business to local economy including sales, number of employees and backward and forward linkages, economic impact of proposed project on locality, etc. The grant selection will entail administrative check and technical evaluation. Field visits will be organised to verify the accuracy of the information provided in the applications and assess the applicants' capacities to implement proposed projects.

#### Sub-activity 3.2.2: Implementation of selected projects

The first two measures will contribute to competitiveness and innovation, by strengthening the agricultural production and market capacity, with focus on large farm holdings and food processors. They will support adding value to products by transferring know-how and new technologies; introducing standards and certification; increasing production volumes, productivity and reducing costs; product development and diversification; broadening of markets; as well as restructuring of operations along agri-food supply chains.

<sup>13</sup> Amounts per individual measures under the GFF, as well as co-financing requirements are indicative and will be defined in the process of GFF design.

The third measure will contribute to implementation of rural development strategies, by engaging local authorities and LAGs for implementation of interventions in the agri-food and rural development sector, including in partnership with other relevant actors. This will include, among others, support to business enabling environment, outreach to small-scale farms, diversification of rural economies, strengthening of extension services, promotion of climate change mitigation and adaptation, etc.

When it comes to business enabling environment, this measure will support small-scale rural infrastructure interventions;<sup>14</sup> investments in knowledge of rural development actors (e.g. on upcoming changes in rural and agriculture sector through EU accession; climate changes, trade liberalization, standards, consumer behaviour changes, etc.); better organisation/association and networking; direct assistance and subsidies to farmers including in relation to investments, access to market and finance; conservation of land resources, etc. To outreach to small farmers, this measure will also target agri-food product development (e.g. product quality, safety, design and packaging), building on the existing and facilitating the establishment of new value chains, as well as introducing innovative sales methods such as use of internet, social media and direct sales. Furthermore, this measure will encourage off-farm activities, through investments in equipment and vocational training, promotion of crafts and services in forestry, agriculture and tourism, small-scale wood processing, production of biomass and biofuel energy, as well as forest non-timber products. Inclusion of small farmers into value chains will inadvertently serve the purpose of bringing more primary producers into formal supply chain and create additional quantities of inputs for agri-food companies that can be processed into higher value products. Support will be based on LEADER-like approach using same or similar principles.<sup>15</sup>

Importantly, all three envisaged measures will encourage innovation, helping the agri-food sector to become more productive, competitive and sustainable, while also enabling rural economies to modernize and develop. Beyond food production, attention will be paid to the increasing role of non-food products and services emerging from farm activities. Partnering and networking will be promoted among public and private actors, between the agri-food and other sectors to be supported by the Action, as well as within innovation and agriculture to share ideas and turn existing knowledge into innovative solutions that can more easily be put into practice. In addition, the Action will explore opportunities for using digital technologies as an enabler to transform production systems in agri-food value chains, as well as for renewing business models by connecting producers to consumers (e.g. setting-up innovative marketing channels to access new markets, introduction of new breeding and growing methods, new varieties and breeds, offering smart solutions for agri services, utilizing Internet of Things in agriculture, or improving logistics from farm to fork). The Action will also make efforts to support young farmers.

Regular grant monitoring will be carried out to feed into the GFF M&E framework (designed under Activity 2.1), and provide for informing future policy making in the field of agri-food and rural development sector. Impact evaluation will also be undertaken to measure effects of all three measures on the beneficiaries and the sector. All knowledge products will be handed over to institutional partners for further use.

### ***Activity 3.3 Strengthen entrepreneurial spirit and facilitate start-ups for vulnerable groups (Responsibility for implementation and achievements: ILO)***

This Result 3 will also encompass provision of grants to intermediary bodies for **promotion of entrepreneurship and facilitation of start-ups for vulnerable groups**, including social entrepreneurship, in a total amount of up to EUR 500,000. The approach will be similar to Activity 1.2, however tailored to specific needs and requirements of vulnerable groups in the tourism sector as well as in agri-food and rural development. Hence, the rapid market assessment will specifically focus

<sup>14</sup> For example, access roads, bridges, small-scale irrigation systems and water catchments for irrigation etc.

<sup>15</sup> Area-based local development strategies, Bottom-up approach, Establishing Local Action Groups (LAGs), Innovation facilitation, Integration and multi-sectoral actions, Networking, Cooperation.

on women, youth, ethnic minorities and persons with disabilities, while selection criteria for the CfP will explicitly include ownership by women, youth, ethnic minorities and persons with disabilities or ability to create jobs for these groups. Eligible grant applicants will also include municipalities.

In addition to the tools mentioned under Activity 1.2, the **Gender and Entrepreneurship Together (GET Ahead) training package**<sup>16</sup> will be used, which is particularly well suited for semi-illiterate women. Grant size of up to EUR 250,000 are foreseen, with obligatory provision of sub-grants to third parties of up to EUR 10,000 per third party.

The training programme will be delivered, under this activity, to the end beneficiaries (**vulnerable groups**: “Groups that experience a higher risk of poverty and social exclusion than the general population. Ethnic minorities, migrants, disabled people, the homeless, those struggling with substance abuse, isolated elderly people and children all often face difficulties that can lead to further social exclusion, such as low levels of education and unemployment or underemployment”<sup>17</sup>) who will be targeted by the selected implementing partners (municipalities, public employment service, development agencies, NGOs, etc.). Therefore, the intermediary organizations, as defined under the activity 2.2, will be also trained on GET Ahead (gender entrepreneurship training), but under the activities 1.2 and 3.3 the ILO experts will mentor the trainers during training delivery and provide additional trainings to the end beneficiaries.

This activity will be focused on strengthening entrepreneurial spirit and facilitate start-ups for vulnerable groups in the selected areas (after the Call for submission of expression of interest – concept notes). The selection of end beneficiaries will be performed by the implementing partners ensuring clear selection criteria and equal opportunities with strong supervision of the ILO staff. More information about the SIYB and GET Ahead trainings are available under the activity 2.2.

As mentioned under the Activity 1.2 the municipal governments are seen as one of the key stakeholders for creation of more enabling environment for business development particularly for supporting entrepreneurship. Therefore, particular attention will be given to participation of local governments and their start-up support structures as members of the applying partnerships. In addition, local bureaus for employment will also be invited to participate in the capacity building activities since the role of these bureaus is crucial when it comes to jobs counselling for unemployed which may influence decision of unemployed to start their own business. The foreseen activities could include efforts assisting municipalities to develop mechanisms for provision of financial and technical assistance and therewith support the new and existing entrepreneurs.

At the end of the implementation, the Action will have the following deliverables:

- i. 100 youth and members of vulnerable groups gained entrepreneurial and digital skills for innovative start-up ideas
- ii. Received at least 5 full project proposals for strengthening of entrepreneurial spirit and facilitation of start-ups for vulnerable groups and
- iii. Supported at least 2 partnerships with grants for improvement of entrepreneurial spirit and facilitation of start-ups for vulnerable groups

They will lead to increased disposal of entrepreneurial and digital skills for innovative start-up ideas among vulnerable groups and at least 25 individuals from vulnerable groups transposing their business ideas into concrete business.

<sup>16</sup> Get Ahead is a training programme specifically designed for women who wish to start a small enterprise. It strengthens the basic business and people management skills of women entrepreneurs, while also addressing their practical and strategic needs. More information: [ILO's Women's entrepreneurship development programme](#)

<sup>17</sup> SOURCE: Social protection and Social Inclusion Glossary. DG Employment, Social Affairs and Inclusion

### 3 Design of the Action / Methodology

#### 3.1 Methods of implementation

The concept of the Action is based on two main approaches: provision of direct and indirect grants through the **GFF** and delivery of **TA**. As outlined in the following paragraphs, both core elements of the Action are designed in a complementary manner for maximised effectiveness and sustainability.

The GFF foresees both grants to **final beneficiaries** (directly and indirectly through sub-granting provided by intermediaries) as well as provision of funding to **intermediaries** for service delivery and support to final beneficiaries. This combination shall both stimulate effects directly at company / farm holding level (e.g. in terms of increased sales and employment, raised share of export, accession of new markets), while it aims at reinforcing the existing support structures in line with actual market needs. In the tourism sector, focus of the CfP will be on **promoting partnerships** which are considered crucial for the development of a competitive and consumer-oriented touristic offer (create a “critical mass”). This will imply the selection of 3-5 localities, while in principle a country-wide coverage is intended in other sectors, with the option of a sector-related locality coverage.

The creation, implementation and monitoring of the GFF will be closely **linked to building capacities and fostering exchange** between relevant state and entity/BD level line/sectoral ministries. The three sector specific studies/analyses undertaken in a participatory approach will reveal main impeding factors and growth opportunities for sector development and entrepreneurship (reflecting existing data and analysis where meaningful). This will also include a review of national, regional and local development strategies, to ensure alignment of the GFF funding priorities to relevant strategies and support actors in policy delivery and reform efforts, where meaningful. Based on the analyses, a moderated cross-institutional and cross-sectoral policy coordination process will confirm public funding priorities. Institutions from different administrative levels will jointly focus on improvement of business environment not related to any sector in specific. They will work on building a consensus on key measures and foster ownership of the proposed and implemented measures (to the extent possible based on existing policy coordination platforms). In parallel, capacity development will be provided to state and entity level line/sectoral ministries on GFF design and operationalisation (e.g. transforming funding priorities into GFF parameters, M&E measures etc.). To allow for an in-depth consideration of all relevant facts and considerations, a sufficient time frame has been allocated for this process (project months 5-11).

TA provided by the implementing partners (GIZ, UNDP and ILO) under this Action will be delivered in a three-level approach, and promote partnerships and networks as outlined previously in Section 2.3 of this Document. Tackling these three levels in an integrated way and fostering **cooperation between stakeholders** will ensure higher impact on the competitiveness and further development of the three sectors. For maximised output, it is suggested to align support provided at local level to geographic areas where grant recipients (companies / intermediaries) are located.

#### 3.2 Main Stakeholders, Beneficiaries

##### *Main Stakeholders*<sup>18</sup>

The implementing partners (GIZ, UNDP and ILO) have undertaken a **stakeholder analysis**, composed of two elements:

- A **mapping** of relevant public actors as well as intermediaries as potential grant recipients; and

<sup>18</sup> The implementing partners have not included international NGOs as potential grant recipients in the stakeholder mapping. The screening has confirmed that a sufficient variety of intermediaries already exist within the country, built partially in the framework of previous donor-funded projects. They already now constitute an important backbone for economic development, and should be further strengthened to sustainably provide effective support to the private sector. At the same time, intermediaries in the country dispose of a better knowledge on local conditions and dispose of required networks to reach out to final beneficiaries.



- **Semi-structured interviews** (May 2017) with most relevant sectoral and line ministries/agencies at the state and entity/BD levels and with selected **regional/cantonal and local development agencies** (see Annex B “Summary of Stakeholder Consultation”)

At the level of **ministries and agencies**, the mapping displayed a **variety of actors** involved in subjects related to (M)SME development in the export-oriented, tourism and agri-food and rural development sectors as well as entrepreneurship promotion, at state and entity/BD level. The **Ministry of Foreign Trade and Economic Relations of BiH (MoFTER)** is one of the main actors at state level with a comprehensive mandate including improvement of business environment and development of entrepreneurship. As (M)SME policy development is placed at entity/BD level, MoFTER assumes a coordinating role among concerned institutions towards a country-wide harmonised approach to (M)SME promotion. The lack of a coherent country-wide (M)SME policy however suggests that this coordination function is not fully effective.

At entity/BD level, a number of institutions are mandated with sector policy design and implementation. **In the FBiH** this includes the Ministry of Development, Entrepreneurship and Crafts of FBiH, the Ministry of Energy, Mining and Industry of FBiH, the Ministry of Agriculture, Water Management and Forestry of FBiH as well as the Ministry of Environment and Tourism of FBiH. **In the RS**, similar sectoral institutions exist – the Ministry of Industry, Energy and Mining of RS, the Ministry of Agriculture, Forestry and Water Management of RS as well as the Ministry of Trade and Tourism of RS. Further to that, the Ministry of Economic Relations and Regional Cooperation of the RS has been nominated by the RS Government for the coordination of all EU financial instruments, and holds the mandate to coordinate activities related to economic development strategies in the region.

The interviews confirmed the strong interest of the entity/BD ministries to further develop their respective sector, which however requires – to a varying extent – additional capacity development, a better understanding of the effectiveness of policy measures and improved coordination with other sectors and regions as well as better exchange with sector representatives.

The large number of sectoral ministries and agencies and the lack of a fully effective coordinating function contribute to a scattered policy framework for export-oriented sectors, tourism and agriculture. However, a number of **coordination platforms** have been installed to improve coherent country-wide policy delivery. This includes the national Coordinators’ network on the “Small Business Act for Europe (SBA)”, as well as to the Tourism Working Group and the Working Group and Donor Coordination Forum in the field of agriculture and rural development. The interviews confirmed the importance of these working groups, which effectiveness appears to be rather low in the field of tourism and agriculture. Hence it is suggested to further strengthen these structures, as a basis for coherent cross-institutional policy design and delivery.

The RS has in 2004 established an SME Agency with a comprehensive mandate to promote (M)SME development, including the elaboration and implementation of the SME development strategy 2014-18. The stakeholder analysis has confirmed its importance for the Action in terms of supporting (M)SME in the RS, while it also revealed challenges in particular related to its link to the private sector. A range of agencies are further of importance for the Action.

The Export Promotion Agency of BiH within the Foreign Trade Chamber of BiH is an important platform which however seems not to be fully operational due to lack of budget and staff. Its involvement in GFF and TA linked to export-oriented sectors is nevertheless advisable to build required institutional capacities for access to markets and innovation beyond mere participation in international fairs. The same holds true for the Food Safety Agency of BiH, the Institute for Standardisation of BiH, the FBiH Institute for Agriculture as well as the Agricultural Institute of RS, which fulfil crucial functions for the three priority sectors and that may require further capacity development.

Further to that, **local governments** are critical players for creating a more conducive business environment. Besides the foundation of development agencies, a number of development plans and



initiatives have been undertaken to foster economic growth and rural development, and approaches have been designed to promote a favourable framework for entrepreneurs (e.g. “Business Friendly Certificate (BFC)” for municipalities). However, a variety of challenges impedes more effective policy measures, including a lack of institutional capacities, insufficient financial resources and a deficient decentralisation framework. Further to that, mechanisms for public-private dialogue and partnerships are not fully functional besides marginal attempts (e.g. the establishment of “Local Economic Councils” or participatory involvement of private sector in development of local strategies), preventing comprehensive reflection of private sector needs in policy delivery.

At the level of potential grant recipients, the mapping confirms a **multi-faceted landscape of intermediaries**. This includes diverse **development agencies, as well as NGOs** working in the area of SME support providing training and advisory services to enterprises in the priority sectors. Involved in a considerable number of donor-funded projects, it is assumed that these agencies have substantial knowledge in elaborating sound project proposals for the GFF. However, they partially lack know-how on latest market trends and technologies, which should be the focus of capacity development efforts in this case. Another essential actor are the various **business associations**, including the Foreign Trade Chamber of BiH, the Chamber of Commerce and Industry of RS with its regional branches, the Chamber of Commerce of FBiH, the Chamber of Crafts of FBiH as well as the numerous chambers of commerce at cantonal and local level. Besides, several sectoral associations exist in the priority sectors increasingly constituting an important platform for the further economic development of (M)SME in their sector/region and the provision of related support services, while they partially still lack know-how and capabilities on the design and operationalisation of suitable business development services (including a sustainable financial model). The same holds true for the various **business centres, technology parks and training centres**. They partially still lack suitable strategies and capacities to offer needed support services and trainings in line with market needs to the private sector. Further to that, a number of **civil society organisations** have been created to promote local development and provide support to vulnerable groups. They vary in the degree of specialisation and hence their level of capacities to respond to CfP, but are relevant for the involvement of communities for rural and inclusive development. Further to that, **employment (service) bureaus** are important partners when addressing vulnerable groups for entrepreneurship promotion and inclusive rural development. In line with their activities in the field of active labour market policies, they could be involved in providing training schemes for unemployed youth and women. This holds in particular true for the employment service bureaus at canton level.

**Agricultural cooperatives** in BiH have a long tradition, but struggle with the requirements of the transition to modern market economy. They differ substantially in their level of skills and operations, with some larger cooperatives disposing of sound production and storing facilities, and smaller ones with lower sophistication levels. They are essential actors when reaching out to a large number of small-scale farmers, and enhancing their service provision can have a substantial leverage effect on the sector, linked moreover to rural development opportunities. Likewise, agricultural **extension services** (public or private) play a decisive role for the upgrading of the sector, but face challenges linked to technical skills and financial sustainability.

Local partnerships composed of local public and private socio-economic interests, known as **Local Action Groups (LAGs)**, are also important actors in the context of rural development. Experiences with LAGs in BiH have so far been mixed. Their establishment has been mainly supported through donor-funded interventions, and LAGs that have enjoyed substantive external technical assistance are seemingly more active and successful in their work. However, limited LAG accomplishments in BiH have been mostly due to the lack of effective policy, financial and institutional framework for introducing the LEADER approach in Bosnia and Herzegovina.

In the tourism sector, apart from municipalities and sector associations, administrations of the **national and nature parks as well as cultural associations** could be involved for the development of touristic products. Even though they are striving for promotion of their respective offer, a more

concerted effort with other sector actors as well as a better understanding on how to better integrate into international tourism clusters is required.

A review of the scope of work of the various intermediaries suggests **varying degrees of knowledge** in grant application and management as well as different levels of technical expertise. Overall it can be assumed that due to comprehensive donor activities in the past years, the majority of potential grant recipients dispose of a sound knowledge on grant application and management, while technical capacities of designing and implementing effective measures for final beneficiaries in line with current market needs may be less available. The preparatory analysis foreseen for each priority field will include a careful screening of actual capacities of grant recipients, and the results will be reflected accordingly in the selection criteria of the individual CfPs and TA support provided.

### ***Final Beneficiaries***

In terms of **final beneficiaries, (M)SMEs in export-oriented sectors, tourism and agri-food segment** are of particular importance. Out of the 23,381 SMEs (2013)<sup>19</sup>, 19% operate in the manufacturing sector and only a marginal 3 % in accommodation and food services. The majority of companies (2013: 94.8%) are classified as micro and small enterprises. (M)SMEs typically struggle with a lack of information on market opportunities and do not dispose of sufficient capacities or access to resources for required product development, upgrading technology and marketing. R&D networks for innovation are considered weak. Export-oriented sectors with growth potential include wood manufacturing, metal and plastic processing, automotive suppliers and the sector of Information Technology.

**Farmers** are further relevant final beneficiaries. The agricultural landscape is rather fragmented, with an estimate of 50% of agricultural holdings operating on parcels with a size of less than 2 ha, and even further division into smaller land plots (2012, FAO of the United Nations). A large share of farms produce mainly for own consumption, and offer only a minor share of their products on the market. Farms with a commercial focus are generally larger, but face challenges in terms of new investments, human resources and in general marketing know-how, which would allow them to innovate and access new markets. Predominant challenges for farmers include the lack of skills and information on market opportunities and required product diversification, marketing and suitable crop varieties. Even though a notable share of farmers has access to internet (2012: FBiH: 29% / RS: 20%, FAO), it is not yet sufficiently considered as a relevant tool for marketing and sales.

Moreover, **prospective entrepreneurs** are considered as important beneficiaries for the Action. With significant unemployment rates, starting its own business remains a crucial alternative to work migration. In average, entrepreneurs are male in the age range of 18-44, creating their own enterprise after graduation and in three priority sectors: consumer services, manufacturing or construction (2014, Global Entrepreneurship Monitor). The share of persons intending to start its own company is significantly higher than actual new business creations, due to a number of hurdles linked to cumbersome legal and administrative requirements, unfavourable tax schemes, lack of consistent support policy and lack of an effective R&D system.

The Action furthermore addresses **citizens in rural areas** as final beneficiaries, an estimate of 61% of the country's population (81% of BiH is considered rural). In general, the share of inhabitants that are economically active (working or available for work) is lower in rural areas and smaller towns. In addition, a smaller share of the population in these areas must support a larger number of non-working citizens. Households in rural areas are typically either categorised as poor and dependent on social welfare, or as middle-income households based on paid employment. The mountainous landscape and poor road conditions contribute to the remoteness of rural areas. Agricultural production plays an important role for income generation or income saving, with 36 % of rural households producing a

<sup>19</sup> Small Business Act government questionnaire

large share of their own food requirements, and 13 % of rural households operating full-time or part-time farms contributing 75% of household income besides paid employment and social welfare.<sup>20</sup>

**Women and youth** are further final beneficiaries that face particular challenges in accessing the labour market (women unemployment rate 2015: 30.7% youth unemployment rate 2015: 62.3%, ILO). Even though favourable developments can be observed for the participation of girls and women in education<sup>21</sup>, women are still confronted with a range of impediments. Prevailing socio-cultural norms and stereotypes determine decisions on career choices, while the share of women in higher decision-making positions remains marginal. Women rarely favour self-employment as employment option, due to preference for secure employee positions, challenges in access to land and finance, insufficient child care support and a general lack of exposure to business networks. Unemployed youth (in particular low-skilled youth) are often pushed to the informal economy to generate income, typically linked to poor working conditions, or to work migration. The significant skills gap between labour market needs and educational attainments further contributes to long school to formal work transition phases.

<sup>20</sup> Rural Development in BiH – Myth and Reality, UNDP, 2013

<sup>21</sup> Bosnia and Herzegovina: Gender Disparities in Endowments, Access to Economic Opportunities and Agency, World Bank, Agency for Statistics of Bosnia and Herzegovina, FBiH Institute for Statistics and RS Institute for Statistics, 2015

### 3.3 Risks and Assumptions

Risk	Likelihood of occurrence	Potential Impact	Mitigation measure
Political actors are not supportive to cross-sectoral and cross-institutional policy coordination	Medium	High	To promote cross-sectoral and cross-policy coordination within the priority sectors, the Action will build its approach on the successful example of the national SBA Coordinators' network. It will identify success factors and build its approach to policy coordination on these, plus also use the national Coordinators' network on the "Small Business Act for Europe (SBA)", as well as the Tourism Working Group and the Working Group in the field of agriculture and rural development as platforms e.g. for a harmonised business environment measure. It will be vital to display benefits of such cooperation, and build an approach based on an in-depth understanding of potential blockages.
Grant beneficiaries and political partners have low absorption capacities	Medium	Medium	A range of initiatives financed by a variety of donors are aiming at supporting political actors and intermediaries that are relevant for the Action. During each analysis preparing the CfP in the priority segments, this aspect will be taken into consideration for funding priorities and criteria for eligible applicants. At policy level, donor coordination will be vital to search for potential synergies and avoid overlaps, to prevent overstraining the scarce human resource capacities of political partners.
Lack of trust between public and private sector actors	High	Medium	Public-private dialogue and cooperation formats will focus on mutual interests and highlight benefits of cooperation. The extensive networks and reliable working relationships of all three implementing partners to a broad range of concerned public and private stakeholders will further contribute to establishing functioning partnerships.
Insufficient number of GFF applications at required quality standard and not fully reflecting market needs	Medium	High	For a large share of GFF funds, a two-pronged approach is suggested (restricted CfP), whereby in the first stage concept notes will be requested. Only most relevant applicants will receive an invitation for submission of a full application. In addition, information days and sessions on the application procedures and regulations can be organised in case the detailed stakeholder assessment reveals a lack of capacities of applicants in this regard. All three implementing partners have furthermore comprehensive experience in setting up and implementing similar GFF.
Activities funded through the GFF are not implemented in line with required quality standards, and do not reach their intended impact	Low	High	The concept foresees comprehensive means for capacity development of grant recipients, as well as to supportive local service providers. This does not only cover their role for a conducive business environment (intermediaries), but also expands to support for the implementation, monitoring and evaluation of the funded activities in line with applicable EU rules and regulations. A regular monitoring will secure implementation in line with required quality standards, revealing at the same time, potential areas for support for each grant recipient throughout the implementation period.
Sub-granting provided by grant recipients to final	Low	High	Grant recipients that provide further sub-granting will need to meet additional criteria, including previous successful experience with providing grants and a transparent financial

Risk	Likelihood of occurrence	Potential Impact	Mitigation measure
beneficiaries does not adhere to financial regulations and does not meet market requirements			management and monitoring system in line with applicable EU/GIZ requirements. In addition, close monitoring and additional TA is foreseen for this group of grant recipients.
Unfavourable macroeconomic trends and incidents at national and global level negatively affect business operations of grant beneficiaries and prevent full achievement of Action indicators	Medium	High	The Action's internal M&E system will closely monitor all relevant economic and political developments that may have an impact on its results as measured through indicators. Any critical trend will be reported to the EUD for consideration, and mitigation measures will be jointly decided upon. Moreover, grant applications will be carefully reviewed in terms realistic effects also in worst-case scenarios.
<b>Assumptions:</b> - Situation in BiH will remain politically and macro-economically stable - The government pursues its policy and reform priorities as outlined in relevant strategies and the BiH Reform Agenda in the three priority sectors - Donors are cooperative in sharing information and coordinating activities - Each Delegatee fully implements those activities that it was assigned to according to this Agreement			

### 3.4 Complementarity, Synergy and other relevant Actions

The Action will pro-actively search for cooperation and exchange with the variety of similar initiatives in the priority sectors to ensure synergies and avoid overlaps.

In the agricultural sector, one of the most prominent projects is the **USAID/Government of Sweden Fostering Agricultural Markets Activity (FARMA) II** (2016-2021) project (currently in its second phase). Through technical assistance and training, it aims at improving the competitiveness of food producers and products, promoting environmentally sustainable production and processing, and enhancing the production of value-added food products.

The United Nations **International Fund for Agricultural Development (IFAD)** is currently undertaking the **Rural Competitiveness Development Programme** (2015-2020), focussing on poverty reduction by supporting smallholder producers. It is envisaged to reach 16,000 smallholder farmers, women and youth, and to create 3,150 jobs, achieved through structural improvements in areas relevant for socio-economic development and direct support to the priority groups.

At local level, **UNDP** currently implements the **Local Integrated Development** project (2016-2018), mostly funded by the EU and targeting the improvement of living standards for 100,000 people in 21 cities and municipalities through three pillars: capacity development of local governments, improved community infrastructure and a conducive local business environment, as well as support to job creation and income generation. Specific focus is on vulnerable groups, including unemployed women, internally displaced persons and returnees, as well as flood-affected areas. The Swiss Agency for Development and Cooperation (SDC) funds a similar project, which is equally implemented by UNDP, the **Integrated Local Development Project III** (2017 – 2021). The objective is to improve socio-economic well-being and quality of life of the citizens of BiH by transforming local governments into development-conducive and people-centred governance services and adding to the stock of locally generated jobs and investments. Another project at municipal level is the **Municipal**



**Environmental and Economic Governance** project (2016-2020), implemented by UNDP and financed by the SDC. Specific focus of the project is the enhancement of municipal development management systems and services in the environmental and economic sectors, leading to improved municipal services and business environment through enhanced accountability and trust between local authorities, citizens and businesses.

In the field of tourism, the joint USAID / UNDP project **Via Dinarica – A Platform for Sustainable Tourism Development and Local Economic Growth** (2014-2017) supports the development of the Via Dinarica corridor as a regional tourist destination. The corridor is designed as a community-owned and -operated tourism product contributing to local income generation. Activities include capacity development of service providers and strengthening business / community networks.

The **Challenge to Change (C2C) programme** implemented by the Swedish International Development Cooperation Agency (Sida) in cooperation with the Sarajevo Economic Region Development Agency (SERDA) and the Republic Agency for Development Small and Medium Enterprise (RARS) focusses on promotion of innovation and SME development. It offers co-funding (up to EUR 30,000) for SME with innovative business ideas, products or services. The programme also foresees exchange of experiences with Sweden and the BiH diaspora in the country.

ILO is implementing the **Support to Local Employment Partnerships in Bosnia and Herzegovina Project** (2016-2019), as one component of the EU Programme for Local Development and Employment. It shall promote active labour market frameworks at local level to enhance access to formal employment. In addition, the Action will also have a strong link to Global Initiative on Decent Jobs for Youth ([www.ilo.org/decentjobsforyouth](http://www.ilo.org/decentjobsforyouth)), as United Nations effort for promotion of youth employment worldwide. It brings together the resources of the UN and other global key partners to maximize the effectiveness of youth employment investments and assist Member States in delivering on the 2030 Agenda for Sustainable Development.

GIZ is currently implementing the EU funded project **Recovering SMEs in Flood Affected Areas and Strengthening their Competitiveness based on Local Economic Development Partnerships** (2016-2018) as part of the broader project “Programme for Local Self-Government and Economic Development - EU ProLocal” which is commissioned by the German Federal Ministry for Economic Cooperation and Development (BMZ). It focusses on SMEs and aims at further improving their capacities to integrate into international value chains, capacities to implement competitive practices and capacities to innovate. A comprehensive grant scheme is currently being implemented.

The **European Union** has not yet revealed its funding priorities beyond 2017 under IPA II, but it can be expected that substantial support will again be provided to private sector development. The Action will coordinate with any upcoming similar initiatives in its field of activities.

### 3.5 Cross-cutting issues

GIZ is currently undertaking an in-depth “**Gender Analysis**” as well as an **analysis on environmental and climate change** aspects related to the Action (finalisation foreseen for September 2017). Both analyses will identify how these aspects can be duly reflected in the framework of the envisaged Action activities. Relevant findings and their consideration in the Action will be communicated to the EUD in the Inception Report. The summary below presents preliminary cross-cutting aspects to be fine-tuned based on the study outcomes.

In general, cross-cutting issues will be treated in all Action documents and efforts. The Guidelines for applicants and additional Action documents will emphasize that, whenever possible, attention should be paid to cross-cutting issues, specifically to those issues that contribute to the promotion of gender equality, human rights, democracy and respect for the rule of law. It is clear that actions should demonstrate inclusive approach towards specific groups (for example, but not exclusively: children, elderly, disabled, women, minorities etc.), and that implementation of the action should be based on

the principles of equal treatment in order to avoid discrimination based on ethnicity, gender, nationality, age, sexual orientation, language or religion. Furthermore and as previously outlined, cross-cutting issues in the action will be treated through the scoring.

### ***Gender Mainstreaming and Equal Opportunities***

As illustrated in chapter “4.2 Main Stakeholders, Beneficiaries”, women face challenges for labour market integration and entrepreneurship. In the GFF and through Technical Assistance, awareness raising and capacity development on specific needs and proven approaches on how to promote women employment will be of importance, particularly for rural areas. Moreover, Activity 3.3 is focussing on vulnerable groups that include women.

The analysis foreseen for the GFF will be undertaken in a **gender-sensitive approach**, identifying priority fields of support and suitable measures for the CfP, particularly in the field of tourism and agriculture. This may include the selection of priority fields for GFF funding that involve higher chances for women to be employed. The M&E framework will moreover include **gender-disaggregated data** for a review on the effectiveness of measures for both genders.

### ***Environment and climate change***

Environmental concerns are relevant in all three priority sectors. This relates inter alia to energy- and water-intensive business and agricultural operations, use of harmful products in industrial production as well as in plant fertilisation and protection, wastewater and exhaust gases as well as threats to biodiversity and protected areas.

The Action will consider environmental and climate change aspects as important cross-cutting issue of its activities. The focus will be on highlighting the importance of energy efficiency and protecting the nature as crucial asset of the country throughout cooperation with public and private sector actors. In the GFF, environmental aspects will be reflected in **selection criteria**, promoting e.g. green economy, organic agricultural practices and sustainable tourism.

### ***Involvement of civil society***

Civil society will be duly involved throughout the implementation of activities. This refers inter alia to support provided to **vulnerable groups** (Activity 3.3), work areas where Civil Society Organisations (CSO) and community-based associations generally dispose of sound knowledge and outreach. Moreover, technical assistance provided at **local level** to municipalities (Activity 2.2) also will include CSO involvement as relevant actor in providing a conducive business environment. They may be included in dialogue and exchange platforms, in line with the scope of work. Competent CSO are furthermore among the group of **potential grant recipients**, with their substantial experience in service provision and training for the private sector.

## **3.6 Sustainability of the Action**

The Action foresees a range of approaches that will contribute to sustaining achieved results and impacts after project closure. This relates in particular to efforts aiming at establishing a **harmonised and conducive environment for businesses and entrepreneurs** throughout the country. In this framework, the cross-institutional and cross-sectoral policy coordination process plays a decisive role. Wherever feasible, existing coordination platforms and working groups shall be used to the maximum extent, to give it further credibility and enhance its effectiveness. The focus on joint interests and a practical project-based approach may contribute to overcome existing institutional barriers and spur the path towards a more coordinated policy within the three sectors. Moreover, particular emphasis will be placed on strengthening capacities of existing support structures in the three sectors. Through grants and targeted technical assistance, their capabilities for better understanding current and prospective market needs and developing and delivering appropriate services will be enhanced in a

way to independently undertake such analysis and support in the future. The multi-level approach explicitly involves municipalities and cities as important players for favourable business conditions, in strengthening their capacities for undertaking relevant measures in this regard. The alignment of priorities for GFF and technical assistance to relevant provisions of existing strategies at national, entity/BD, cantonal and local government level will in addition ensure focussing on actual needs and demands of stakeholders, thus fostering ownership. Furthermore, the preparation of intermediaries for current and upcoming funding opportunities allows them to continuously work on further development of the private sector.

Moreover, the envisaged **M&E framework** will contribute to establishing a more reliable and evidence-based ground for policy making in the priority sectors. Its development in close cooperation with sectoral and line ministries/agencies at the state and entity/BD levels will ensure alignment to actual needs, and enhance ownership of the system after project closure. To further increase sustainable use of the framework, focus should be on an efficient and practical approach providing required M&E information without excessive data collection efforts. Reflection of existing data and information as generated in the framework of other projects should be ensured to the maximum possible extent.

The concept of the GFF will pay particular attention to **generating impact at final beneficiary level that will remain evident** after the Action implementation. The selection criteria will focus on measures that provide high chances for sustainable effects e.g. on employment, sales, import substitution, and export, and verifiable countermeasures for related risks.

As a matter of principle, **stakeholder involvement** and participatory design and implementation of activities is considered as a key to sustainability. Stakeholder participation will be designed as a continuous communication channel in particular with regard to relevant state and entity/BD ministries and competent agencies. Besides the comprehensive involvement for the concept of the GFF and the operationalisation of the Action (e.g. through their participation in the Project Steering Committee / Sector Committee), they will also receive regular in-depth feedback on the experiences made throughout the Action. Hence, relevant staff can instantly use these findings for parallel policy and regulatory reforms, and in the steering of other projects.

## 4 Implementation and Management

### 4.1 Organisation and Co-Delegates

As the 'Organisation' in this Co-Delegation Agreement, GIZ will implement the Action, together with UNDP and ILO as Co-Delegates. Both Organisation and Co-Delegates will fully implement the activities they were assigned to under this Agreement.<sup>22</sup>

**GIZ**, as the Lead Organisation, will ensure coordination with the Co-Delegates in the implementation of the Action. It will act as an intermediary for all communications between the Co-Delegates and the Contracting Authority, and will be responsible for the provision of all documents and information to the Contracting Authority which shall be required under this Agreement.

As Co-Delegates, **UNDP and ILO** will be responsible for the implementation of the activities they are assigned to in accordance with this Description of the Action and the terms and conditions of the Co-Delegation Agreement as well as the envisaged Partnership Agreement with GIZ, working in close coordination with GIZ and each other.

The following table summarizes the **responsibilities of each partner** per activity:

<b>GIZ</b>	Activities 1.1 and 3.1
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<sup>22</sup> In the event that activities of one Delegatee depend on the implementation of preparatory activities of another Delegatee the application of Art. 20.3 Annex II in conjunction with Art. 6 Annex IIa) is conditional to the adequate implementation of these preparatory activities.



<b>UNDP</b>	Activity 3.2
<b>ILO</b>	Activities 1.2, 2.2 and 3.3
<b>Joint implementation of GIZ and UNDP, division along subjects</b> (GIZ: export-oriented sector and tourism, UNDP: agri-rural sector)	<u>Activity 2.1</u> 2.1.1. and 2.1.2. GIZ 2.1.3. UNDP

## 4.2 Action Governance (steering structure)

There will be **two main bodies** for stakeholder involvement. A **Project Steering Committee (PSC)** will be set up under the chair of the EU Delegation to BiH and will include implementing partners and relevant beneficiary institutions, as presented in the table below. The PSC will be closely consulted and informed during the process of defining the GFF concept, while ultimate decision on grant awards will lie within the responsibility of the implementing partners.

Further to that, **Sector-specific Coordination Committees (SCCs)** will be established, composed of representatives from key institutions in these sectors. There will be indicatively 3 SCCs – one responsible for the export-oriented sectors, one for the tourism sector and one for the area of agri-food and rural development, while entrepreneurship will be considered as a cross-cutting issue. These Committees will be engaged in the design, coordination, monitoring and evaluation of the GFF related to the respective sectors, with participation of the institutional partners as consultative members.

The exact **composition** of these committees and their respective **roles and responsibilities** will be decided upon during the Inception Phase, in close consultation with the stakeholders. In order to ensure participatory approach, principle of transparency and inclusion, protocols outlining the roles and responsibilities of the institutional partners will be prepared.

Potential conflicts of interest with regard to the GFF will be considered as well (e.g. involvement in SCCs is considered as a non-eligibility criterion for the CfP).

Indicatively, the following institutions should be involved in the committees:

<b>Project Steering Committee</b>	<ul style="list-style-type: none"> <li>- Ministry of Foreign Trade and Economic Relations of BiH (MoFTER)</li> <li>- Representatives from FBiH Government / RS Government / Government of Brčko District (one each)</li> <li>- Directorate for European Integration</li> <li>- EUD</li> <li>- German Federal Ministry for Economic Cooperation and Development (BMZ)</li> <li>- Representatives GIZ / UNDP / ILO (one each)</li> </ul>
<b>Sector-specific Coordination Committee on Export-Oriented Sectors</b>	<ul style="list-style-type: none"> <li>- Ministry of Foreign Trade and Economic Relations of BiH (MoFTER)</li> <li>- Ministry of Development, Entrepreneurship and Crafts of FBiH</li> <li>- Ministry of Industry, Energy and Mining of RS</li> <li>- Government of Brčko District</li> <li>- Export Promotion Agency of BiH (advisory member)</li> <li>- Representatives GIZ / UNDP / ILO (one each)</li> </ul>
<b>Sector-specific Coordination Committee on Tourism</b>	<ul style="list-style-type: none"> <li>- Ministry of Foreign Trade and Economic Relations of BiH (MoFTER)</li> <li>- Ministry of Environment and Tourism of FBiH</li> <li>- Ministry of Trade and Tourism of RS</li> <li>- Government of Brčko District</li> <li>- FBiH and RS Association of Municipalities</li> <li>- Representatives GIZ / UNDP / ILO (one each)</li> </ul>
<b>Sector-specific Coordination Committee on Agri-</b>	<ul style="list-style-type: none"> <li>- Ministry of Foreign Trade and Economic Relations of BiH (MoFTER)</li> <li>- Ministry of Agriculture, Water Management and Forestry of FBiH</li> <li>- Ministry of Agriculture, Forestry and Water Management of RS</li> </ul>

<b>Food and Rural Development</b>	<ul style="list-style-type: none"> <li>- FBiH and RS Association of Municipalities</li> <li>- Government of Brčko District</li> <li>- Food Safety Agency of BiH, Veterinary Office of BiH, Plant Health Protection Administration of BiH (advisory member)</li> <li>- Representatives GIZ / UNDP / ILO (one each)</li> </ul>
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**Other relevant institutions** (such as the Ministry of Labour and Social Policy of FBiH / Ministry of Labour and Veterans of RS, the Agency for Development of SME in RS, the RS Ministry of Administration and Local Self-Governance as well as sector-specific organisations) will be closely involved in the Action through regular consultation (including for design of GFF) as well as participation in TA measures and Action events. Furthermore, inclusion of relevant existing **working groups** (such as the National Coordinators' Network on the SBA, as well as the Tourism Working Group and the Working Group and Donor Coordination Forum in the field of agriculture and rural development) in the Action's activities will be encouraged wherever meaningful. Taking into account the importance of the Action for the private sector and the relevance of the opinion of the private sector for the development of the support programs within the GFF, relevant **private sector representing organization** (Chambers, clusters and other associations) will be consulted on a regular basis. Different private sector representing organizations will be included in different project activities, relevant to the focus of the activity.

### 4.3 Action Management

The Action will have two project offices: one in **Sarajevo** (main office) and the other in **Banja Luka** (support office). This will ensure direct contact and provision of continuous and immediate support to the ministries at entity/BD level.

The following **staff provided by GIZ** will work at the project office in Sarajevo:

- 1) Team Leader (international expert; part-time);
- 2) Senior Technical Expert (international expert; indicatively full-time in project years 2-4, part-time in project year 1);
- 3) Senior Technical Expert (national expert; indicatively full time);
- 4) Administrative Expert (national expert; part-time);
- 5) Finance Expert (national expert; part-time); and
- 6) Expert for Monitoring and Communication (national expert; indicatively full time).

The Administrative Expert and the Finance Expert might temporarily work from the project office in Banja Luka, which will also provide support for any operational work in the RS. Information on the exact ratios for part-time positions – as for all other positions including UNDP and ILO experts - will be made available depending on the workload of the Action, to ensure most efficient deployment of resources<sup>23</sup>. In this context, for the International Senior Technical Expert in year 1 a part-time approach has been opted for due to the large extent of analytical processes which mainly are conducted by external consultants and which will be steered by the National Senior Technical Expert.

UNDP personnel engaged under the Action will be based in its project office in Sarajevo, and will consist of:

- 1) Project Coordinator / Economic Development Specialist (indicatively full time)
- 2) Agri-Food and Rural Development Policy Coordinator (indicatively full time)
- 3) Agri-Food Value Chain Officer / Plant Agri-Business Specialist (indicatively full time)
- 4) Agri-Food Value Chain Officer / Livestock Agri-Business Specialist (indicatively full time)

<sup>23</sup> An estimate on exact shares of workload per position will be provided with the Inception Report

5) Project Associate (indicatively full time)

The Action will also be supported on part-time basis by other UNDP staff based in Sarajevo, namely Rural and Regional Development Sector Coordinator and Associate, Programme Operations Support Officer, Chief Technical Advisor, and Communications Officer. The Action will also be supported, where and to the extent necessary, by UNDP offices in Banja Luka, Bihać, Doboј, Mostar and Srebrenica.

ILO will provide the following personnel in their project office:

- 1) Project Coordinator/Entrepreneurship Expert (part-time year 1, indicatively full-time year 2-4)
- 2) Administrative Assistant (part-time year 1, indicatively full-time year 2-4)

The following table summarises the main tasks per proposed position:

<b>Team Leader (GIZ)</b>	<ul style="list-style-type: none"> <li>- Oversight of Action activities</li> <li>- Liaise with EU to define ongoing Action requirements, scope and objectives</li> <li>- Support cooperation, regular contact and dialogue with partners and other projects to improve and maintain good working relationships</li> <li>- Quality assurance measures and suggestion of necessary changes, improvements and initiatives</li> <li>- Monitoring and track projects progress and/or any issues that arise</li> <li>- Oversight on financial monitoring</li> </ul>
<b>International Senior Technical Expert (GIZ)</b>	<ul style="list-style-type: none"> <li>- Conceptualisation and supervision of Action activities and analyses on export-oriented sectors and tourism</li> <li>- Elaboration of conceptual framework of GFF and TA in export-oriented sectors and tourism</li> <li>- Development and implementation of operational plans and activities linked to on export-oriented sectors and tourism in close consultation with counterparts</li> <li>- Support to cooperation, regular contact and dialogue with partners, assists with PR work and cooperation with local communities, relevant organisations, non-governmental agencies and individuals in the Action and its environment and with other projects to improve and maintain good working relationships</li> <li>- Design of project workshops, seminars and other events</li> <li>- Elaboration of reports</li> <li>- Development of quality assurance measures and necessary changes, improvements and initiatives</li> </ul>
<b>National Senior Technical Expert (GIZ)</b>	<ul style="list-style-type: none"> <li>- Implementation of Action activities and analyses on export-oriented sectors and tourism</li> <li>- Operationalisation of GFF and TA in export-oriented sectors and tourism</li> <li>- Implementation of project workshops, seminars and other events</li> <li>- Contribution to reports and documentation</li> </ul>
<b>Administrative Expert (GIZ)</b>	<ul style="list-style-type: none"> <li>- Organisation of administrative and logistical aspects of action activities (meetings, workshops, etc.), organisation of internal meetings</li> <li>- Monitoring of the availability of accessories and stocks and procurement in accordance with GIZ /EU guidelines</li> <li>- Ensure exchange of information between action staff, partners and other institutions</li> <li>- Filing of documents in reference files in line with GIZ's and EU filing rules</li> <li>- Management of confidential files, specifically in the field of finance</li> </ul>
<b>Finance Expert (GIZ)</b>	<ul style="list-style-type: none"> <li>- Support to Action budget planning</li> <li>- Monitoring of expenses in accordance with budget planning</li> <li>- Management and monitoring of monthly accounting and financial plans</li> <li>- Responsible for financial management, such as cash withdrawals, keeping the cashbook, bank accounts, preparing and entering vouchers</li> <li>- Verification of travel expense statements of staff for approval by the superior</li> <li>- Spot checks of the cash and bank book</li> <li>- Auditing of project accounting</li> </ul>

<b>Expert for Monitoring and Communication (GIZ)</b>	<ul style="list-style-type: none"> <li>- Development and implementation of a comprehensive monitoring system</li> <li>- Preparation and summarization of reports</li> <li>- Development of a Communication Strategy</li> <li>- Management of communication and visibility activities in line with Communication Strategy (e.g. preparation and follow-up of Steering Committee and Sectoral boards meetings, guidance in development of: promotional materials, concept and content of project web-site, communication framework for closing conference and events, organisation of GFF info days, press releases and other)</li> <li>- Press review of relevant topics regarding governmental institutions, NGOs and society</li> </ul>
<b>Project Coordinator / Economic Development Specialist (UNDP)</b>	<ul style="list-style-type: none"> <li>- Provides overall leadership and ensures coordination of the activities 2.2 and 3.2, in close consultations with GIZ and ILO, to achieve the intended Action objectives</li> <li>- Builds, motivates and leads a high performing team consisting of project personnel, experts and service providers</li> <li>- Provides conceptual guidance and technical advice to the implementation team and Action counterparts in the agri-food and rural development sector</li> <li>- Develops partnership with relevant institutional partners and other stakeholders</li> <li>- Manages preparation of annual and monthly work plans, establishing priorities, timelines, targets and standards for monitoring results</li> <li>- Ensures high quality financial and substantive project monitoring, using relevant monitoring and risk management tools</li> <li>- Ensures cooperation and, wherever possible, synergies with other relevant interventions</li> <li>- Ensures regular narrative and financial progress reporting</li> <li>- Ensures gender mainstreaming throughout projects' activities, work plans, budgets, reports, and analyses</li> </ul>
<b>Agri-Food and Rural Development Policy Coordinator (UNDP)</b>	<ul style="list-style-type: none"> <li>- Analyses economic environment, particularly in selected sub-sectors and localities</li> <li>- In close coordination with relevant institutional partners, conceptualises and designs the GFF and TA in the agri-food and rural development sector</li> <li>- Coordinates planning and day-to-day implementation of GFF and TA</li> <li>- Coordinates and supervises work and progress of service providers for TA and training</li> <li>- Coordinates and participates in the provision of guidance, TA and training to potential GFF applicants, as well as GFF recipients</li> </ul>
<b>Agri-Food Value Chain Officer /Plant Agri-Business Specialist (UNDP)</b>	<ul style="list-style-type: none"> <li>- Provides technical inputs related to plants supply chain for day to day Action planning and implementation</li> <li>- Substantively contributes to the conceptualisation and design of the GFF and TA in the agri-food and rural development sector</li> <li>- Provides guidance and TA to potential GFF applicants</li> <li>- Provides TA and training related to plant husbandry, collection; processing, marketing, quality standards etc. to GFF grant recipients</li> <li>- Coordinates the activities among consultants, services/goods providers</li> <li>- Conducts field visits and monitoring of GFF grant recipients (plants supply chain) and ensures smooth implementation in line with contracts requirements</li> </ul>
<b>Agri-Food Value Chain Officer /Livestock Agri-Business Specialist (UNDP)</b>	<ul style="list-style-type: none"> <li>- Provides technical inputs related to livestock supply chain for day to day Action planning and implementation</li> <li>- Substantively contributes to the conceptualisation and design of the GFF and TA in the agri-food and rural development sector</li> <li>- Provides guidance and TA to potential GFF applicants</li> <li>- Provides TA and training related to livestock farming, collection, processing, marketing, quality standards etc. to GFF grant recipients</li> <li>- Coordinates the activities among consultants, services/goods providers</li> <li>- Conducts field visits and monitoring of GFF grant recipients and ensure smooth implementation in line with contracts requirements</li> </ul>
<b>Project Associate (UNDP)</b>	<ul style="list-style-type: none"> <li>- Provides financial backstopping of the Action, including budget preparation and monitoring, preparation of requisitions, managing of all accounts payable and accounts receivable, filing of financial documents, etc.</li> <li>- Provides administrative backstopping of the Action, including organisation of logistics</li> </ul>

	<p>for meetings and events, drafting and filing of correspondence, maintenance of files for all documents related to the implementation of the Action, ensures exchange of information between the counterparts when required, and other duties as required</p> <ul style="list-style-type: none"> <li>- Drafts financial reports for donor and prepares the final version thereof in coordination with Programme Operations Support Officer</li> <li>- Provides backstopping for the audit of the Action in in coordination with Programme Operations Support Officer</li> </ul>
<b>Project Coordinator (ILO) / Entrepreneurship Specialist (ILO)</b>	<ul style="list-style-type: none"> <li>- Overall management and coordination of activities (1.2, 2.2.1 and 3.3)</li> <li>- Planning, negotiation, delivery of technical assistance and GFF measures in the relevant field of work</li> <li>- Supervision of related staff</li> <li>- Serve as the primary point of contact for all entrepreneurship activities;</li> <li>- Develop strategies that align with Action goals of greater participation of vulnerable groups in business, economic activities, and higher levels of employment and income;</li> <li>- Support the development and implementation of a GFF concept in the relevant scope of work in close consultation with relevant stakeholders</li> <li>- Ensure Action activities' design and development address needs of targeted population as well as other stakeholder and beneficiary interests;</li> <li>- Ensure that training and funding opportunities are accessible to all targeted categories;</li> <li>- Work closely with local partners, such as public authorities, NGOs, incubators, and youth-led organisations;</li> <li>- Contribute to reports, work-plans, and dissemination activities as required</li> </ul>
<b>Administrative Assistant (ILO)</b>	<ul style="list-style-type: none"> <li>- Provide administrative support for the timely delivery of the Action results and outputs when necessary</li> <li>- Provide informal translation services (from English to BHS and from BHS to English) when required</li> <li>- Maintain and keep registers and control plans on the status of Action at implementation and operational stages</li> <li>- Assist in drafting Terms of references with necessary technical information for external collaboration contracts and purchase orders (for Services &amp; goods)</li> <li>- Assist in the preparation of administrative reports and documents and maintain administrative records</li> <li>- Prepare and follow up travel authorisations, security clearances and travel arrangements.</li> <li>- Prepare background material, working papers and tables for briefing and review sessions</li> <li>- Draft correspondence, reports, evaluations and justifications as required on project administration/or other related tasks</li> </ul>

#### 4.4 Monitoring and Evaluation, Reporting, Audit

Monitoring is an integral part of project implementation for GIZ, UNDP and ILO. All programmes led by GIZ are obliged to develop a **results-based monitoring according to GIZ quality standards**. In strategic planning, the results model of the measure is developed, which lays the foundations for the monitoring system. At the beginning of operational planning, the monitoring system is created on the basis of the results model and a monitoring instrument is set up. During implementation, monitoring data are continuously collected, evaluated and analysed. These provide information on the state of implementation of the measure as well as possible adaptation requirements. They thus form the basis for strategic and management decisions for the management of the measure. As far as possible monitoring systems and data collection will be aligned among the Delegates. All monitoring arrangements will be developed jointly with the Project Steering Committee (including the EUD) during the Inception Phase, and documented in the Implementation Manual.

The Action Document foresees a **revision of the matrix of indicators** during the Inception Phase, for accurate baselines and realistic targets. Based on their experience in similar projects, the implementing

partners foresee a revision of indicators already in the framework of this Description of Action, as outlined in the **Logical Framework (Annex A)**.

Based on the monitoring results and the reflections with the partners on those results, GIZ provides consolidated Action **reports on yearly basis on progress against the results matrix**. In the case of the present Action the responsibility for monitoring and reporting lays within the GIZ project office. The following reports will be submitted to the EUD:

- **Inception Report** after accomplishment of the Inception Phase, summarising the outcomes of operational planning (including revision of the Logical Framework and the performance indicators, if needed), the structures for partner involvement and the Project Steering Committee (composition, rules of procedure), any relevant changes in the priority sectors, an up-dated risk analysis as well as the Communication and Visibility Strategy.
- **Annual Reports**, recapitulating on the progress in line with project plan and indicators, documenting challenges and outlining the operational plan for the coming year.
- **Final Report**, including information on achievements of the Action in line with the indicators, and provide an outlook on measures undertaken to ensure sustainability of activities and results and further dissemination / up-scaling.

Monitoring data is also an important assessment basis for **evaluations**, the results of which are again fed into the monitoring system. Evaluations are usually done towards the end of a programme in teams with independent professionals and headquarters staff, the latter mainly when further support in the areas is needed. Scope and intervals of potential evaluations of the Action will be agreed upon additionally.

For the part of the Action implemented by GIZ, a financial performance audit for this Action will be conducted annually by external auditors in the form of an expenditure verification.

For the part of the Action that is implemented through the UN Organisations, financial transactions and financial statements shall be subject to the internal and external auditing procedures laid down in the Financial Regulations, Rules and directives of the respective UN Organisations.

#### 4.5 Communication and Visibility

The Action requires substantial public relation work, as to be outlined in the “Communication and Visibility Strategy” to be developed in the Inception Phase, and based on the “**Communication and Visibility Plan**” (see **Annex C**). Based on an assessment of relevant target groups and suitable key messages, appropriate means and channels of communication will be developed and implemented. This will include among others the organisation of events, the development of **promotional materials**, dissemination of information through media (including social media channels if appropriate), the establishment of a project web-site as well as the publication of relevant Action documents. Particular efforts will be needed to promote the various Call for Proposals, and to brief potential grant recipients on application requirements. It is suggested to organise a **Kick-off Event** in the Inception Phase under the patronage of the EUD to further raise awareness and information on the Action and envisaged funding opportunities, as well as a **Closing Conference** to contribute to further dissemination of results to a variety of stakeholders.

All communication and promotion activities will be in compliance with requirements of Communication and Visibility Manual for EU External Actions, as well as the guidelines of the German Federal Ministry for Economic Cooperation and Development (BMZ) and GIZ and the Joint Visibility Guidelines for EU – United Nations Actions.

#### 4.6 Timing / Indicative Action Plan<sup>24</sup>

Year 1	Half-year 1						Half-year 2					
	1	2	3	4	5	6	7	8	9	10	11	12
<b>Inception Phase</b>												
01. Establishment of Project Committees, drafting Rules of Procedure												
0.2 Kick-off Event												
0.3 Operational Planning												
0.4 Communication Strategy												
0.5 Inception Report					MI							
<b>Implementation Phase</b>												
<b>Result 1: MSMEs performance is increased due to better access to and availability of innovative Business Development Services (BDS) in competitive export oriented sectors</b>												
1.1 Support to MSMEs centres for technology, know-how transfer and access to e-business and EU digital economy (Responsibility for implementation and achievements: GIZ)												
1.1.1. Grant support for improvement of MSMEs innovative capacity												
1.1.2. Grant support for mitigation of obstacles for innovation, growth and sector development												

<sup>24</sup> The table of activities corresponds to the current understanding of the situation. It will be adapted in the process of the operational planning undertaken during the Inception Phase. Detailed activity plans including the revised timetable will be provided as part of the Inception Report.

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3.2 Support to rural economies and agricultural efficiency in local communities via agri-food value chains and rural development (Responsibility for implementation and achievements: UNDP)	M10			M15		
3.3 Strengthen entrepreneurial spirit and facilitate start-ups for vulnerable groups (Responsibility for implementation and achievements: ILO)		M11		M15		
<b>Closing Phase</b>						
<i>Closing Conference</i>						M18
<i>Final Report</i>						

#### 4.7 Milestone plan <sup>25</sup>

No.	Milestone	Month of the implementation
M1	Inception report	5.
M2	Protocols prepared for involvement of the institutional partners	6.
M3	Country-wide summary of the tourism potentials with required up-scaling and networking measures	6.
M4	Sector study on innovative capacity and potentials in the companies within the export sectors	8.
M5	Launching of the CFP for Entrepreneurship	8.
M6	Launching of the CFP for Tourism	9.
M7	Launching of the CFP for Export sectors	14.
M8	Launching of the CFP for Agro-rural	11.-16.
M9	Certificate Ceremony - Tourism	15.
M10	Contract signing with beneficiaries – Agro-rural development	13.-18.
M11	Certificate Ceremony - Entrepreneurship	16.
M12	Certificate Ceremony - Export	24.
M13	Set-up/revival of local platforms for economic development	24.
M14	Identified business environment measure(s) with impact on local business environment (within local platforms)	30.
M15	Status review of implementation of granted projects	32.-34.
M16	Publication “Fact-sheets of implemented projects”	44.
M17	Impact review of implementation of granted projects	42.-45.
M18	IPA 2016 Local Development Strategies - Closing Conference	46.

<sup>25</sup> The Milestone plan corresponds to the current understanding of the situation. It will be adapted in the process of the operational planning undertaken during the Inception Phase. Detailed Milestone plan including the revised timetable will be provided as part of the Inception Report.

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## 5 Annexes

Annex A - Logical Framework

Annex B – Summary of Stakeholder Consultation

## Annex A - Logical Framework

Meeting indicators on impact level will not be part of the responsibility of GIZ. Indicators will be monitored with regard to data availability. The activities, expected outputs and all indicators, targets and baselines included in the log frame matrix are indicative and may be updated during the implementation of the Action without an amendment to the financing decision. The indicative log frame matrix will evolve during the lifetime of the Action: New lines will be added for listing the activities as well as new columns for intermediary targets (milestones) when it is relevant and for reporting purpose on the achievement of results as measured by indicators.

Intervention logic	Indicators	Reference Values (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective: Impact	Improved Doing Business distance to frontier score	52.04 in 2010	65 (2020)	Doing Business Report, Distance to Frontier score	
	Progress of BiH across four SME Policy Index dimensions, starting with year 2016:			(World Bank) OECD SME Policy Index	
	Dimension 10.1 Export promotion	2.44 in 2016	2.64 in 2020 3.49 in 2022	Entity/BD SBA Implementation Reports	
	Dimension 10.2 Integration of SMEs into global value chains	1.17 in 2016	1.37 in 2020 1.64 in 2022	SBA Factsheets ( <a href="http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review-2016">http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review-2016</a> )	
	Dimension 5a.1 SME support services, dimension M&E	1.83 in 2016	1.9 in 2020 2 in 2022		
	Dimension 8a 1.5 E-training for SMEs	2 in 2016	2.45 in 2020 3 in 2022		
Specific Outcome(s): To support Bosnia and Herzegovina's private sector development with a focus on export oriented, agro-rural and tourism sectors and on enhancing the	Number of jobs created in export-oriented sectors as well as in tourism and rural value chains (sex disaggregated)	0	Export-oriented sectors: 150, thereof 35 for women and 30 for youth (2022) Tourism sector: 50, thereof 20 for women and 15 for youth (2022) Agri-rural sector: 100, thereof	Action Reports Company data / annual reports Minutes of Meetings of	Political and macro-economic stability maintained The government

operational environment for MSMEs including development of local digital entrepreneurship.		60 for women and 15 for youth (2022)		Working Groups		pursues its policy and reform priorities as outlined in relevant strategies and the BiH Reform Agenda in the three target sectors	
Preparation of one harmonized business environment measure with impact on local business environment.	0	0	1 (2022)	Tourism sector: 10 business entities gaining access to value chains in 2022 Agri-rural sector: 20 business entities gaining access to value chains in 2022	Action Reports Company data / annual reports Training reports and evaluations	Key institutions willing to lead reforms at the level of sector and provide proper human resources and financial means, where needed, and to support implementation of the envisaged activities	
	Number of business entities (individuals, firms, farms, associations etc.) in the agri-rural and tourism sector gaining access to a value chain	0					
	Number of new business entities established in export-oriented sectors, tourism and the agri-rural segment	0	80				
Result 1: MSMEs performance is increased due to better access and availability of well targeted measures and innovative business development services in competitive export oriented sectors	Number of targeted export-oriented (M)SME using market-led BDS	0	100 (M)SME (2022)	15% of export increase of targeted (M)SME in foreign markets (2022) 300, thereof 135 women (2022)			
	Increase of export of targeted (M)SME	Tbd <sup>26</sup> (baseline on export of targeted (M)SME in foreign markets in 2017)					
	Number of youth disposing of entrepreneurial skills for innovative start-up ideas	0					
<b>Outputs</b>							

<sup>26</sup> Where baseline data are not yet available, they will be determined during the Inception Phase

		Number of youth disposing their innovative start-up ideas into concrete businesses	0	at least 25 individuals, thereof 10 women (2022).	Business registration papers, public employment service reports, taxation authority papers.	Donors are cooperating in sharing information and coordinating activities
Result 2: Business environment for development of new businesses and support to existing ones is improved.	Increased capacities of stakeholders at national and entity/BD level for designing, implementing and monitoring of harmonised policy measures for a conducive business environment	Tbd <i>(Training Needs Analysis)</i>	75% of participants in capacity development measures confirm an increase in skills and knowledge (2022)	Action Reports Minutes of Meetings of Working Groups Training reports and evaluations	Stakeholders willing to participate in the monitoring and evaluation exercise	Stakeholders willing to participate in the monitoring and evaluation exercise
	Increased capacities of intermediary organizations for creation of more enabling environment for supporting entrepreneurship.		At least 20 intermediary organizations (40 persons) confirm an increase in skills and knowledge (2022)		Key stakeholders are committed to ensure sustainability of the facilities and services	Key stakeholders are committed to ensure sustainability of the facilities and services
Result 3: Entrepreneurial initiatives in tourism and rural value chains for income and employment generation are increased.	Increase in income streams for targeted individual operators in tourism and agri-food	Tbd <i>(baseline on income streams of targeted individual operators in 2017)</i>	10% increase of income streams (2022)	BHAS, Employment Agencies	Key institutions willing to lead reforms at the level of sector and provide proper human resources and financial means, where needed, and to support implementation of the envisaged activities	Key institutions willing to lead reforms at the level of sector and provide proper human resources and financial means, where needed, and to support implementation of the envisaged activities
	Sales increase for targeted companies in tourism and agri-food sectors	Tbd <i>(baseline on sales of targeted companies in 2017)</i>	10% of sales increase (2022)	Company data / annual reports		
	Number of targeted business operators within tourism and agri-food sectors (both individuals and companies) using market-led BDS and digital tools in their operation	0	Tourism: 30 business operators (including individuals) (2022) Agri-rural segment: 50 business operators (including individuals) (2022)	Action reports Training reports and evaluations		



		<p>Number of youth and members of vulnerable groups gained entrepreneurial and digital skills for innovative start-up ideas.</p> <p>Number of individuals from vulnerable groups disposing their ideas into concrete businesses.</p>	<p>0</p> <p>0</p>	<p>100, thereof 45 women (2022)</p> <p>at least 25 individuals, thereof 10 women (2022).</p>	<p>Business registration paper, centre for social welfare reports, public employment service reports, taxation authority papers</p>	<p>Donors are cooperative in sharing information and coordinating activities</p>
<p><b>Activities</b></p>	<p>1.1 Support to MSMEs centres for technology, know-how transfer and access to e-business and EU digital economy</p> <p>1.2 Support to youth entrepreneurship for creation of innovative start-ups</p> <p>2.1 Capacity building of relevant stakeholders for monitoring and evaluation of local economic development measures and strengthening MSMEs support structures</p> <p>2.2 Entrepreneurship support and start-ups facilitation through the local partnerships and inter-municipal cooperation</p> <p>3.1 Development of tourism products through an integration in larger regional or international tourism clusters</p> <p>3.2 Support to rural economies and agricultural efficiency in local communities via agri-food value chains and rural development</p> <p>3.3 Strengthen entrepreneurial spirit and facilitate start-ups for vulnerable groups</p>	<p>Means:</p> <p>Indirect Management Delegation Agreement with GIZ, in partnership with UNDP and ILO</p> <p>Project staff (GIZ: Team Leader, International Senior Technical Expert, National Senior Technical Expert, Administrative Expert, Finance Expert, Expert for Monitoring and Communication. UNDP: Project Coordinator / Economic Development Specialist, Agri-Food and Rural Development Coordinator, Agri-Food Value Chain Officer /Plant Agri-Business Specialist, Agri-Food Value Chain Officer /Livestock Agri-Business Specialist, Project Associate. ILO: Project Coordinator/Entrepreneurship Expert, Administrative Assistant)</p> <p>International and national short-term experts</p> <p>Grants provided through GFF</p> <p>Costs for events and trainings</p>			<p>Availability of key institutions' staff for activities on GFF and capacity development</p> <p>Openness for cooperation and exchange among public institutions at state and entity/BD level, and in public-private dialogues</p> <p>Interest of private sector and intermediaries to participate in GFF and related TA</p>	







**Implementation of the IPA 2016 Support in the Sector of Competitiveness and Innovation  
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**Summary of First Round of Stakeholder Consultation  
(May 2017)**

**Overview**

GIZ experts held **16 individual meetings** with key stakeholders in May 2017, in order to obtain feedback on the Action Document, on key issues for the Action’s approach and activities as to be presented in the Description of Action, as well as on future involvement of stakeholders in the Action. In semi-structured interviews, key aspects were discussed along the following **guiding questions**:

- Comments on the Action Document, regarding the proposed activities relevant to your current work priorities and major challenges in your respective field of work?
- Which kind of short-term results do you see as most relevant for this project?
- How do you rate the importance of short-term results in terms of employment and export (achievable through supporting individual companies with grants) vs. long-term effects (achievable through supporting development partnerships that implement sector based support measures)?
- In how far do you see the possibility to transfer the BiH Reform Agenda on a local level, and how do you assess its relevance at this level and connected to the Action?
- What are main current processes within your institution (scope of work)?
- Which are key challenges and opportunities related to your field of work and what are possible solutions?
- Which support would you need related to the scope of the project? Which capacities would need to be enhanced?

Overall, interviewed stakeholders **agree to the scope of work** and approach proposed for the Action. During the interviews, **specific proposals** for the design of the Grant Fund Facility (GFF) and the Technical Assistance (TA) were made, in particular related to beneficiaries, thematic scope and national/regional/local coverage. **Interest for involvement** in Action activities as well as for participation in related committees has been confirmed.

**Summary of Individual Meetings<sup>1</sup>**

<b>Stakeholder name:</b>	Federal Ministry of Development, Entrepreneurship and Craft
<b>Representative name, title and contact details:</b>	Dr. Jozo Bejić, Secretary Phone: + 387 36 449 123 Mob: +387 63 896 599 E-mail: <a href="mailto:tajnik@fmrpo.gov.ba">tajnik@fmrpo.gov.ba</a>
<b>Meeting place:</b>	Sarajevo
<b>Meeting date and time:</b>	May 15, 2017 at 5 p.m.
<b>Meeting summary</b>	
<ul style="list-style-type: none"> <li>• The Action Document as the framework for the future project with proposed activities is well structured and it is completely in line with the activities of the ministry.</li> <li>• The competence for SME sector is mainly on the entity level and while there is the Strategy of SME development in RS, the Federation of BiH still does not have one, only the project task for development of the strategy. RS has its Agency for SME development while the FBiH does not have</li> </ul>	

<sup>1</sup> The summaries of the interviews have been shared for review with the interview partners. Where confirmation of summaries are pending, it is assumed that no objection will be raised.

one.

- The ministry has been implementing number of projects and activities in the field of entrepreneurship development, craft development, youth startups, women entrepreneurship, etc. This includes grant support, technical support, revolving loans, etc.
- The ministry considers this project very important to boost the entrepreneurship development and with coordination of activities it can be expected to reach higher effects in the ground.
- The ministry has been working on preservation of small traditional crafts and currently it is working on the new law on crafts which is expected to be adopted by the end of 2017.
- The BiH Reform Agenda is rather broad and general framework. Concrete initiatives such as this project can fit very well into it and make a link from the local level to the macro level.

<b>Stakeholder name:</b>	The Ministry of Foreign Trade and Economic Relations of BiH Sector for water resources, tourism and environment
<b>Representative name and title:</b>	Arna Ugljen-Kopić, advisor for tourism Julija Petrović, associate for tourism Phone: +387 33 213 420
<b>Meeting place:</b>	Sarajevo
<b>Meeting date and time:</b>	May 16, 2017
<b>Meeting summary</b>	
<ul style="list-style-type: none"><li>• There is the “Tourism Development Strategy of Republic of Srpska 2010-2020”, but the “Tourism Development Strategy of Federation of Bosnia and Herzegovina 2008-2018” was never adopted by the Government of FBiHB.</li><li>• The regulation in the FBiH remains an unsolved problem as well as in the cantons. RS is in a better position regarding the regulations and policies on tourism.</li><li>• Tourism sector in BiH is facing a large problem of very limited workforce skills and that should be the starting point for developing activities in the future development projects. In addition to this, there are a number of other issues to be addressed such as environment and infrastructure, promotion and marketing.</li><li>• The Technical Assistance should be focused on developing skills, knowledge transfer and sharing experiences and best practices. Along the Technical Assistance support the Grant Fund Facility should be balanced between final beneficiaries and intermediate level. The development of a partnership network would be a good approach. A good example of such a partnership network is the Tourism Cluster of Herzegovina where 28 different stakeholders (hotels, restaurants, touristic organizations, operators, municipalities, etc.) from both entities found their mutual interest and developed joint touristic offer.</li><li>• Geographic coverage of the project should consider a regional approach based on mapping of key stakeholders and touristic opportunities. Still, there are well recognized places for touristic activities such as Sarajevo, Mostar, Medjugorije, Una river, etc. It is important to consider potentials for different types of tourism activities (adventure, religious, culture, medical, rural, etc.). Existing initiatives should be taken into the consideration (Via Dinarica, etc.).</li><li>• Joint marketing strategy should be adopted and implemented. It is necessary to put focus on promotion via internet and other electronic media, social networks, etc.</li><li>• The selection of the beneficiaries is to be conducted through public calls where each call or lot should focus on specific sub-sector or group of stakeholders in tourism sector.</li><li>• BiH Reform Agenda is considered as overall platform for structural reforms to maintain macroeconomic stability and to boost growth and competitiveness.</li></ul>	

<b>Stakeholder name:</b>	The Ministry of Foreign Trade and Economic Relations of BiH Sector for economic development and entrepreneurship
<b>Representative name and title:</b>	Dragan Milović, Asistent Ministar E-mail: dragan.milovic@mvteo.gov.ba Phone: +387 33 552 540
<b>Meeting place:</b>	Sarajevo
<b>Meeting date and time:</b>	May 16, 2017
<b>Meeting summary</b>	
<ul style="list-style-type: none"><li>• The minister cabinet officially received the Action Document which has never been forwarded to the</li></ul>	

Sector for economic development and entrepreneurship within the MOFTER, so the sector can still not perform official activities related to this Project. However, there is willingness to participate in the project, but the communication issue needs to be clarified and defined for the future.

- In general, the communication between all stakeholders, project implementers and donors should be improved, better coordinated and transparent. The roles and responsibilities have to be clearly defined from the very beginning.
- There is also a problem with internal communication and political issues which needs to be solved in the future. For example, there is still no ministry of industry at the state level nor the sector within the MOFTER. The ministries of industry exist on entity level. This gap on the state level create great problem in the communication, policy regulation, etc.
- MOFTER was involved in the working group on development of the Action Document along with other several institutions from the state and entity levels. The proposed activities in the Action Document are in line with recommendations of the working group.
- The MOFTER recommendation to GIZ is not to propose anything in the project document which would be substantially different from the Action Document.
- The MOFTER would expect that it will be challenging to measure and reach the indicators and this should be further clarified in the project document.
- MOFTER is interested to be a project beneficiary in terms of technical assistance in the form of trainings related to the activities 2.1. Capacity building of relevant stakeholders for monitoring and evaluation of local economic development measures and strengthening MSMEs support structure in mandatory cooperation with private sector and CSO and 3.3. Strengthen entrepreneurial spirit and facilitate start-ups for vulnerable groups.
- Implementation arrangements and roles and responsibilities of the project steering committee are of high importance and have to be defined in cooperation with relevant stakeholders. MOFTER is interested in having its role in the Steering Committee but it needs to be clarified whether it will have decision-making role or just monitoring. If it is only mentoring, the body should be properly named.
- It is recommended to produce a brief information (one sheet) on steering committee session which will be officially communicated with the ministers and other stakeholders who do not read long reports and details. It is better to unify the approach and information for all rather to let sectoral officials to prepare the information for the ministers and the governments.
- The new project should learn lessons from previous projects and it should also coordinate its activities with other on-going projects in order to avoid overlapping, but rather to join the efforts and resources and reach greater impact in the field. Also, it should be considered how to ensure the sustainability of all projects implemented so far.
- The visibility of the project is important. The effects and results should be presented and communicated to all stakeholders and the public.
- Tourism and agriculture are specific and would require regional approach, but it would be strongly recommended to consider and explore new regions, new options, new crops and agricultural activities. All of this is important to give the chance to those who are still underdeveloped or did not have the opportunity to participate in projects before. On the other side, there is a certain number of beneficiaries who are receiving donor support over and over again.

<b>Stakeholder name:</b>	The Ministry of Foreign Trade and Economic Relations of BiH Sector for Agriculture, Food, Forestry and Rural Development
<b>Representative name, title and contact details:</b>	Nevenka Dalač, Expert Advisor Phone: +387 33 953 510 E-mail: <a href="mailto:nevenka.dalac@mvteo.gov.ba">nevenka.dalac@mvteo.gov.ba</a>
<b>Meeting place:</b>	Sarajevo
<b>Meeting date and time:</b>	May 16, 2017
<b>Meeting summary</b>	
<ul style="list-style-type: none"> <li>• The general position of the Ministry of Foreign Trade and Economic Relations of BiH (MOFTER) regarding the Action Document and this initiative is very positive. MOFTER expressed its interest in providing all necessary support to the project, but also to have active role in it. The MOFTER sees its role as a member of the Steering Committee and would like to define the decision-making responsibility. It also needs technical support from this project (expertise in policy making, etc.).</li> </ul>	

- There was the working group consisted of different ministries from the state and entity level including MOFTER working on the Action Document. Considering the overall concept, the MOFTER finds it well-structured. The mixture of Technical Assistance with Grant Fund Facility is necessary and should be well coordinated and balanced. The MOFTER strongly support the concept of balancing Grant Fund Facility and Technical Assistance between direct support to individual beneficiaries such as SMEs, small crafts, etc. and partnership networks/intermediate level such as business incubators, clusters, chambers of commerce, development agencies, etc. The first should have immediate effects in employment, increasing production and sales, advancing technology, etc. while the other should have the long-term effects in advancing business environment, enhancing linkages and partnerships, building the infrastructure, policy framework, etc.
- The geographical coverage of the project should be regional based on the deep analysis rather to scatter the grants and Technical Assistance in small pieces all over the country. This means to involve the local communities and LAGs where possible.
- The biggest challenge is migration of the population especially in rural areas. Young people and whole families are migrating to EU countries looking for better life opportunities, job, education, security. This should be prevented by concrete measures which will provide these people the opportunity to work, start their own business and generate sufficient income to have decent life.
- The opportunity is to involve BiH diaspora, attract their investments by building business friendly environment, simplifying the business registration and administrative procedures and tax burdens and giving them good projects for investments.
- This initiative fits well into the BiH Reform Agenda as it is broad framework for socio-economic and related reforms on all levels including the local level. However, this general framework should be concretized through the action plan and coordinated initiatives such as this one.
- Regarding the agri-food industry, this project should coordinate its activities (in order to avoid overlapping and to get lessons learnt) with other ongoing and future initiatives and projects (such as USAID/Sweden FARMA II project which is working closely with the MOFTER on preparation of the Draft Strategic Plan for Rural Development in BiH; UNDP Birac project which was recently extended, or JICA funded project D-HOPE recently closed, on-going IFAD projects, UNDP BiH projects in agriculture, local community development, etc.).
- The minister Mr. Mirko Šarović together with its team recently developed the proposal for technical assistance in agri-food sector and sent it to the German Ministry of Agriculture and other governments and international institutions. The document is shared with GIZ experts and should be taken into consideration when developing TA for agri-food sector for this project.

<b>Stakeholder name:</b>	REDAH – Regional Development Agency for Herzegovina
<b>Representative name, title and contact details:</b>	Ivan Jurilj, director Phone: +387 36 557 210 E-mail: <a href="mailto:info@redah.ba">info@redah.ba</a>
<b>Meeting place:</b>	via Skype conference call
<b>Meeting date and time:</b>	May 16, 2017
<b>Meeting summary</b>	
<ul style="list-style-type: none"> <li>• The Action Documents is well adjusted to the needs of the business environment and targeted sectors in Bosnia and Herzegovina. However, the Action Document is a broad framework which should be specified through the project document. It should define how the activities will be implemented.</li> <li>• The proposed approach of combining GFF and TA is good one, however it should give a little advantage to mezzo level rather than to the individual beneficiaries such as SMEs. The reason to this is that there have been a large number of international organizations and projects supporting directly micro level. The intermediate level has not been supported sufficient in the last decade. This particularly relates to the development agencies which were founded with support of EU in order to be support structures to businesses, and to coordinate and implement different initiatives and projects. The existing infrastructure should be used as it has necessary capacities for implementation of projects.</li> <li>• The project should be structured in a way to help the existing structures to build their capacities for preparation of BiH for EU integration rather than just providing support on micro level (individual beneficiaries). The IPA II is about setting up the system, the structure. In this respect REDAH</li> </ul>	

prefers to be supported through the concept “learning by doing”. So far, there were number of projects providing trainings and technical support in developing skills and this kind of support is not needed any more.

- REDAH is well established development agency in Herzegovina region. It leads the certification process for Business Friendly Certification Programme (BFC). The BFC as regional initiative (covering BiH, Serbia, Albania, Monte Negro, etc.) for certification of business friendly local communities can be a good framework for defining selection criteria for municipalities.
- GFF criteria have to be carefully defined and structured. The Action’s activities should be linked with the local development strategies as much as possible. The geographical coverage should be based on the regional level such as Herzegovina Cluster for Tourism which covers several municipalities linked by mutual interest of different stakeholders operating in tourism sector. In addition to the Tourism Cluster there is Wood Cluster in Herzegovina while the Metal and Plastic Cluster is in the process of establishment.
- The selection procedures (public calls, required documents, etc.) should be simplified in order to avoid confusion among the future beneficiaries and other stakeholders. Special attention to be paid on coordinating TA with GFF.
- BiH Reform Agenda is very broad framework and everything can fit into it from the very micro-level to the macro level. This Agenda is supposed to work on state level on defining policy measures which should integrate local level policies, measures, development strategies.
- Herzegovina has natural resources and good opportunities to be further explored and developed especially in the tourism, agri-food industry, but also IT sector, metal and plastic. Some of the challenges in tourism industry is regulatory nature which hinders small individual businesses to properly register for appropriate tourism business activity. This regulatory obstacle hinders individuals to be self-employed. Another issue is better linkages between regions and promotion of tourism offer.

<b>Stakeholder name:</b>	SERDA – regional development agency for Sarajevo region
<b>Representative name, title and contact details:</b>	Aida Duran, project manager Saneta Trnka, project manager
<b>Meeting place:</b>	Sarajevo
<b>Meeting date and time:</b>	May 16, 2017
<b>Meeting summary</b>	
<ul style="list-style-type: none"> <li>• The focus of the Action Document on four sectors (agri-food, tourism, export oriented and entrepreneurship) is in line with the capacities and activities of SERDA which has been implementing a number of projects and initiatives. The latest project that SERDA is to implement is Challenge to Change financed by the SIDA where SERDA will provide all necessary support for servicing the grant facility for SMEs. This is how SERDA can be involved in this project in addition to the provision of TA to the project beneficiaries.</li> <li>• The criteria for selection of the project beneficiaries through public call should be well defined, clear and transparent based on previous in-depth analysis of needs and potentials across the country. Prior to the implementation of the project activities, it is necessary to coordinate with other projects in order to avoid overlapping and have better coordination in the field which should result in complementary activities.</li> <li>• In order to reach the long-term effect, it is necessary to work on policy solutions and building structures that will be strong enough to support SMEs, entrepreneurship, strengthen business environment and attract investments in the future. The medium effects can be reached by providing direct support to the partnership networks, intermediate level which will serve as a platform for future development.</li> <li>• However, it is also important to support directly SMEs and other beneficiaries with TA and GFF in targeted regions.</li> <li>• SERDA is the partner to the Business Friendly Certification Programme. This platform could be considered as a framework for selection of municipalities or defining the measures for enhancing business environment and entrepreneurship.</li> <li>• One of the challenges is that there is mistrust among the SMEs and through partnership networks it should be strengthened.</li> </ul>	

- BiH Reform Agenda is macro framework for the entire country however it should go from the bottom up which means from the local level where the development agencies are more focused and this include business environment, employment, entrepreneurship, etc.

<b>Stakeholder name:</b>	REZ – Regional Development Agency for Central BiH Region
<b>Representative name and title:</b>	Maja Kišić, director Phone: 062 343 298 E-mail: <a href="mailto:maja@rez.ba">maja@rez.ba</a>
<b>Meeting place:</b>	Sarajevo
<b>Meeting date and time:</b>	May 16, 2017
<b>Meeting summary</b>	
<ul style="list-style-type: none"> <li>• The Action Document with proposed activities fit well with the needs in the targeted sectors and all of them are relevant for REZ and its capacities/activities.</li> <li>• The intermediate level should be more involved and existing structures used such as developing agencies which were established through IPA 1, but lately these capacities have not been sufficiently utilized. There is no need to build new infrastructure. It would be reasonable to use the existing once and further strengthen their capacities.</li> <li>• The criteria for selection of project beneficiaries should be clear and transparent. The TA and GFF should be well linked to each other and developing agencies should be considered as intermediators to further deliver TA and potentially GFF to the final beneficiaries (i.e. SMEs, etc.).</li> <li>• It is advised to look into the partnership networks which will provide long-term effects.</li> <li>• BiH Reform Agenda is macro framework for the entire country however it should go from the bottom up which means from the local level where the development agencies are more focused and this include business environment, employment, entrepreneurship, etc.</li> </ul>	

<b>Stakeholder name:</b>	Ministry of Economic Relations and Regional Cooperation of RS Ministry of Industry, Energy and Mining of RS
<b>Representative name, title and contact details:</b>	Darko Telić, Head of Division for Funds and Development Assistance for European Union Bogdan Vicanović, associate Phone: +387 51 339 715 E-mail: <a href="mailto:d.telic@meoi.vladars.net">d.telic@meoi.vladars.net</a>  Milka Latinčić, Head of Department Phone: +387 51 338 374 E-mail: <a href="mailto:m.latincic@mier.vladars.net">m.latincic@mier.vladars.net</a>
<b>Meeting place:</b>	Banja Luka
<b>Meeting date and time:</b>	May 18, 2017
<b>Meeting summary</b>	
<ul style="list-style-type: none"> <li>• The Ministry of Industry, Energy and Mining recommended to the GIZ experts to invite the RS Ministry of Economic Relations and Regional Cooperation to the meeting, as it was not originally planned since this ministry was not recognized as one of the key institutional stakeholders by the Action Document, but as being nominated, by the RS Government, coordinator for the all EU financial instruments as well as focal point for further communication with other ministries within the RS Government, it participated in the meeting.</li> <li>• Regarding the package IPA 2015 (it contains Action document) the RS Government neither did it give consent to the package IPA 2015 (conclusions of the RS Government from 2015 presented at the meeting) due to fact that the RS government nor the ministries did not receive a final version of the Action Document officially, nor in the Action Document were completely accepted comments and suggestions of the RS representatives in the working group. During the identification stage it was suggested to dedicate larger amount of support directly to the SMEs since the intermediate stakeholders have received significant support in the past.</li> <li>• Regarding the Strategy development methodology in RS, it is a top-down approach from the entity to the local level. All strategies on the local levels are adjusted to the entity sectoral strategies.</li> </ul>	



Currently the ministries within the RS Government are in the process of developing sectoral strategic plans for the period 2018-2020. Therefore, local level strategic plans must be in line with the republic sectoral strategies.

- The selection criteria and public calls have to be clear, simple and transparent. The RS ministries are very much interested in being involved in defining the criteria for selection of SMEs. In this regard, the methodology for selection should be developed and adopted jointly and the training on scoring methodology should be organized for the ministries in order to better understand the processes. This is not only for the purpose of this project, but to build internal capacities of ministries to understand the whole process when developing their projects, selection criteria and monitoring. Everything should be based on EU practices. Furthermore, the ministries are interested to be involved in the activities related to HORIZON and COSME trainings as well as the RS Agency for SME development.
- There are different practices and structures of project management such as having Executive Committee and Advisory committee within Steering Committee and where the BiH level ministries and executive agencies are presented in the Executive while the RS ministries and executive agencies are presented in the Advisory Committee. This is something that is not really functional, and therefore Executive Committee should be comprised by the ministries from all levels of authority, while Advisory should gather executive agencies from all level. Following this rule MERRC should be beside DEI appointed as observers with no voting power.
- The Ministry has mandate for creation, financing, implementation and monitoring/reporting sectoral strategy and the Agency for SME development is the implementation body. On the local level there are municipal/city development agencies or departments within the municipalities.
- SBA is a measured at the state level as the average result of the progress made in the individual entities and is not giving the true insight into the progress made in the different part of the country, which disable proper distribution of the actions needed.

<b>Stakeholder name:</b>	The Ministry of Agriculture, Forestry and Water Management of RS
<b>Representative name, title and contact details:</b>	Zoran Kovačević, assistant minister Dragan Vučković, PA coordinator
<b>Meeting place:</b>	Banja Luka
<b>Meeting date and time:</b>	May 18, 2017
<b>Meeting summary</b>	
<ul style="list-style-type: none"> <li>• The Action Document is in line with the adopted Strategy of agricultural and rural development in RS. All activities defined in the Action Document regarding the agri-food industry are accordingly in line with the Strategy and activities implemented by the Ministry.</li> <li>• This is a large-scale project which is designed to have impact on several sectors and it should be well coordinated with other projects and initiatives. There is a working group for agriculture on the state level coordinated by the MOFTER, however it is not working efficiently. One of the problems is that the creditors and donors are treated in the same way which is not acceptable. However, it is necessary to have such a working group on the state level and TA to this working group would be beneficial.</li> <li>• The general issue with monitoring mechanism established through other projects is that it is not operational yet. It could be done through this new project. It will require training of all relevant ministries and stakeholders and transferring the methodology to them. The aim is to build capacities and strength their structure for future EU projects.</li> <li>• The project document to be developed based on this Action Document should remain flexible with regard to the activities related to the agri-food sector as it is very dynamic industry. In more detail, the activities should not be locked by geographic region before the inception phase is completed and analysis conducted. Similar approach is implemented by the new IFAD project.</li> <li>• The agri-food sector should be closely linked to the tourism through rural development. The focus should be on developing locally made products. The project should support individual farmers to standardize their production, to meet all food safety requirements, but also to help them in promotion and marketing. This is especially related to the autochthonous products.</li> <li>• GFF with TA should be balanced between the individual beneficiaries such as farmers, associations, cooperatives, SMEs on one side, and the intermediate stakeholders (advisory services, laboratories, etc.) on the other side.</li> </ul>	

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<b>Stakeholder name:</b>	CIDEA
<b>Representative name, title and contact details:</b>	Mario Milanović, Director Vesna Marinković-Vojvodić, project manager Phone: +387 51 433 460 E-mail: <a href="mailto:mario.milanovic@cidea.org">mario.milanovic@cidea.org</a>
<b>Meeting place:</b>	Banja Luka
<b>Meeting date and time:</b>	May 18, 2017
<b>Meeting summary</b>	
<ul style="list-style-type: none"> <li>• The Development Agency of the city of Banja Luka is a local development agency operating in the wider area of Banja Luka. The founder of the agency is the city of Banja Luka. The agency has experience in developing projects in business development, business incubators, start up for young people, etc.</li> <li>• The agency is interested in cooperation and further development of its capacities.</li> <li>• The Action Document with proposed scope of activities is in line with the scope of work and activities implemented by CIDEA.</li> <li>• The Agency is in the process of mapping the location in the city of Banja Luka for business incubators which will support start-up especially women and youth entrepreneurship. This is something that should be further developed and could be interesting for the new project.</li> <li>• There is a good potential for development of IT hubs in Banja Luka, but also agriculture and tourism. All activities should result in concrete products for each sector.</li> <li>• There is ongoing activity of analysis of tourism sector in wider region of Banja Luka and developing new promotion campaign and branding. The city is in the process of defining a new action plan for tourism.</li> <li>• The new project should balance its TA and GFF between the individual beneficiaries and intermediators where the focus would be on the latest. In the agri-food sector the reference is given to the locally made products which should be promoted and sold locally. It would be recommended to develop local brands by micro regions or autochthonic products. This will boost small individual farms and crafts to generate incomes and have the rural population to remain in their villages. Rural tourism has great potential to be further explored and developed. Local associations and NGOs should be included in the project activities.</li> </ul>	

<b>Stakeholder name:</b>	Enterprise Development Agency - EDA from Banja Luka
<b>Representative name, title and contact details:</b>	Goran Janković Phone: +387 51 300 241 E-mail: <a href="mailto:goran.jankovic@edabl.org">goran.jankovic@edabl.org</a>
<b>Meeting place:</b>	Banja Luka
<b>Meeting date and time:</b>	May 18, 2017
<b>Meeting summary</b>	
<ul style="list-style-type: none"> <li>• The Enterprise Development Agency was established 19 years ago to work on creation and implementation of knowledge needed for development of enterprises and local communities in Bosnia and Herzegovina and in Western Balkans region.</li> <li>• The Action Document is a basis to develop concrete measures, actions with expected results and timeline. It is recommended to apply “adjusting mechanism” in the project document – not to completely fix the activities and expected results as the situation in the reality is very dynamic and it might require some adjustments when the project comes into the implementation stage. The project should have this flexibility.</li> <li>• It is good to coordinate activities between projects and with other stakeholder to avoid overlapping, but also to strengthen each other’s efforts and complement the activities and project effects for long-term sustainability.</li> <li>• In addition to strengthening capacities of individual stakeholders through project interventions (e.g. improvement of technology in SMEs and research institutions through grant support), attention should be also paid to establishing and strengthening interactions among stakeholders (e.g. between</li> </ul>	

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SMEs and education and research institutions) to enable use of resources for improvement of competitiveness of SMEs

- SMEs are the engine of the BiH economy and they should be directly supported through the Technical Assistance and Grant Fund Facility. However, the stakeholders on the mezzo level have crucial role to improve business friendly environment in cooperation with local communities, create innovative partnerships, in general to build the lasting structure to support SMEs. In this respect the project support should go into both directions.
- SMEs need a wide scale of support from promotion and marketing, knowledge transfer, development an innovation, B2B, etc. To some extent, there is mistrust between SMEs and they are burdened with the competition. The project should enhance the mutual cooperation and work on building the trust between them (similar action was implemented through CREDO Project).
- The municipalities are important players and they should be included in the project. The BFC concept may be taken as an indicator of their readiness for efforts to enable business friendly environment.
- Skilled labor is a problem as well as the migration of the population.
- The interaction between the education organizations and the business community is still very poor and this should be enhanced through the project.

<b>Stakeholder name:</b>	Agency for development of SME in RS
<b>Representative name, title and contact details:</b>	Marinko Đukić, Director Phone: +387 51 222 120 E-mail: <a href="mailto:marinko.djukic@rars-msp.org">marinko.djukic@rars-msp.org</a> Bojan Ćudić, Head of Department EEN of RS Mićo Stanojević, head of Department for Project Planning and Implementation
<b>Meeting place:</b>	Banja Luka
<b>Meeting date and time:</b>	May 18, 2017
<b>Meeting summary</b>	
<ul style="list-style-type: none"> <li>• The Agency is an implementation body of the RS Strategy of SME Development. The Agency is an implementing partner not only to the RS Government but to the number of international organizations and projects such as Challenge to Change funded by Sida, Skills for Job Program by PrilikaPlus, Adriatic Danubian Clustering, etc.</li> <li>• The activities defined in the Action Document are in line with the RS Strategy of SME Development and the scope of work of the Agency.</li> <li>• The identified export oriented sectors are crucial for economy of BiH and the priority should be given to the SMEs in terms of Grant Fund Facility and Technical Assistance.</li> <li>• The Agency sees its role in the project as the intermediary which will provide Technical Assistance support to SMEs. The Agency has a network of experts that could be used for different activities such as value chain analysis, market research, etc. The methodology implemented by Sida through the Challenge to Change programme, where the Agency provides technical assistance in consortium with Sarajevo Development Agency SERDA, is a good one and the Agency would recommend the similar methodology to be implemented through this project. For additional potential information, it is necessary to contact Sida department in Embassy of Sweden in BiH.</li> <li>• The key challenges in BiH are migration of the population from rural areas and in general from BiH to other countries.</li> <li>• The Technical Assistance and Grant Fund Facility should go both to micro businesses especially in rural areas and so called “gazelle” SMEs which are leaders in certain value chains.</li> <li>• Considering the issue of providing support to NGOs through the upcoming project the Agency is sceptic about the sustainability and continuity of their work.</li> <li>• The BiH Reform Agenda is a political issue and should not be in focus. It is a broad framework, more general.</li> </ul>	

<b>Stakeholder name:</b>	Ministry of Environment and Tourism of FBiH
<b>Representative name, title and contact details:</b>	Helena Bilbija, expert advisor for tourism <a href="mailto:helena.bilbija@fmoit.gov.ba">helena.bilbija@fmoit.gov.ba</a>

<b>Meeting place:</b>	Sarajevo
<b>Meeting date and time:</b>	May 19, 2017
<b>Meeting summary</b>	
<ul style="list-style-type: none"> <li>• The activities (related to tourism sector) defined in the Action Plan are in line with the activities of the Federal Ministry of Environment and Tourism. The ministry however has very limited human and financial resources to implement all planned activities.</li> <li>• Considering the geographical coverage for the project activities, it should be defined after the inception phase of the project. The recommendation is to concentrate on the regions with the highest touristic potentials such as Sarajevo, Mostar or Herzegovina-Neretva Canton, Una-Sana Canton, etc. The TA with GFF should be well balanced between the micro beneficiaries (touristic agencies, operators, guesthouse, hotels) and the intermediators (association, clusters such as Herzegovina Touristic Cluster, etc.).</li> <li>• The selection criteria should be simple, clear and transparent. There should be different lots in the public calls. The ministry would like to be involved in the selection process in order to learn the methodology of preparing the public call with defined criteria in line with EU practices/format. Furthermore, the ministry needs to build its capacities in scoring the projects, the evaluation and monitoring process. This will enable the ministry to efficiently and successfully run its own public calls.</li> <li>• The ministry has limited budget for grants and would like to utilize it efficiently by combining with donor funds.</li> <li>• The challenges in the touristic sector are the lack of practical skills and knowledge of employees and professionals. There are just couple of high schools for tourism in the FBiH and they do not produce enough skillful workers.</li> <li>• The lack of the Strategy on Tourism in the FBiH is a burning issue. Several years ago, there were certain attempts to develop it, but it has never been adopted due to the political reasons. By time the information in the draft version of the strategy become irrelevant and outdated. The Ministry asked UNDP for technical support in conducting analysis and research in order to collect all relevant data for the new strategy.</li> <li>• Another issue is the Law on touristic associations/communities which was declared unconstitutional in 2014. The key issue is the competence over the touristic association – municipalities or cantons. The law foreseen to shift the competence from the cantons to the municipalities, however the cantons were reluctant to accept this transition of competence.</li> <li>• The ministry is competent for the categorization of hotels in the FBiH, there is need for capacity building, transfer of knowledge and best practices.</li> <li>• The ministry is competent for licensing the touristic guides (acc. 1,000 licensed touristic guides in the FBiH). The problem the touristic guides are facing with is how to be registered and pay taxes as currently this is not well regulated.</li> <li>• BiH Reform Agenda is a framework where the tourism can easily fit in and link it to the local levels (example is the adoption of the Law on touristic associations which would be in the competence of the municipalities)</li> </ul>	

<b>Stakeholder name:</b>	Ministry of Agriculture, Water Management and Forestry of FBiH
<b>Representative name, title and contact details:</b>	mr.sci. Nijaz Brković, Assistant Minister Phone: +387 33 726 591 Email: <a href="mailto:nijaz.brkovic@fmpvs.gov.ba">nijaz.brkovic@fmpvs.gov.ba</a>
<b>Meeting place:</b>	Sarajevo
<b>Meeting date and time:</b>	May 31, 2017, 10:00 a.m.
<b>Meeting summary</b>	
<ul style="list-style-type: none"> <li>• The Ministry of Agriculture, Water Management and Forestry of FBiH is interested in participating in the implementation of this project.</li> <li>• It is defined that 6% of the annual budget of the ministry should be used for the implementation of the strategy, in reality up to 3% is utilized for strategy implementation.</li> <li>• The ministry will review its activities and work plan in order to propose concrete activities or give specific recommendations for this project.</li> </ul>	

- It is agreed to send the questions in order to enable the ministry to collect all information and provide in written format as there was not sufficient time to go through the Action Document into details.
- It is expected to receive some feedback by June 10, 2017.

<b>Stakeholder name:</b>	Ministry of Trade and Tourism of RS
<b>Representative name, title and contact details:</b>	Irena Kisić-Plavšić, Head of department of European integration Phone: +387 51 338 753 E-mail: i.kisic@mtt.vladars.net
<b>Meeting place:</b>	Sarajevo
<b>Meeting date and time:</b>	June 1, 2017, 09:00 a.m.
<b>Meeting summary</b>	
<ul style="list-style-type: none"> <li>• The Ministry of Trade and Tourism of RS confirmed that the RS ministries were included in the consultation process during the early stage of development of the Action Document. However, the ministry as other RS institutions were not included in later stage of consultation and have never officially received the adopted document.</li> <li>• The Action Document is in line with general recommendations as well as with the scope of work of the RS Ministry and Strategy for tourism. RS has good regulations which were recently harmonized with EU including the Strategy for Tourism. Regarding the regulation and policy level the ministry does not need any particular Technical Assistance.</li> <li>• The ministry has a grant program on annual basis: a) capital investments for large-scale infrastructural projects up to 2 million KM and b) ongoing grants scheme for physical entities, NGOs, legal entities, etc.</li> <li>• The priorities for further development are rural development, winter tourism, creation of new products and offers. Special attention is also given to the women entrepreneurs as carriers of the rural tourism development.</li> <li>• The Ministry developed the Human Resource Development Program based on the situation analysis and need assessment in tourism sector. This document could be a good starting point to develop concrete measures in the project related to the vocational training. This is particularly important as the amended regulations on tourism will require certain qualifications for certain professions.</li> <li>• Another major problem which hinders development of tourism industry in RS is poor quality of infrastructure (poor condition of roads, airports, poor traffic connections, web portals, applications for promotion, etc.) and safe environment (mine fields, dumps, mapped paths, etc.).</li> <li>• The key problem of RS tourism in general is that is a transit tourism (tourists usually come from neighboring countries for a day).</li> <li>• The Technical Assistance should be well coordinated with the Grant Fund Facility. The focus should be on final beneficiaries such as rural households (currently having issues with the form of registration and high taxes), tour operators, NOGs, small crafts, etc. rather than the intermediate level given the specific nature of tourism. The touristic organization of RS should be included through promotion and marketing of new products and services. Local fairs and events are also to be considered such as OK fest in the national park of Sutjeska or international competition in rafting on the river of Vrbas, etc. The capacities of the national park are poor and require larger investments.</li> <li>• The BiH Reform Agenda is familiar concept and it will be further elaborated by the ministry after sharing this summary. What is expected from the ministry related to this question is to share its view of how this Agenda can be transferred from the general, macro level to the local level? How tourism can fit into this agenda?</li> </ul>	

