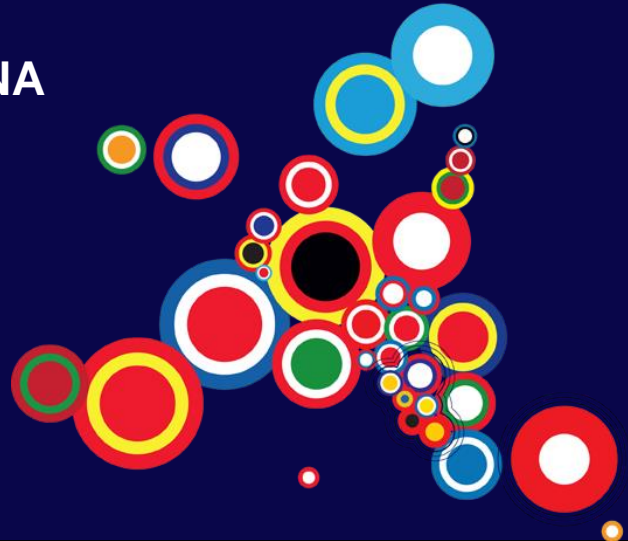




INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA II) 2014-2020

BOSNIA AND HERZEGOVINA

Local Development Strategies



Action summary

This Action will aim to strengthen Bosnia and Herzegovina's capacity for generating growth and employment through support to competitiveness and innovation. It will support Bosnia and Herzegovina's private sector development with a focus on export oriented, agro-rural and tourism sectors and on enhancing the operational environment for MSMEs.

The Action will result in increased MSMEs performance due to better access and availability of innovative business development services in competitive export oriented sectors, improved business environment for development of new businesses and support to existing ones and increased entrepreneurial initiatives in tourism and rural value chains for income and employment generation.

Action Identification	
Action Programme Title	Annual Action Programme for Bosnia and Herzegovina for the year 2016
Action Title	Local development strategies
Action ID	IPA 2016/037-889.7/Bosnia and Herzegovina/Local Development Strategies
Sector Information	
IPA II Sector	Competitiveness and innovation
DAC Sector	25010 - Business support services and institutions
Budget	
Total cost	EUR 15 000 000
EU contribution	EUR 15 000 000
Budget line(s)	22.020102
Management and Implementation	
Management mode	Indirect management
<i>Indirect management:</i> National authority or other entrusted entity	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) in partnership with United Nations Development Programme (UNDP) and the International Labour Organisation (ILO)
Location	
Zone benefiting from the action	Bosnia and Herzegovina
Timeline	
Final date for concluding Financing Agreement(s) with IPA II beneficiary	At the latest by 31 December 2017
Final date for concluding delegation agreements under indirect management	At the latest by 31 December 2017
Final date for concluding procurement and grant contracts	3 years following the date of conclusion of the Financing Agreement, with the exception of cases listed under Article 189(2) of the Financial Regulation
Final date for operational implementation	6 years following the conclusion of the Financing Agreement
Final date for implementing the Financing Agreement (date by which this programme should be de-committed and closed)	12 years following the conclusion of the Financing Agreement

Policy objectives / Markers (DAC form)			
General policy objective	Not targeted	Significant objective	Main objective
Participation development/good governance	<input type="checkbox"/>	x	<input type="checkbox"/>
Aid to environment	<input type="checkbox"/>	x	<input type="checkbox"/>
Gender equality (including Women In Development)	<input type="checkbox"/>	x	<input type="checkbox"/>
Trade Development	<input type="checkbox"/>	<input type="checkbox"/>	x
Reproductive, Maternal, New born and child health	x	<input type="checkbox"/>	<input type="checkbox"/>
RIO Convention markers	Not targeted	Significant objective	Main objective
Biological diversity	x	<input type="checkbox"/>	<input type="checkbox"/>
Combat desertification	x	<input type="checkbox"/>	<input type="checkbox"/>
Climate change mitigation	x	<input type="checkbox"/>	<input type="checkbox"/>
Climate change adaptation	x	<input type="checkbox"/>	<input type="checkbox"/>

1. RATIONALE

PROBLEM AND STAKEHOLDER ANALYSIS

Bosnia and Herzegovina (BiH) is still in the early phase of developing a market-oriented economy and capacity to cope with competition in the European Union (EU) market. The BiH economy is also gradually recovering from the impact of the economic and financial crisis. However, entry into force of the Stabilisation and Association Agreement (SAA) and a recent submission of application for an EU membership should accelerate reforms in BiH to boost economy and create jobs.

Similarly to the EU, Micro, Small and medium-sized enterprises (MSME) sector is the backbone of BiH economy.¹ However, a complex **business environment** and **lack of policy coordination** are preventing a more dynamic SME development and creation of a fully functioning internal single economic space. In terms of structural weakness, the low value-added products and limited workforce skills predominate, as well as low level of investment, high unemployment and significance of grey economy.²

Despite some progress published in the *World Bank's Doing Business 2016 Report*³, the country is still among the lowest scored economies when it comes to **starting a business, obtaining construction permit** and **paying taxes**. While both entities have engaged in legislative changes⁴, this process is not harmonised and the MSMEs continue operating in a different business environment across BiH.

The 2016 SME Policy Index⁵ has appraised creation of a lifelong entrepreneurial learning framework countrywide as well as a partial opening of the public procurement market to foreign investors. Still, it concludes that BiH is lagging behind the region in regards to the **regulatory framework for SMEs** due to its **fragmented institutional structure** and the **lack of coordination** between the public institutions at state and entity levels, which leads to the creation of disconnected policies and impedes their implementation.⁶

Entrepreneurship remains underdeveloped among **BiH women**, who are generally reluctant to start own businesses because of the tradition, limited financial skills and a difficult business environment.⁷ However, the high unemployment rate of 27.7% (women 30.7% and men 25.8%)⁸ is closely related to the low competitiveness of BiH economy. Hence, creation of new jobs should improve livelihoods and increase income generation perspective of the working age-population in general.⁹

BiH is mainly an import-oriented economy.¹⁰ The structure of **export** is mainly comprised of commodities and energy with very little value-added products, thus contributing with some 55% to GDP. Hence, a diverse export-orientated economy tends to employ more people, there is a need to further support the traditionally export-oriented sectors of metal, wood processing and textile.

The private sector is characterised by low number of **innovative MSMEs** and the export of innovative products and knowledge-intensive services is amongst the lowest in Europe.¹¹ Investment in research and innovation is significantly below 1% of GDP, which is mainly attributed to the high cost for MSMEs to invest in innovation, limited access to knowledge and to some institutional factors.

Additionally, BiH needs to stimulate **digital entrepreneurship** with the aim to develop e-business services and know-how for the management of internet resources. Presently, BiH is lagging behind the region in establishing online services for paying contributions and taxes, and the SMEs have very little information about existing e-services, such as e-learning for young people interested in self-employment or e-training programmes to support internalisation of SMEs.

¹ 99.3% of BiH enterprises are MSMEs which contribute to employment by app. 68% and to value added by app. 60%, SME Policy Index 2016

² Grey economy accounts for 30-50% of GDP, SME Policy Index 2016

³ BiH's overall ranking has improved marginally (from 82nd to 79th place) in WB *Doing Business 2016*

⁴ Sarajevo Canton is preparing a new *Construction Law* and simplification of electricity permits, while the Republika Srpska (RS) has already reformed its construction permit process and is currently working on its harmonisation with local level.

⁵ i.e. 2016 Small Business Act (SBA) assessment

⁶ For example, company registration and business licensing currently have to be performed twice (i.e. once in each respective entity), creating serious market distortions within the country.

⁷ Gender Disparities in Endowments, Access to Economic Opportunities and Agency, World Bank Report, 2015

⁸ Source: Labour Force Survey, BHAS, 2015

⁹ Recent survey performed within UN Youth Employment programme indicate that 65% of youth (aged 15-30) would leave BiH for temporary jobs

¹⁰ Import coverage was around 60% in 2015

¹¹ Only 14,2% of enterprises in BiH were innovative in the period 2010-2012 according to BHAS, 2014

Furthermore, the revitalisation of **rural economies** is essential for BiH¹² in particular by connecting the under-developed municipalities with more developed ones for sharing the best development practices. Similar to other regional economies, BiH's **agricultural sector** is largely featured by subsistence farming, which often compensate for the lack of earnings by the socially vulnerable categories.¹³ The challenges in this sector are associated to compliance of products with EU food safety standards, and a need for strengthening value chains for value added products through better access to knowledge, technology, innovation and diversified financial sources. Employment opportunities have also increased in **tourism** sector¹⁴, characterized by a limited offer, which should be more diversified, both in terms of destinations and in terms of entertainment activities. In addition, rural tourism has potential to boost local development but it needs better infrastructure/facilities and promotion.¹⁵

Finally, some segments of BiH population are facing more **difficulties with obtaining employment** such as women¹⁶ and youth (age 15-24), which unemployment is highest in the region and with significant number of young people willing to leave the country for better employment opportunities.¹⁷

The **main/direct stakeholders** are: MSMEs (especially export oriented ones), entrepreneurs, young people and rural population, state and entities ministries and agencies (including Brčko District), FBiH and RS Associations of Municipalities, cantons, municipalities and cities.

Other/indirect stakeholders are: local and regional development agencies, European Enterprise Network, clusters and business associations, universities, research institutes, employers' associations, chambers, training providers, social partners, financial intermediaries¹⁸, sector organisations and NGOs.

OUTLINE OF IPA II ASSISTANCE

To address the above-described problems and issues, the Action is focusing on the needs of MSMEs in the export-orientated sectors with potential to become more competitive and where jobs can be created. The local development strategies identify that these are wood, metal, textile, tourism, information technology (ICT) and agro-food industries.

The Action should improve MSMEs performance in the above sectors as a result of better access and availability of innovative business development services, improved business environment "on the ground" as well as through increased entrepreneurial initiatives in tourism and rural value chains.

Specifically, the Action Document includes combination of *grant support for product development and technology transfer to MSMEs* in competitive sectors as well as *inclusive entrepreneurship models* for start-ups and added value clustering in tourism, agri-food value chains and rural development. This will in turn boost BiH economy and will generate growth and employment opportunities. Emphasis will also be placed on measures that analyse needs and support the groups that face more difficulties to find jobs (such as woman and youth) and measures that support start-ups to increase creation of new MSME.

To ensure better sustainability of the MSMEs related grant support, the activities also include *capacity building* of the main stakeholders *for monitoring and evaluation of local economic development measures* to serve as input for better policy planning and identification of measures that will be harmonised throughout the country. Line ministries, and relevant agencies, will participate in monitoring and evaluation of the overall Action and specific measures.

In conclusion, this Acton will support the following *institutional and organisational issues*:

- Need to improve business environment and remove ineffective administrative procedures that deter new investments and incur high costs on business;
- Stimulate digital entrepreneurship with the aim to develop start-ups, e-business services, improve know-how for the management of internet resources and local content on the Internet;
- Create bridges and cooperation opportunities between innovation hubs in the EU and in BiH;

¹² 60% of BiH population (app. 2 000 000 people) live in rural areas which are covering 80% of BiH territory

¹³ For illustration, the sector absorbs around 20% of employed males and 18% of employed females.

¹⁴ Tourism contributed 2,5 % to GDP in 2014 and it is forecasted to increase 5% annually until 2025

¹⁵ Strategy for Tourism Development in Federation of Bosnia and Herzegovina 2008-2018

¹⁶ Women are by third less likely to participate in the labour force than men

¹⁷ Youth unemployment rate is app. 62% (59,5 % men and 67,3% women)

¹⁸ As actors implementing COSME financial instruments and EDIF

- Increase private sector engagement in digital financial solutions for underserved population (rural, women and youth, small businesses);
- Use the potential and resources of existing innovation centres and technology parks;
- Need to improve business sophistication by supporting MSMEs to access new markets, integrate in regional, European, global value chains in traditional sectors, design and produce innovative and value-added products to match market needs, access to affordable and suitable finance, hire skilled workers, improve product quality and upgrade technology;
- Introduce new financing and technical support mechanisms for new entrepreneurs;
- Support women and youth to have more equitable access to economic opportunities;
- Target support to under-developed regions with higher migration and low economic growth by including entrepreneurs in value-added agro and tourism value chains;
- Ensure that sustainable mechanisms are in place to support competitiveness “on the ground” by strengthening business infrastructure systems, improving administration capabilities for monitoring and evaluation and by ensuring support by the higher levels of government;
- Use the potential of the country’s participation in the EU Programme for the competitiveness of enterprises and SMEs, COSME;
- Empower CSO’s (business association, chambers of commerce etc.) to take more active role in public-private dialogue on business environment and related policies.

RELEVANCE WITH THE IPA II STRATEGY PAPER AND OTHER KEY REFERENCES

As stated in the **Indicative Strategy Paper (ISP) for BiH 2014-2017**, the focus of IPA II has shifted towards support to partnerships for economic and social development at the local level by building on the existing local development strategies and the operational structures involved. The ISP also recognises a need to enhance competitiveness and growth at local level to create opportunities for economic recovery. Furthermore, it calls for better cooperation and strengthening of multi-sectoral local and regional public-private partnerships to boost job creation and social inclusion. Finally, it states that the private sector development support should target export-oriented, agro-rural and tourism sectors.

The **EU 2015 Report** states that BiH is in the early phase of developing a market-orientated economy. It also notes the absence of SME developments towards creating a single economic space and the lack of regulatory measures to improve business environment. However, it notes that some progress was made in the agricultural sector, particularly in the field of food safety and veterinary policy.

The EU launched **Compact for Growth** initiative has identified key economic policy issues related to reforms in the labour market, business environment, investment, corruption and social protection towards achieving a more competitive and innovative economy which will create jobs. In response, the State and Entity governments adopted the **Reform Agenda** in 2015 to confirm BiH’s determination to overcoming the obstacles to employment growth¹⁹. Council of Ministers (CoM) has further committed to adoption and implementation of four laws related to competitiveness and business environment in BiH, while the Entity governments adopted the *Actions Plans* for Reform Agenda’s implementation.²⁰

The **Economic Reform Programme 2016-2018 (NERP)**²¹ is aligned with the above documents and further recommends BiH to make a progress towards a single economic space by addressing the lack of coordination across all levels of governance and by supporting private sector through a mutual recognition of business registration and provision of better targeted MSME finance support.

BiH’s commitment to improve its regional competitiveness has been initiated in 2013 by adoption of **South East European 2020 – Jobs and Prosperity Strategy** which envisages strengthening and integration of the regional value chains within the Europe and globally. BiH is also participating in the EU macro-regional strategies, the **EU Strategy for the Danube Region (EUSDR)** and the **EU Strategy**

¹⁹ The Agenda priority measures include: business climate and competitiveness to eliminate investment barriers, simplifying business registration and procedures for obtaining construction and electricity permits and strengthening the national quality control in line with EU requirements

²⁰ FBiH Action Plan calls for adoption and implementation of 10 laws and regulations and the RS Action Plan 8, which are relevant for business climate and competitiveness in the period of 2015 – 2018.

²¹ NERP was adopted on 11 February 2015, www.dep.gov.ba

for the Adriatic and Ionian Region (EUSAIR), which aim at addressing the common challenges of the participating countries²² in the fields of connectivity, energy networks, environmental protection, sustainable tourism and socio-economic development.

Finally, BiH participates in reporting on implementation of the **Small Business Act for Europe (SBA)**, which SME Policy Index measures convergence of SME policies in the partner countries²³ with EU best practices and standards. According to 2016 SME Policy Index, BiH has made an incremental progress in the field of entrepreneurial learning²⁴, while its business environment remains cumbersome and the country is lagging behind its neighbours in SME policy development. Consequently, the key recommendations are related to introduction of a countrywide SME policy framework and a better coordination between all government levels. BiH's contribution to SBA assessment process should improve by individual appointments of a National and Entities' SBA Coordinators and by expected establishment of SBA Coordinators network.²⁵ Nevertheless, National SBA Coordinator should remain the main SBA interlocutor, whose active and committed coordination role should be further enhanced.

LESSONS LEARNT AND LINK TO PREVIOUS FINANCIAL ASSISTANCE

Past **IPA assistance 2007-2011** included technical assistance and grants for supporting MSMEs competitiveness, regional and local economic development and tourism. While the final users have significantly benefited from the assistance, it had very limited impact at institutional and policy level.²⁶ To abridge the lack of policy coordination between the state and entities²⁷ and to enable more direct MSMEs access to EU funds, **IPA 2013 and 2014 programmes** are currently implemented via the EBRD and GIZ (*SME flood recovery programme*). Besides business advisory services provided via the EBRD's *Small Business Support Programme*, the assistance involves exchange of good practices in SBA implementation. As part of the Private Sector Support Facility for the Western Balkans, the EBRD has successfully piloted *SME Competitiveness Support Facility* in BiH.²⁸ Since SMEs needs have outstripped available funding²⁹, the Facility was replenished from the national IPA 2014 for MSMEs investments in introduction of EU technical standards. The monitoring indicates that the assistance has been effective at the company level³⁰, while the sustainability prospects are limited, due to the lacking political ownership and governmental support for integrating more strategic development goals.³¹

The evaluation of IPA 2008 assistance to **tourism** sector recommended future support to a more tangible projects and capacity building. IPA and other donors' assistance in the **Agriculture and Rural Development** sector has pointed at sector's potential for stimulating jobs and export, while improving the coordination and beneficiaries ownership to ensure sustainability. The three **Triple Helix partnerships**³² have demonstrated practical results in agri-food sector, despite the weaknesses in business-science linkages and limited predisposition for R&D and innovation. The **BiH IPA Interim and Meta Evaluation of IPA assistance** recommended greater inclusion of the private sector in strategic planning of the Quality Infrastructure assistance. The latest **Regional IPA Evaluation**³³ has pointed at the lack of beneficiaries' implementing capacities and on a need for reducing the range of sub-sectors to improve the results. The recommendations relate to increasing the capacities of beneficiaries institutions for developing result oriented monitoring mechanisms, ensuring that highly competitive criteria for selection of grant beneficiaries are not impeding the access of poor and needier communities to grants, and to improving the use of measuring mechanisms in project and programme management.

²² Both EU Member States and non-EU Member States (potential and candidate countries for the EU membership)

²³ 32 economies (Western Balkans and Turkey, Eastern Europe and South Caucasus, North-Africa and the Middle East, Southeast Asia)

²⁴ By adoption of a countrywide strategy and by introducing entrepreneurial learning into school curricula

²⁵ Council of Ministers (CoM) should adopt soon the Decision on the establishment of SBA Coordinators network in BiH

²⁶ A number of strategic recommendations for a countrywide development prepared but not followed up for adoption by BiH stakeholders

²⁷ *SME Policy Index for Western Balkans and Turkey*, 2012

²⁸ co-financed by IPA Multi-country programme

²⁹ 11 MSMEs benefited from these loans by making investments fully compliant with EU production standards/directives

³⁰ Majority of assisted companies reported app. 80% increase in revenues and employment growth in access of 20%

³¹ *ROM Report of EU funded IPA 2013 project "Support to SME competitiveness in BiH"*, May 2015

³² Supported by OECD in cooperation with BiH Ministry of Civil Affairs

³³ *Third interim Evaluation of IPA Assistance*, EU funded project implemented by IBF, April 2015. The evaluation in the Private Sector Development/ Competitiveness Sector included a sample of 5 PSD/Competitiveness sector projects in BiH, with a total budget of 10 MEUR

2. INTERVENTION LOGIC

LOGICAL FRAMEWORK MATRIX

OVERALL OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (*)	SOURCES OF VERIFICATION	
To strengthen Bosnia and Herzegovina's capacity for generating growth and employment through support to competitiveness and innovation.	Progress made towards meeting accession criteria Improved Doing Business distance to frontier score	EC Progress Reports, DG ECFIN assessments, Doing Business Report, Distance to Frontier score (World Bank)	
SPECIFIC OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (*)	SOURCES OF VERIFICATION	ASSUMPTIONS
To support Bosnia and Herzegovina's private sector development with a focus on export oriented, ag-rural and tourism sectors and on enhancing the operational environment for MSMEs including development of local digital entrepreneurship.	Progress of BiH across two SME Policy Index dimensions, starting with year 2016 : Dimension 10.1 Export promotion Dimension 10.2 Integration of SMEs into global value chains	OECD SME Policy Index Entity SBA Implementation Reports SBA Factsheets (http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/index_en.htm)	Political and macro-economic stability maintained <i>Reform Agenda</i> Action Plans continue to be implemented
RESULTS	OBJECTIVELY VERIFIABLE INDICATORS (*)	SOURCES OF VERIFICATION	ASSUMPTIONS
Result 1: MSMEs performance is increased due to better access and availability of innovative business development services in competitive export oriented sectors	SME support services E-training for SMEs	OECD SME Policy Index, Dimension 5a.1 OECD SME Policy Index Dimension 8a	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.
Result 2: Business environment for development of new businesses and support to existing ones is improved.	Net enterprise creation (new business per year) Number of new jobs created for youth (sex disaggregated)	BHAS, Employment Agencies Entities and Brcko District relevant institutions' reports Local government budgets SEE 2020 Action reports	Stakeholders willing to participate in the monitoring and evaluation exercise 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.	Progress made in regards to the World Travel and Tourism Council (WTTC) rankings Number of business operators (individuals and firms) gaining access to a value chain (sex disaggregated) New jobs created (sex disaggregated)	BHAS World Travel and Tourism Council Action reports	Key stakeholders are committed to ensure sustainability of the facilities and services

(*) All indicators should be formulated as measurement, without specifying targets in the Logical Framework Matrix. The targets should be included in the performance measurement table in section 4. More detailed guidance on indicators is provided in Section 4 on performance measurement

DESCRIPTION OF ACTIVITIES

Activities related to the Result 1: *MSMEs performance is increased due to better access and availability of innovative business development services in competitive export oriented sectors*

Envisaged activities will center on *grant support to product development and technology transfer*, with a view of enhancing MSMEs in competitive and innovative sectors (with a special focus on traditional sectors). The activities should create various support mechanisms for MSMEs cost sharing and access to market(s) in areas of business infrastructure and specialised technical knowledge. Special sub-measure will include stimulation of youth innovative entrepreneurship, which will primarily target university students and high school graduates willing to start their own business immediately upon graduation.

These activities will include:

1.1. Support to MSMEs centres for technology, know-how transfer and access to e-business and EU digital economy

- Training and advisory services for product development (product branding, certification, production, quality management, etc.);
- Training in fields such as marketing, financial management, and human resource management;
- Training related to utilisation of EU programmes and instruments, such as COSME, HORIZON 2020 and EDIF;
- Develop start-ups, e-business services, e-commerce and improving skills management of internet resources and local content on the Internet;
- Improve digital literacy and skills;
- Co-financing schemes for introduction of standards, certificates, specialised software and equipment, etc.;
- Support for access to new markets; and
- Support to innovative existing companies and support to develop test samples for new innovative products (zero series) and assistance in commercialisation of the products.

1.2. Support to youth entrepreneurship for creation of innovative start-ups on the basis of the EU model: Start-app Europe

- Development of business ideas and services for young graduates through the mentorship schemes;
- Support youth access to innovations and knowledge transfer through existing and other networks and instruments; and
- Providing sources of finance for young innovative entrepreneurs;
- E learning for young people with an interest in self-employment.

Activities related to the Result 2: *Business environment for development of new businesses and support to existing ones is improved.*

The activities include *capacity building of the main stakeholders for monitoring and evaluation of locally implemented measures to serve as input for better policy planning throughout the country.*

In that regards capacity building will include development of methodology for monitoring and evaluation of grants, transfer of knowhow from organisation implementing the Action to local stakeholders on these two aspects of programme cycle, capacity building in problem analysis, stakeholder analysis, SWOT, policy advocacy, gender analysis and similar.

The activities implemented through this TA are expected to improve cooperation amongst all stakeholders involved in local economic development, which will be demonstrated in development of ***at least one business environment measure for the harmonised implementation throughout the country*** such as the improved regulatory framework for online business, for example.

These activities represent the basis for the activities that should be implemented by the means of grants (*the total number of grants under Result 1 and 3 are expected to be between 30 and 40*). Combination of

TA and grants divided in such a manner will provide more focused actions with focused impact and ensure their sustainability.

The activities will include:

2.1. Capacity building of relevant stakeholders for monitoring and evaluation of local economic development measures and strengthening MSMEs support structures in mandatory cooperation with private sector and CSO

- Support the development of an appropriate data collection system and related setting up of performance indicators;
- Develop a result oriented monitoring system and evaluation methodology for the grants in competitive sectors, tourism and agri-rural development;
- Mapping and training of institutional and non-government partners for better business environment and SBA principles' implementation;
- Strengthening links and facilitating new ventures between FDIs and MSMEs; and
- Harmonisation of selected SBA principle/s with impact on local business environment.

2.2. Entrepreneurship support and start-ups facilitation through the local partnerships and inter-municipal cooperation

- Training for development agencies, relevant chambers of commerce and municipal units for local economic development and MSME support;
- Development of entrepreneurial infrastructure (exp. incubators, etc.) and support to public private dialogue; and
- Knowhow transfer and business advisory for locally operating business centres, One Stop Shops (OSS), etc.

Activities related to the Result 3: *Entrepreneurial initiatives in tourism and rural value chains or income and employment generation are increased.*

This activity will support *inclusive entrepreneurship models at the local level* 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.

The activities will be delivered through *grants* and will include the following actions:

3.1. Development of tourism products through an integration in larger regional or international tourism clusters

- Smaller scale upgrades in tourism infrastructure and services;
- Strengthening tourism stakeholders at the tourism destination level;
- Training with the goal of improving the quality of service delivery in tourism;
- Market research, branding, and promotion of tourism destinations';
- Support to tourism MSMEs and Bed and Breakfast (B&Bs);
- Creating tourism packages for the destination (exp. connecting cultural heritage and tourism, gastro tourism, adventure tourism);
- Support to develop traditional intangible heritage products;
- Support development to BiH products connected to agricultural and forestry products that can be sold to tourists and development of souvenirs;
- Support festivals that can increase tourist arrivals; and
- Support the development of cultural tourism (UNESCO World Heritage sites³⁴).

3.2. Support to rural economies and agricultural efficiency in local communities via agri-food value chains and rural development

³⁴ UNESCO has developed two studies relating to the development of tourism potentials in Mostar and Visegrad. Bearing in mind that in these locations are monuments that are inscribed on UNESCO World Heritage List, these sites represent good basis for the development of the local economy, improving local growth and development.

- Support value added products by transferring knowhow and new technologies to farmers in processing, marketing, branding, etc.;
- Broadening agri/rural market in terms of production and export, as well as facilitating value added local production;
- Development and diversification of rural economic activities; and
- Training and education, as well as extension services/direct counselling and advisory while working with beneficiaries/businesses/farmers.

3.3. Strengthen entrepreneurial spirit and facilitate start-ups for vulnerable groups

- Entrepreneurial training for youth, women, etc. including soft skills;
- Develop a system of mentoring whereby start-ups receive support from experienced managers;
- Support to development of social enterprises – social entrepreneurship;
- Provide earmarked support through direct support or delivery of training for women-owned/managed MSMEs
- Support private sector engagement in digital financial solutions for underserved population (rural, women and youth, small businesses) and
- Enhance accessibility to, and use of quality ICT services in rural areas.

RISKS

Assumptions:

- The action will assume continued political support for the implementation of the Reform Agenda;
- The action will furthermore assume the support and cooperation of civil society and donors.

Risks:

- Sector complexity and wide number of stakeholders at various levels of administration;
- Lack of trust between public and private sector;
- Absorption capacities of stakeholders;
- MSMEs passivity in identification of their needs relevant for the project or are unwilling to reveal their competitive disadvantages; and
- Absence of effective implementation, monitoring and evaluation system.

Mitigation measures to be undertaken will include:

- Measures will include facilitation of cooperation between all relevant stakeholders including civil society. It will be ensured that all agreed measures are deemed relevant by all stakeholders involved;
- In accordance with adopted mid-term plans at all levels of administration in BiH strengthening of human capital alignment of capacities is foreseen which is also in accordance with the Reform Agenda;
- In regards to the mitigation of the last risk, the Action will pay particular attention to introducing and maintaining effective implementation, monitoring and evaluation system for the activities to be undertaken as well as in the relation with relevant subsectors.

CONDITIONS FOR IMPLEMENTATION

- SBA coordinators network to ensure adequate implementation of SBA policy measures in BiH is activated and operational with an active and committed coordinating role by the National SBA Coordinator;
- Given the complexity of the sector and this Action Document, the Description of the Action (DoA) should precisely define conditions and assumptions necessary for the successful implementation of foreseen activities;

- In case of measures for large infrastructure significant co-financing to be ensured by domestic partners.

3. IMPLEMENTATION ARRANGEMENTS

ROLES AND RESPONSIBILITIES

A **Project Steering Committee** will monitor the progress of Action implementation, facilitate the access to relevant institutions, ensure their timely and sufficient inputs when required, provide advice and include main institutional stakeholders in accordance with common practice, under the chair of the EU Delegation to BiH. Rights and obligations of the Steering Committee members will be prescribed by the Rules of procedure with the final goal to enable full commitment and ownership of BiH in this Action.

Technical Assistance **for capacity building of relevant stakeholders for monitoring and evaluation of local economic development measures to provide inputs for better policy making** will be provided and ensure additional means for the guidance of the Action. Capacities of following **existing working groups** may be utilised in this regard: *SBA network* with an active and committed coordinating role by the National SBA Coordinator, *working group in the field of tourism and working group that coordinates and plans international assistance in the field of agriculture and rural development*. This will ensure the effective cooperation among the institutions and final beneficiaries/all stakeholders.

The indicative list of institutions involved in two-mentioned activities/fora includes representatives of:

- BiH Ministry of Foreign Trade and Economic Relations (MoFTER)
- BiH Ministry of Finance and Treasury
- FBiH Ministry of Development, Entrepreneurship and Crafts
- RS Ministry of Industry, Energy and Mining
- FBiH Ministry of Environment and Tourism
- Ministry of Trade and Tourism of RS
- FBiH Ministry of Agriculture, Water Management and Forestry
- RS Ministry of Agriculture, Forestry and Water management
- FBiH Ministry of Justice
- RS Ministry of Administration and Local Self-Governance
- Brčko District of BiH Government, and
- FBiH and RS Association of Municipalities (Economic Commissions)

At the local and cantonal level, wider range of stakeholders will be involved in the guidance of the Action and will include local development agencies, municipalities/cities, respective chambers of commerce and crafts, regional development agencies and relevant cantonal ministries.

IMPLEMENTATION METHOD(S) AND TYPE(S) OF FINANCING

The Action will be implemented through a Delegation Agreement for indirect management.

GIZ will provide technical assistance (app. 25% of the total EU contribution) and will manage a Grant Fund Facility for the rest of the EU contribution (app. 75%). The Action will be implemented in partnership with UNDP and ILO, who will implement approximately 40% of the total budget of the Action.

The Grant Fund Facility (GFF) will provide assistance to the beneficiaries (MSMEs, tourism operators as well as farmers and rural population) under Result 1 and Result 3.

Indicatively, the total number of sub-grants under all three above lots/areas of intervention are expected to be between 30 and 40.

4. PERFORMANCE MEASUREMENT

METHODOLOGY FOR MONITORING (AND EVALUATION)

GIZ will be responsible for monitoring the implementation of the Action in line with the set of indicators overleaf. Role of the Steering Committee in monitoring activities will be in *ad hoc* visits in the field and checking implementation results, if appropriate.

At the start of implementation, GIZ will refine the matrix of indicators for the Action after undertaking the necessary research and data collection to define accurate baselines and realistic targets. The matrix of indicators will be discussed with the EU Delegation to BiH and approved by the Steering Committee. The monitoring arrangements (including data to be collected, responsibilities, tools and frequency of monitoring activities) will be detailed in the Implementation Manual to be developed at the start of the Action.

The EC may carry out a mid-term, a final or an ex-post evaluation for this Action or its components via independent consultants, through a joint mission or via an implementing partner. In case a mid-term or final evaluation is not foreseen, the EC may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner. The evaluations will be carried out as prescribed by the DG NEAR guidelines for evaluations. In addition, the Action might be subject to external monitoring in line with the EC rules and procedures set in the Financing Agreement.

NIPAC monitors the process of programming, preparation and implementation as well as the sustainability and effects of Sector programmes aiming to improve these processes, timely identification, remedying and alleviation of potential issues in the process of programming and implementation of AD.

INDICATOR MEASUREMENT

Indicator	Baseline (value + year) (2)	Target 2020 (3)	Final Target (year) (4)	Source of information
Improved Doing Business distance to frontier score	52.04 in 2010	65		Doing Business Report
Export promotion	2.44 in 2015	2.64 in 2020	3.49 in 2022	SME Policy Index (Dimension 10.1 Export promotion)
Integration of SMEs into global value chains	1.17 in 2015	1.37 in 2020	1.64 in 2022	SME Policy Index (Dimension 10.2 Integration of SMEs into global value chains)
SME support services	1.83 in 2016	1.9 in 2020	2 in 2022	SME Policy Index (Dimension 5a.1 Sub-dimension M&E)
E-training for SMEs	2 in 2016	2.45 in 2020	3 in 2022	SME Policy Index (Dimension 8a Sub-dimension e-training for SMEs)
Net enterprise creation (new business per year)	1896 in 2010	2300 in 2020	2370 in 2022	SEE 2020
Number of new jobs created for youth (sex disaggregated)	0	40 out of 300 new jobs created (of which minimum 20 refer to women) in 2020	40 out of 300 new jobs created (of which minimum 20 refer to women) in 2020	Action reports
The contribution of Travel and Tourism to GDP	9.3% total contribution to GDP in 2010	11% total contribution to GDP in 2020	11.3% in 2022	World Travel and Tourism Council
The contribution of Travel and Tourism to employment	10.7% total contribution to employment in 2010	12% total contribution to employment in 2020	12.2% in 2022	World Travel and Tourism Council
The contribution of Travel and Tourism to total exports	13% total visitor exports contribution to total exports in 2010	14.3% total visitor exports contribution to total exports in 2020	14.5% in 2022	World Travel and Tourism Council
Number of business operators (individuals and		30 firms gaining	30 firms gaining	Action reports

<p>firms) gaining access to a value chain (sex disaggregated)</p>	<p>0</p>	<p>access to value chains in 2020</p>	<p>access to value chains in 2020</p>	
<p>New jobs created (sex disaggregated)</p>	<p>0</p>	<p>Min 300 new jobs created (of which minimum 100 refer to women) in 2020</p>	<p>Min 300 new jobs created (of which minimum 100 refer to women) in 2020</p>	<p>Action reports</p>

5. SECTOR APPROACH ASSESSMENT

Strategic Framework

Even though BiH is lacking an overall strategy, the *Reform Agenda* and *NERP* contain commitments to develop competitiveness. The competences for **SME** sector are mainly on the entity level and thus the strategies at the level of FBiH, RS and BD define objectives for SME development. However, MoFTER facilitates the business environment and ensures a coordinating role that should prevent measures distorting the market within the country. The strategic framework in the **Tourism** sector, **Agriculture and Rural Development** sector and in the field of **Science** is similarly set at the level of entities and BD. However, BiH CoM Mid-term work programme 2016-2018 foresees the development of countrywide strategies in different sectors relevant for this Action. (*Annex 1 provides more details*).

In addition, cantonal authorities with TA from the UNDP developed cantonal development strategies 2014/16 – 2020. Most municipalities/cities also have development strategies and, in some cases, sector-specific strategies. Majority of them are relevant for the SME sector, but some represent stand-alone actions without specified finances and little progress evident in their implementation. Still, it is worth emphasising that nine municipalities in BiH received Certification of Business Friendly Municipalities in South East Europe (SEE)³⁵. This standard shows that nine municipalities have action plans, reports and designated bodies for preparation, implementation, monitoring and evaluation of Strategies.

Sector Lead Institution

The main institutions relevant for the given sector include competent state, entity, BD and cantonal ministries in fields of competitiveness, tourism, agriculture and science as well as RS Agency for the SME Development, regional and local development agencies, municipalities and local governments (*Annex 1 provides more details*). Given the wide definition of the sector, actual sector coordination is yet to be developed. Inter-institutional agreements showing responsibilities for achieving sector targets should be in place and absorption capacities of the lead and other relevant institutions should be improved. It is worth emphasising that MoFTER had a role of sector coordinating institution for the preparation of the Sector Planning Document for the Competitiveness and Innovation: Local Development Strategies.

Sector and donor coordination

In the competitiveness sector, MoFTER has a role of coordinating the SBA activities together with entity ministries in charge for SME. In the field of tourism, the Tourism Working Group acts as an advisory group for sector coordination that implements activities based on the prior approval of the entities and BD. The activities in the agriculture and rural development sector are coordinated through a working group (WG) and a donor coordination forum chaired by MoFTER. The WG collects data about donor support to the sector and prepares the annual report for agriculture, food and rural development in BiH. Additionally, the donor community has established a working group to coordinate activities regarding local economic and governance development.

Sector budget and medium term perspective

The relevant laws on budget define the legislative framework for the budget systems of governments at all levels.³⁶ As for the description of the sector budgets on an annual level, they must be based on and comply with the government fiscal data, particularly with the Medium Term Expenditure Framework (MTEF). CoM also adopted the *first Medium Term Work Programme of the CoM of BiH 2016-2018*³⁷, ensuring quality management of development in accordance with competencies of the CoM and the Institutions of BiH.³⁸ This program follows the *Reform Agenda*, and contains general,

³⁵ The programme was supported through the programme supported by GIZ Open Regional Fund for SEE, GIZ Pro-local and USAID Sida Gold projects

³⁶ BiH: *Law on Financing of Institutions of BiH*; FBiH: *Law on Budgets of the FBiH*; RS – *Law on the Budget System of RS*

³⁷ Based on the “*Decision on the Process of Short-term Planning, Monitoring and Reporting in the Institutions of BiH*” and “*Instruction on Methodology in the Process of Midterm Planning, Monitoring and reporting in the Institutions of BiH*”

³⁸ Adopted at its session held on 13 January 2016

medium-term, strategic goals and activities to be implemented by 57 institutions of BiH reporting to the CoM.

6. CROSS-CUTTING ISSUES

GENDER MAINSTREAMING

Although labour force participation in BiH is low for both men and women compared to regional averages in Europe and Central Asia and OECD countries, the gender gap is much larger than in these comparators. The gap declines with women's increased education levels and becomes reversed at the secondary school level where women's participation surpasses men. While there is no large gender gap in unemployment across the country, the gender gap increases with women's increased educational attainment, leading women to experience longer periods of unemployment compared to their male counterparts at higher levels of educational achievement. The gap in unemployment is at its worst among women who are very poor with limited educational achievement.

Further, across the country, more men than women are employed specifically among individuals aged (45-54) years of age, however women's employment opportunities increase with higher educational attainment but with the longer waiting periods until they secure jobs.³⁹ A greater proportion of women salaries are from 200 to 400 KM whereas a greater proportion of men's salaries are in the range of 300 to 500 KM.⁴⁰ There is a greater proportion of women employed in services and agricultural sectors, and significantly under-employed in industrial sectors. Women are generally reluctant to start their own businesses because of their limited exposure to the business world, limited financial skills and a difficult business environment. Female labour force participation in BiH is significantly lower than what would have been expected for its level of development.

To increase women participation, a number of activities will be undertaken in this Action. Women will benefit more from the tourism and agribusiness activities because they are more represented in these sectors. However, they need to be encouraged and supported to open up their own businesses and therefore within Result 3 proportion of activities will be directed to women, both young and older. Furthermore, a proportion of funds for direct support will be earmarked for female entrepreneurs.

EQUAL OPPORTUNITIES

Men and women are faced with unequal opportunities in the labour market, and are often treated differently despite the existence of laws prohibiting such differentiation. When it comes to the type of employment, women are subjected to biases stemming from traditional patriarchal social norms about the type of work that is suitable for women as well as face various difficulties preventing them from accessing higher decision-making positions. Employers who do not have confidence in their abilities to juggle a family and a career often discriminate against women hoping to start families and those already with families. Despite the existence of laws and regulations that penalize any gender-based discrimination, women at work are often faced with inconsistencies and irregularities that make it difficult to implement these laws such as different maternity leaves across different BiH entities and the lack of a solid redress mechanism should women need to report a case of discrimination.

In BiH the labour market participation of women is low, while 63,1% of young women and men aged between 15 and 24 are unemployed.⁴¹ Furthermore, to some extent women still face a degree of gender discrimination in the business community. Women's dual role as business owners and as the primary family caregiver in BiH society means that they generally have less time to devote to training and related activities needed to maintain the competitiveness of their business.

The Action is aimed at supporting women and youth entrepreneurship by support to start-ups and access to targeted training and advisory services. Especially equal access to grants will be ensured.

In addition, the project will address problems and practical needs specific to men and women in order to ensure capacities to deliver services in a gender-sensitive manner. Gender sensitive language will be

³⁹ *Bosnia and Herzegovina: Gender Disparities in Endowments, Access to Economic Opportunities and Agency*, WB 2015

⁴⁰ *Gender and Employment in Bosnia and Herzegovina-Country study*, International Labour Office, 2011

⁴¹ Labour Force Survey, BHAS, 2015

maintained throughout the project cycle. It will be ensured that the project management will have adequate capacities to enhance women's participation in project activities and work towards gender equality objectives. All activities of the project aimed at strengthening of competitiveness truly embed principles of equal opportunities. In particular, the third component of the Action is providing targeted assistance towards different vulnerable groups. This assistance, in the first phase, will be limited to data collection and thus awareness rising about the problems faced by different stakeholders.

MINORITIES AND VULNERABLE GROUPS

The impact of the Action on equality of opportunity will be factored into its implementation, as will also tackling discrimination against minorities and other vulnerable and disadvantaged groups. Indicators for equal opportunities will be incorporated into the performance monitoring of the sector.

The grant scheme will support projects targeting vulnerable groups and minorities in order to increase their skills, and/or creating the conditions for enabling them to join the active labour market.

ENGAGEMENT WITH CIVIL SOCIETY (AND IF RELEVANT OTHER NON-STATE STAKEHOLDERS)

Civil society civil is expected to be involved in the implementation of the activities. For example, chambers of commerce, local development agencies and business associations will most likely be included in implementing activities for MSMEs, tourism and rural development. Furthermore, under the activities related to strengthening of business environment, civil society will be engaged to assess, discuss and identify solutions for business environment together with other relevant stakeholders.

The Action will promote involvement of civil society in designing and implementing different business models. Civil society organisation may contribute directly with their experience in project management and project preparation. The Action will also strengthen the links between local and regional development agencies and the civil society, and give opportunity to civil society organisations to build their capacities in value - chain initiatives.

ENVIRONMENT AND CLIMATE CHANGE (AND IF RELEVANT DISASTER RESILIENCE)

This Action will take into account sustainable economic development principles and wherever appropriate take into consideration how to ensure that BiH implements environmentally friendly measures. This may include activities to train MSMEs on energy efficiency, support MSMEs to implement standards that promote the environmentally proper use of forests like the Forest Stewardship Council standard, as well as ISO14000 series for environment, and support to those entrepreneurs that want to start companies for innovative green technology.

Furthermore, practices in tourism sector will take into consideration the impact of tourism on the environment. Special attention will be made to producing of agricultural organic products that are environmentally-friendly, and using organic pesticides, herbicides and fertilizers

Actions related to the cluster development and MSME support will take into consideration environment protection and green entrepreneurship as cross - cutting issue.

7. SUSTAINABILITY

The sustainability will be ensured through the capacity building of relevant stakeholders for monitoring and evaluation of local economic development measures for better policymaking, as well as through harmonisation of SBA principles related to business environment. This will increase the political ownership and the governmental support to MSME policies. Furthermore, the participation in the COSME Programme will expand co-operation in the sector with EU Countries.

It is necessary that stakeholders perform monitoring activities related to the results of this Action Document up to, at least 30 months after the Action Document is completed.

Strong and active participation of MSMEs in the design and implementation of concrete projects and initiatives like centres of excellence, technology centres, and one stop shop for investors and start-ups will create ownership and long-term linkages and commitment among partners.

8. COMMUNICATION AND VISIBILITY

Communication and visibility will be given high importance during the implementation of the Action. The implementation of the communication activities shall be the responsibility of the IPA II beneficiary, and shall be funded from the amounts allocated to the Action. An integral part of each activity in the Action will be the definition of a communication strategy and related visibility activities. These activities will be carried out in order to raise the profile of the activities, increase awareness among various target audiences and ensure successful communication of information about the operations and results that will be accomplished.

All necessary measures will be taken to publicise the fact that the Action has received funding from the EU in line with the EU visibility guidelines *Communication and Visibility Manual for EU External Actions*. Additional Visibility Guidelines developed by the Commission (DG NEAR) will have to be followed. Through the development of a communication strategy, communication objectives will be set, enabling the successful identification of visibility activities (in order to pull existing resources and create maximum impact when directed to the target groups). Furthermore, in the communication strategy the beneficiary will identify target groups (as recipients of the information), identify key messages (to be transferred to targets in a way to motivate them to perceive information in the desired manner) and set up the communication approach.

Visibility and communication actions shall demonstrate how the intervention contributes to the agreed programme objectives and the accession process. Actions shall be aimed at strengthening general public awareness and support of interventions financed and the objectives pursued. The actions shall aim at highlighting to the relevant target audiences the added value and impact of the EU's interventions. Visibility actions should also promote transparency and accountability on the use of funds.

The following actions and tools should be carried out definition of visual identity standards; preparation of written materials (factsheets, training compendia, manuals, etc.); production of branded material (panels, folders, promotional material); website; events (trainings, retreats, workshops, round tables, initial and closing events).

It is the responsibility of the beneficiary to keep the EU Delegation fully informed of the planning and implementation of the specific visibility and communication activities.

The beneficiary shall report on its visibility and communication actions in the report submitted to the IPA monitoring committee and the sectoral monitoring committees.

ANNEX 1 Institutional and Strategic Framework for the sector Competitiveness and Innovation: Local Development Strategies

Institutional Framework

Ministry of Foreign Trade and Economic Relations (MoFTER) is responsible for issues regarding business environment and single economic space, as well as promotion and development of entrepreneurship. However, competence for the **SMEs sector** is mainly on entity level. The competent Entity level authorities for MSME development are the FBiH Ministry of Development, Entrepreneurship and Crafts and the Ministry of Industry, Energy and Mining of RS and the RS Agency for SME Development. In the FBiH, competent ministry in this field is FBiH Ministry of Development, Entrepreneurship and Crafts. Also in the FBiH, institutions responsible for MSME development are Cantonal ministries for economy. At the Brcko District, level the Department of Economic Development, Sport and Culture and its sub-department for Economic Development within the BD of BiH Government.

MoFTER is also responsible for defining policies, basic principles, coordinating activities and aligning plans of entity bodies, governments and institutions at the international level in the areas of: **tourism and agriculture**⁴². Competent entity Ministries in the field of tourism include the FBiH Ministry of Environment and Tourism and Ministry of Trade and Tourism of RS. In BD, an Office of Tourism is a part of the Department for Economic Development, Sport and Culture of the Government of BD. In addition, Tourism Working Group was established in 2007 as an informal body in order to improve coordination amongst mentioned stakeholder and it includes the Entity Ministries for Tourism, Brcko District, and Foreign Trade Chamber. In the field of agriculture, competent entity institutions include: FBiH Ministry for Agriculture, Water and Forestry, the Ministry for Agriculture, Forestry and Water of RS and the Department for Agriculture, Forestry and Waterways of the BD.

MoFTER also has responsibility in the field of **innovation**, but in this area, it shares competences with the Ministry of Civil Affairs of BiH since this institution is responsible for coordination of activities and harmonisation of plans of Entity authorities, defining strategies at the international level in the area of science, and representing the country in international bodies and associations. The responsible ministries for science at the entity levels are the Federation Ministry of Education and Science in Federation of BiH and Ministry of Science and Technology of RS. In the FBiH the cantonal ministries also have some responsibility for innovation development as well. At the state level, there is a BiH Science Council and the entities have their own science councils as well.

The institutional framework for governing of **local self-government** in BiH lies at the Entity level and, within the FBiH also at the cantonal level. The responsible institutions at the entity level include: RS Ministry of Administration and Local Self-Government (MALSG) and in the FBiH, the FBiH Ministry of Justice is vested with the authority to exercise oversight over the implementation of the relevant legal framework.

Strategic Framework

SME sector priorities are outlined in the following strategic documents: *Strategy for Economic Development, 2009-2018* and *The Project for SMEs Development, 2009-2018* in FBiH, *SME Development Strategy, 2016-2020* in RS and *Development Strategy, 2008-2017* in BD. However, MoFTER facilitates the business environment and ensures a coordinating role that should prevent measures distorting the market within the country.

The strategic framework in **tourism** sector consists of the *Strategy for Development of Tourism in the FBiH, 2008-2018* and the *Strategy for the Development of Tourism RS, 2011-2020*, as well as 15 Master Plans for the development of tourism in specific destinations in FBiH and RS master plan for Jahorina. In the **Agriculture and Rural Development** sector main strategies, include *Mid-term Strategy for the Development of the Agricultural Sector in the FBiH, 2015-2019* and *Strategic Plan for Development of Agriculture and Rural Areas RS, 2016-2020*. In the field of **science**, main strategies

⁴² Law of Ministries and Other Administrative Bodies of BiH, *Official Gazette B&H*, no. 5/03, 42/03.26/04, 42/04, 45/06, 88/07, 35/09.59/09 and 103/09

include the *Strategy of Science Development, 2016-2026* in the FBiH and *RS Strategy for Development of Science and Technology, 2012-2016*.

Following the adoption of the Council of Ministers' (CoM) Mid-term work programme for 2016-2018, the MoFTER was charged with the role of preparing the State-level SME strategy for the period 2016-2020. In addition, this programme charged MoFTER to prepare the *State-level Rural Development Plan* in collaboration with the responsible bodies in the Entities and the BD. The basis for the development of the plan can primarily be found in the *Law on Agriculture, Food and Rural Development of BiH*⁴³. The EU supported the drafting of a *Framework Document for the Development of Tourism in BiH*, which was proposed by a team of experts and which was supported by both Entity Ministries for Tourism and MOFTER. In the field of innovation: *BiH Strategy of Development of Science and Technology 2010-2015* expired and the new draft of the strategy is being prepared.

⁴³ *Official Gazette*, 50/08