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# Fact-Finding Report on the State of Partnership-Based Mechanisms at the Local Level in Bosnia and Herzegovina

Project:

“EU Support to Local Employment Partnerships -  
Phase II” (LEP II)

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Mr Vojislav Ivanovic

**Fact-Finding Report on the State of Partnership-  
Based Mechanisms at the Local Level in  
Bosnia and Herzegovina**

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## List of Acronyms

<b>BFC</b>	Business-Friendly Certification South East Europe
<b>BiH</b>	Bosnia and Herzegovina
<b>CEE</b>	Council for Employment and Education
<b>ILO</b>	International Labour Organization
<b>LEC</b>	Local Economic Council
<b>LED</b>	Local Economic Development
<b>LEP</b>	Local Employment Partnerships
<b>LEAP</b>	Local Employment Action Plan
<b>MDT</b>	Municipal Development Team
<b>MiPRO</b>	Methodology for Integrated Local Development Planning
<b>SME</b>	Small and Medium Enterprises

# 1. Executive Summary

The overall objective of the Support to Local Employment Partnerships - Phase II (LEP II) project, which is implemented by the International Labour Organization (ILO), is to improve socio-economic situation and living conditions in Bosnia and Herzegovina (BiH). By the end of project implementation, the ILO expects to contribute to a 14 per cent increase in the share of local communities with functioning partnership-based mechanisms that improve employment outcomes and the delivery of active labour market programmes. The measurement will be based on the data collected during the Local Employment Partnerships - Phase I (LEP I) project, as well as on data and information provided in this Report.

This Report provides an overview of existing partnerships at the local (municipality) level on a representative sample of 67 municipalities (47% of all municipalities) in Bosnia and Herzegovina. The impact of partnerships on local economic development (LED) with focus on workforce development and new employment is also presented. The Report contains information on how municipal development strategies address unemployment and workforce development issues.

Partnership is one of the key pillars of local economic development. Engaging key stakeholders in the planning and implementation of employment and education/training initiatives in line with the business community needs is vital for growth of local economy.

There are three partnership-based mechanisms established at the local level in BiH as Local Economic Council (LEC), Council for Employment and Education (CEE), and Municipal Development Partnership/Team (MDT).

Local Economic Council and Council for Employment and Education are the most common forms of public-private partnerships at the local level. LEC, with members from public and private sector and civil society, is established as mayor's advisory body with the main purpose to improve the business environment and strengthen the competitiveness of SMEs and entire local community. LEC, expanded with additional members, takes on the role of CEE in the municipalities where it is not established.

The Council for Employment and Education is composed of members from municipal administration, business community, employment agencies, education sector (local schools, universities and training organisations) and NGOs. The most important role of CEE is to review the existing and initiate new curricula in line with the current and potential investors' needs in order to bridge the gap between the supply and demand in the labour market and to master new skills that facilitate new employment. CEE usually initiates development of the Local Employment Action Plan (LEAP).

Four forms of partnership for employment and education can be found in municipalities: CEE composed of members from all key stakeholders, CEE as a mix with LEC members, CEE established for implementation of a specific project, and CEE established in a form of the regional (inter-municipal) action group.

Out of 67 reviewed municipalities, LEC is established in 51 (76%), while CEE is established in 31 (46%) municipalities. LEAP is developed in 20 (30%) municipalities. These percentages are significantly lower in the rest of BiH municipalities, as they are rather underdeveloped with limited internal capacity, and lacking support from higher levels of government and donors.

Municipal Development Team is also a form of existing partnerships in municipalities in BiH within which sectoral groups are established. This type of partnership is established as a permanent or temporary body and as a first step in the process of creation of municipal development strategy.

Ability of the partnerships to initiate, facilitate and monitor implementation of the programmes and projects which contribute to workforce development and increasing employment depends on the capability, experience and skills of key stakeholders to establish and maintain partnerships; genuine interest of key stakeholders to actively participate in partnerships; interest, level of development and competitiveness of the private sector; competitiveness of municipalities to attract domestic and foreign investors; and partnership model/form. The impact of established CEE on education and employment ranges from limited and low to significant. The partnerships have significant impact only in 9 (29%) reviewed municipalities.

Key prerequisites for sustainability and successful functioning of the partnerships are commitment and support of the mayor, local assembly and key public actors; genuine interest of the mayor to be the leader of the partnership; interest of the private sector and civil society to participate in the partnership; and body identified for providing technical support for the functioning and operational work of the partnership.

As regards development of strategic documents municipalities in BiH use the standardised Methodology for Integrated Local Development Planning (MiPRO) which is accepted and recommended by the Entity governments and is fully harmonised with the existing legal framework in BiH as well as with the guiding principles and approaches to strategic planning promoted by the European Union.

The strategy development process is characterised by integration and participation. Integration means that the economic, social and environmental aspects are considered as parts of the strategic document. Participation entails that all stakeholders are engaged and contribute to the development, implementation, monitoring and evaluation of the strategy.

Most municipalities have a valid strategy. However, for 19 municipalities this document expired in 2020. This delay in drafting of new strategic documents happened due to the pending adoption of the Law on Development Planning and Management as well as the relevant bylaws in Federation of BiH and Republika Srpska. Almost all municipalities used assistance in the development process provided by some of the donors active in BiH.

Under chapter Local Economic Development Plan all 67 reviewed strategies contain programmes and projects to support development and competitiveness of SMEs, workforce development, support entrepreneurship development, support start-ups, improve business environment, establish public-private dialog, increase transparency and efficiency of local administration using ICT tools, etc. Furthermore, initial financial resources are indicated for implementation of the planned activities.

A small number of municipalities are continuously securing financial resources for implementation of the planned programmes, while majority do it ad-hoc and depending on the availability of finances.

It was noticed that the weakest link in the strategy development process is the lack of a mechanism for monitoring and evaluation of the strategy implementation and achieved results.

## 2. Introduction

The Project: "EU Support to Local Employment Partnerships - Phase II" commissioned the fact-finding report on the state of partnership-based mechanisms at the local level addressing local labour market in Bosnia and Herzegovina.

Scope of work:

1. Investigate the extent to which partnerships, composed of the key stakeholders in the labour market, are present at the municipal level and to what extent they are capable to initiate programmes which contribute to increasing formal employment;
2. Review how many municipalities have developed and adopted a municipal development strategy and whether it properly addresses unemployment issues;

Provide all other relevant information which would ensure better understanding of the state of the existing partnership-based mechanisms at the municipal level.

### 3. Approach

In order to successfully complete the assigned task, all 67 investigated municipalities have been grouped into two groups. The first group (Annex I, Table 1) includes municipalities which are declared as business-friendly certified municipalities. These municipalities improved their business environment in line with the Business-Friendly Certification South East Europe (BFC) criteria. There are total of 27 BFC municipalities in BiH<sup>1</sup> and 11 of them participated in the Local Employment Partnerships - Phase I project implemented by ILO.

The BFC municipalities have been selected as they have reasonably strong local economic development structure in place in terms of the public-private partnerships and other business support mechanisms<sup>2</sup>.

The second group (Annex I, Table 2) includes 40 larger (over 20,000 inhabitants) and smaller (under 20,000 inhabitants) municipalities. Eight municipalities in this group participated in the LEP I project.

The selected number of municipalities (67) is a representative sample to gain valid insight into the state of the partnership-based mechanisms in local communities in BiH.

Data and information have been collected by means of direct contact with a number of municipalities (mayors and other municipal representatives), reviewing the Final Report of the LEP I project and municipal websites. Data are presented in Annex I, Table 1 and Table 2.

## 4. The State of Partnership-Based Mechanisms at the Local Level

### 4.1. Partnerships in the Business-Friendly Certified Municipalities

#### 4.1.1. Business-Friendly Certification, Partnerships and Local Economic Development

Business-Friendly Certification South East Europe is a unique programme for improving the quality of services and information that municipalities in the SEE region offer to companies. BFC provides municipalities with a clear roadmap for creating a favourable business environment and introducing internationally recognised standards of efficient and transparent local administration. For investors looking to move or expand their operations in South East Europe, BFC serves as a standardised tool for assessing the local conditions for doing business, indicating which municipalities in the region provide the best investment climate<sup>3</sup>.

The BFC municipalities are in an advanced stage of local economic development. These municipalities have reasonably strong LED structure in place in terms of existing public-private partnerships, existing LED office, valid development strategy, programmes/projects for entrepreneurship and workforce development, improved utility services, developed materials for promotion of municipal investment potentials, created LED database, etc.

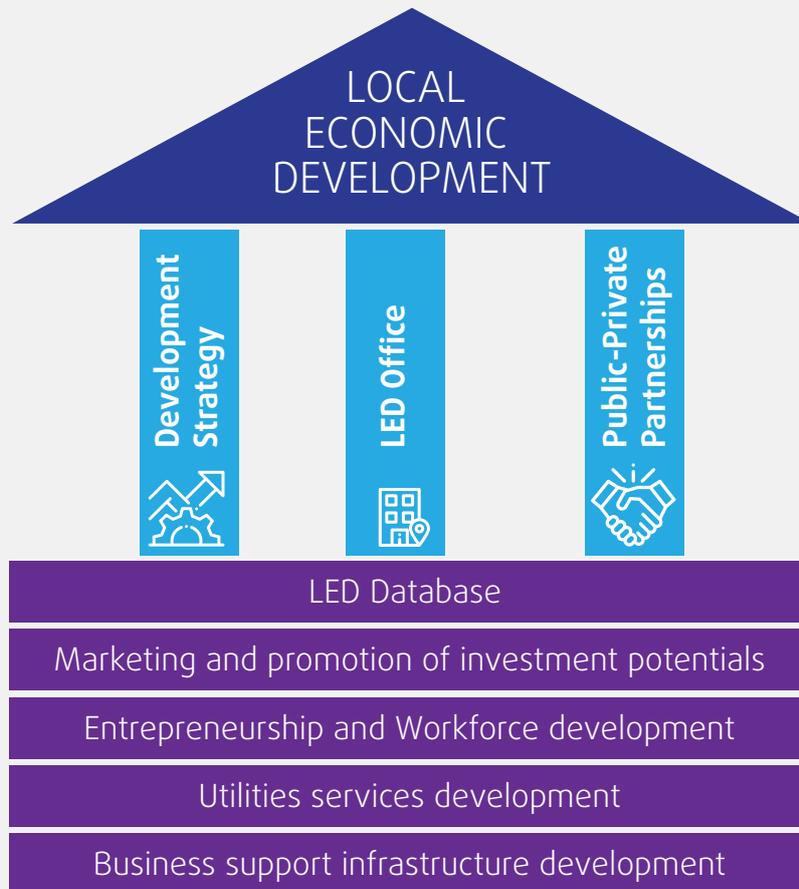
Several such municipalities/cities have agencies for LED and SME development (Banja Luka, Bihac, Bijeljina, Gradiska, Konjic, Prijedor, Tesanj, Trebinje, Zavidovici, Zenica, Zepce). In addition, there are also four regional economic development agencies (SERDA, REDAH, NERDA, REZ) as well as several cantonal SME development agencies and the SME development agency at Republika Srpska level. However, only a few of them actually have development capacity while many operate almost solely on implementation of the projects funded by international donors and/or higher government levels. By building systems within municipalities and stakeholders' organisations that will augment their ability to create demand-driven programmes and generate revenue on their own, these organisations can begin the process of becoming sustainable LED and SME support mechanisms.

Partnership is defined as a process of interaction, building trust and long-term cooperation between the public and private sectors and other stakeholders in order to improve the business environment that makes the local community a desirable place for domestic and foreign investments, creates conditions for sustainable business, strengthens the competitiveness of local SMEs and pleasant place to live for all citizens [Stankovic M.].

Valid development strategy, functional LED office and effective public-private partnership are the key pillars of local economic development (Figure 1) [Ivanovic V.]. Engaging key stakeholders in the planning and implementation of employment and education/training initiatives in line with business community needs is vital for local economic development.

<sup>3</sup> BFC SEE is being implementing in Bosnia and Herzegovina, Croatia, North Macedonia, Montenegro and Serbia ([www.bfc-see.org](http://www.bfc-see.org)). Initial talks have been held on expanding the programme to other countries in this region.

**Figure 1.** Model of Local Economic Development



#### 4.1.2. Basic Partnership-Based Mechanisms

There are three basic partnership-based mechanisms in the field of local economic development at municipal level: Local Economic Council, Council for Employment and Education and Municipal Development Team.

These partnerships are mostly initiated and established through the support of donor funded projects. There are also other partnerships established at the local level, but they are in a form of a team or a working group such as, for example, a team for monitoring implementation of the strategy, team for environment protection, etc.

#### Local Economic Council

Local Economic Council is one of the most common forms of existing public-private partnerships in municipalities in BiH. LEC is establishing with the main aim to monitor and evaluate the effectiveness of local policies, improve the business environment, strengthen the competitiveness of SMEs and the entire local community, and attract domestic and foreign investments. The main responsibilities of LEC are to identify problems that hinder economic development of the municipality, propose initiatives and make recommendations to the mayor regarding measures to accelerate economic growth and development of enterprises and support employment.

Mayors usually select LEC members according to the transparent criteria. LEC members are representatives of public administration, private sector and civil society. Usually, public sector is represented by the mayor as the chairman of the LEC and/or its member, head of the department of economy and/or local economic development, head of urbanism, representatives of public utility companies, etc.

Private sector is presented by representatives of successful companies (small, medium and large) from all economic sectors operating in the municipality, employers' associations, chamber of commerce, financial institutions, etc.

Civil society is represented through NGOs involved in economic development, employment and adult education, and development agencies. There are municipalities where representatives of educational/training institutions are also members of LEC.

As it can be seen from Annex I, Table 1, all BFC municipalities have formally established Local Economic Council. Existing and functioning of LEC in a municipality is one of the main BFC eligibility criteria. That means that a municipality cannot be BFC certified as a municipality with business-friendly environment without clear evidence that its mayor established LEC and that it is functioning. Sometimes, local assembly is involved in this process by way of ordering the mayor to establish mechanisms for public-private dialog in the form of LEC (Bihac, Laktasi, Tesanj, Zavidovici).

In some municipalities LEC has reached the level of organisational and institutional self-sustainability, and became unavoidable partner in all local economic issues (Gradacac, Prijedor, Tesanj, Zepce). But there are also municipalities in which LEC is not fully functioning and has been established solely for the purpose of getting the BFC certificate (Brod, Doboje, Kakanj). Such municipalities need additional assistance to make public-private dialog more efficient.

### Partnership for Employment and Education

Partnership for employment and education is usually established in a form of council as the Council for Employment and Education. Members of CEE are representatives of municipal administration, business community, employment agencies, education sector (local schools, universities and training organisations if such exists in a municipality) and NGOs sharing the common goal of training/retraining the unemployed and hard-to-employ people to master new skills that enable them to find jobs on the local labour market.

The most important task of CEE is to review the existing and initiate new curricula in line with the current and potential investors' needs in order to bridge the gap between the supply and demand in the labour market based on the analyses of data collected through a survey of the private sector workforce needs. According to the BFC criteria, municipal LED Office is obliged to conduct the survey of the labour market of a municipality at least once a year to identify the demand of employers for the workforce of certain skills and profiles. Data from the survey serve as a basic input for CEE and the mayor to initiate, in cooperation with the local partners and competent ministries, development of the curriculum for new skills and profiles which local business community as well as future investors need.

CEE also initiates and facilitates development of the document called Local Employment Action Plan which contains programmes, projects and measures which will be implemented by various stakeholders to create new employment. As it can be seen from Annex I, Table 1, CEE has been established in 21 (78%) BFC municipalities, while 16 (59%) municipalities have developed LEAP.

## Municipality/City Development Partnerships

Municipality/City Development Team is another form of the existing partnerships in municipalities and cities in BiH (Bijeljina, Odzak). Sectoral groups are established within these partnerships such as the sectoral group for local economic development (Local Economic Council), the sectoral group for social development and the sectoral group for environmental protection. MDTs are mainly established as a first step in the strategy development process. Some of these MDTs are established as a permanent body, while the life cycle of others ends with the adoption of the strategy.

The strengths and weaknesses of formal and informal approach to establishing the partnerships for employment and education are presented in the table below.

TABLE 1. FORMALLY AND INFORMALLY ESTABLISHED PARTNERSHIPS			
Type of Establishing	Strengths	Weaknesses	To be relied on when
<b>Formally Established</b>	<ul style="list-style-type: none"> <li>• Creating efficiency</li> <li>• Clear authority and communication channels</li> <li>• Aligning behaviours of organisation's employees with common objectives</li> <li>• Higher sustainability of achieved results</li> </ul>	<ul style="list-style-type: none"> <li>• Hierarchy and selection of members can be influenced by political factors</li> <li>• Bureaucracy sometimes slows down the process</li> <li>• Power struggles may develop</li> </ul>	Situation demand systematic and standardised approach
<b>Informally Established</b>	<ul style="list-style-type: none"> <li>• Motivating people to go above and beyond their job</li> <li>• Communicating information quickly</li> <li>• Engaging employees in collaborative work</li> <li>• Less bureaucracy</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of formal leadership</li> <li>• Lack of consistency</li> <li>• Public and/or other stakeholders may not recognise the results of an informal effort</li> <li>• Less sustainability of archived results</li> </ul>	Needs to take advantage of opportunities fast

### 4.2. Partnerships in the other Municipalities (Not Business-Friendly Certified)

Local Economic Councils have been established in 24 (60%) out of 40 not BFC certified municipalities (Annex I, Table 2). These municipalities have established LEC because they:

- are in the process of implementation of BFC standards (Zivinice and Zvornik);
- intend to join the BFC process (Capljina, Derventa, Prozor-Rama, Srbac, Srebrenik, Travnik);

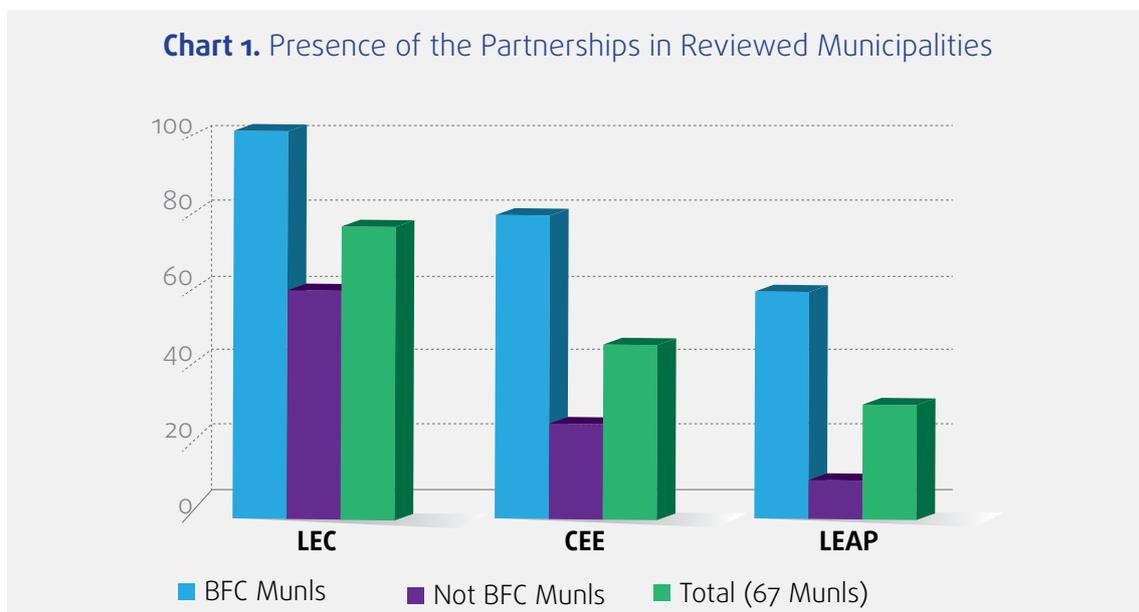
- were in the BFC process, but failed to successfully implement some of the eligibility criteria (Centar Sarajevo, Gracanica, Konjic, Livno, Tuzla, Visoko);
- participated in implementation of an international project which conditioned the municipality to establish LEC.

In these municipalities LECs are far less efficient than in the BFC municipalities because there is no support and no monitoring and evaluation of their work. Significant number of LECs is not active at all. Almost all LECs are established on an initiative and assistance of various international donor-funded projects (USAID, EU, GIZ, IFC, UNDP).

The Partnership for employment and education was established in 10 (25%) municipalities, while the Local Employment Action Plan was developed by only 4 (10%) municipalities (Table 2).

Presence of the partnerships in both groups of municipalities and in the total reviewed municipalities is presented in the table and the chart below.

TABLE 2. PRESENCE OF THE PARTNERSHIPS IN REVIEWED MUNICIPALITIES			
Municipalities	LEC	CEE	LEAP
BFC (27)	27 (100%)	21 (78%)	16 (59%)
Not BFC (40)	24 (60%)	10 (25%)	4 (10%)
Total (67)	51 (76%)	31 (46%)	20 (30%)



It is safe to say that the presence of partnerships in the form of LECs and CEEs in municipalities not covered by this research is symbolic, if existing at all. Most of these municipalities are smaller (under 20.000 inhabitants), rather underdeveloped with very limited internal capacity, and lacking support from the higher levels of government and donors.

## 5. Capability and Impact of the Partnerships for Employment and Education

Ability of the partnerships to produce real impact on the local economy – to initiate, facilitate and monitor implementation of the programmes and projects which contribute to workforce development and increasing employment – depends on many factors such as capability and skills of stakeholders to establish and maintain partnerships; genuine interest of key stakeholders to actively participate in partnerships; interest, level of development and competitiveness of the private sector; competitiveness of the municipalities/cities to attract domestic and foreign investors; partnership model/form of establishing, etc.

Four models of establishing of the partnerships for employment and education could be identified in the reviewed municipalities as follows:

- a. The Partnership for employment and education established in close cooperation of the public and private sectors and other stakeholders and with strong support of political decision-makers;
- b. The Partnership for employment and education informally established by expanding already existing LEC with representatives of educational/training organisations, employment agencies and members of the municipal assembly;
- c. The Partnership established in a form of an ad-hoc working group for the implementation of a specific project (like LEP I project) or for support to an investor;
- d. The Partnership established in a form of regional (inter-municipal) action group for employment in a specific sector.

The impact of CEE on education and employment issues in 31 municipalities which have established CEE ranges from limited and low to significant. The partnerships established according to model a) had significant impact on employment and education of workforce in only 9 (29%) municipalities, low impact in 17 (55%) municipalities (model b)) and limited impact in 5 (16%) municipalities (model c) and d)) (Annex I).

More details for each model of establishing of the partnerships are given in the text below.

- a. The Partnership for employment and education established in full capacity and supported by all stakeholders is capable of initiating and steering the implementation of active labour market policy measures supporting em-

ployment in line with specific local needs. Such partnership makes systematic changes in the field of education and employment and their contribution to employment is significant in all economic sectors of the municipality. In practice, this proved to be the most successful partnership. Examples of such partnerships can be found in Banja Luka, Bijeljina, Gradiska, Novi Grad Sarajevo, Prijedor, Sanski Most and Zepce.

- b. The Partnership for employment and education as a mix of the LEC members, representatives of educational/training organisations, employment agencies and members of the municipal assembly usually improves transparency and efficiency but often loses its focus due to presence of political representatives. On the other hand, it is easier for such partnership to get the approved funds (approved by the local assembly) for labour market programmes and employment activities launched. Such partnerships are, for example, in place in Gradacac, Maglaj, Sanski Most and Zivinice.
- c. The Partnership established for the implementation of a specific project or for providing technical assistance to an investor usually successfully completes the assigned task, but often ceases its activities afterwards. Looking at the broader context of the needs of the municipality and the business community, the contribution of this partnership to adapting the education system to the needs of the business community is limited. For the sake of sustainability and institutionalisation, closer connection of these partnerships with the municipal administration needs to be established.
- d. The Partnership established in a form of regional (inter-municipal) action group for education and employment in a specific sector of economy of interest of several municipalities in a region. While such partnership has a lot of limitation regarding efficiency, organisational and institutional sustainability, it can make at least short-term changes in a well-targeted economic sector. This type of partnership could be appropriate for small municipalities (more than half of all municipalities in BiH) which do not have developed internal capacity to initiate, plan and implement LED activities, do not have experience in establishing partnerships and where business supporting institutions are not present.

## 6. Partnerships Established with Support of the LEP I Project

There are two groups of municipalities in which the partnerships have been supported by LEP I project:

- a. The municipalities in which some form of the public-private partnership exists – where LECs and/or CEEs have been already established and where those partnerships for the implementation of LEP I project were expanded to include members mostly from the private sector.

The partnerships in these municipalities are organisationally and institutionally sustainable. They are the primary instrument for the implementation of active employment policy and serve as a foundation for development, employment and social inclusion in all economic sectors of these municipalities. Such partnerships are found in municipalities/cities of Banja Luka, Bijeljina, Gorazde, Laktasi, Novi Grad Sarajevo, Prijedor, Prnjavor, Teslic, and Bosanska Krupa.

For example, after the implementation of LEP I project, the partnership in municipality of Teslic became part of the municipal organisational structure and a permanent advisory body to the mayor for all employment and education issues. For the purpose of daily operations of the partnership, its office is now being opened and the municipality will co-finance costs of the office with one employee.

- a. The municipalities/regions with newly established partnerships and with limited experience in partnerships

New partnerships have been established, for example, in municipalities of Bosanski Petrovac, Buzim, Grude, Orasje and Zavidovici. One regional partnership has been formed: Bosanski Petrovac-Drvar-Istocni Drvar-Kljuc-Petrovac-Ribnik (Partnership in agriculture). Also, one cantonal partnership has been established - Partnership of the West Herzegovina Canton which includes three municipalities Grude-Ljubuski-Posusje (Partnership for employment in the manufacturing and processing of stone).

The new municipal and regional/cantonal partnerships formed for implementation of LEP I project have mostly achieved the planned results. In general, members of the partnerships in these municipalities gained increased awareness about and experience with the public-private partnership-based mechanisms for efficient and transparent initiation and implementation of employment supporting activities to improve socio-economic situation and living conditions for citizens in their municipalities and can use this experience for implementation of similar projects. However, these partnerships face challenges in terms of their sustainability and continued activities on supporting education and employment in the long run.

Some of such partnerships have succeeded in making the systematic changes. In municipality of Capljina new educational profiles were introduced in the high school on the request of the companies from gastronomy sector. The partnership established in municipality of Travnik implemented comprehensive and systematic measures to support new employment and entrepreneurship development through creation of business supporting instruments (incubator, Self-Employment Support Fund).

## 7. Prerequisites for Sustainability of the Partnerships

It is possible to identify key prerequisites for sustainability and successful functioning of the partnerships at the local level as follows [*Ivanovic V., Stankovic M.*]:

- Commitment and support of the mayor, local assembly and key public actors for the functioning of the partnership as a systematic approach to development of the local community;
- Given that the initiator of the partnership is the municipality, it is necessary that key decision-makers are fully committed to having an efficient partnership;
- Willingness of the mayor to be the leader of partnership;
- Genuine interest of the private sector and civil society to participate in the partnership;
- At the operational level, it is crucial that the municipality provides technical support for the partnership to function properly (convening meetings, drawing up the agenda, keeping a register of initiatives, drafting the work plan, etc.).

However, organisational and institutional sustainability needs to be adjusted to the specific context of a municipality.

## 8. Municipal Development Strategy

### 8.1. Methodology for the Strategy Development

As regards development of strategic documents municipalities in BiH use the standardised Methodology for Integrated Local Development Planning (MiPRO)<sup>4</sup>. This methodology is accepted and recommended by the Entity governments, and the Association of Municipalities and Cities of both Entities. The MiPRO is fully harmonised with the existing legal framework in BiH and with the guiding principles and approaches to strategic planning promoted by the European Union. The guiding principles are sustainability and social inclusion.

As a principle, sustainability integrates economic and environmental aspects and offers a holistic approach to addressing the issues of municipality through integration of measures related to poverty alleviation, social protection, economic growth and environmental protection.

The principle of social inclusion implies equal opportunities for all and equity in terms of identifying the needs and interests of marginalised and socially excluded groups. That means providing opportunity and resources necessary for those at risk of poverty to fully participate in economic, social and cultural life. Social inclusion in municipal development planning process increases focus on key areas such as: labour market participation, education and training, and social protection.

### 8.2. Municipal Development Strategy and Local Economic Development

It was reviewed 67 municipal development strategies and all were developed in line with the MiPRO methodology. Some of the municipal strategies expired in 2020. There was a certain delay in drafting of strategic documents due to pending adoption of the Law on Development Planning and Management as well as the relevant bylaws in Federation of BiH and Republika Srpska<sup>5</sup>. In the meantime, several municipalities have initiated the process of development of new strategies for the period from 2021 to 2027 to cover the same planning period as the EU. Almost all municipalities used assistance in the strategy development process provided by some of the donors.

Under chapter Local Economic Development Plan all strategies contain programmes and projects to support development and competitiveness of SMEs, workforce development, support entrepreneurship development – mostly based on incubators model, support start-ups, improve business environment through streamlining of administrative processes and procedures, establish public-private dialog, increase transparency and efficiency of local administration using ICT tools, promote municipal potentials to attract investors, and support agriculture and tourism development.

Furthermore, the financial plan, as an integral part of the strategic document, indicates the initial financial resources for implementation of the planned projects as well as potential financial sources.

From the discussions with the mayors and municipal representatives it is clear that small number of municipalities are continuously securing financial resources for implementation of the programmes to support employment and workforce development year-to-year. However, in majority of municipalities implementation of activities is ad-hoc and depends on the availability of finances.

Nevertheless, all municipal representatives stressed that activities to support new employment and entrepreneurship development to transform innovative ideas into sustainable process and products after COVID-19 will be considered as the top priority.

Municipalities are implementing most of the planned programmes/projects in cooperation and partnership with private sector and the employment offices. Cooperation with local and regional development organisations and education sector (schools, universities, training institutions) is not so intensive mostly due to weak capacity of municipalities to create partnerships, specifically of their departments for economy or departments for local economic development, if such exists.

Mayors usually prepare annual report on implementation of the strategy for the local assembly. However, it has been noticed that the weakest link in the strategy development process is the lack of a mechanism for monitoring and evaluation of the strategy implementation, achieved results and planned indicators. Some of the donor projects are working on improving the process of regular revision, monitoring and evaluation of the strategies.

Several municipalities have been supported through the BFC process in establishing a body/team for continuous monitoring and evaluation of implementation of the programmes/projects nominated through the strategy.

## 9. Conclusion and Recommendations

### Presence of Partnerships

Out of 67 reviewed municipalities (47% out of 144 municipalities in BiH), the partnerships for education and employment, mostly in the form of the Council for Employment and Education, have been established in 31 (46%) municipalities. The presence of partnerships in the municipalities which have not been covered by this research is significantly less, if existing at all. These municipalities are rather underdeveloped with limited internal capacity, lacking support from higher levels of government and donors. Under the assumption that there is no presence of CEEs in the rest of municipalities, the percentage of CEEs presence at the BiH level is about 22% (31/144).

The most common partnerships at the municipal level in the form of the Local Economic Council have been established in 51 (76%) municipalities. In the municipalities where there is no CEE, LEC with extended membership to include members from the labour markets takes on the role of CEE. Under the same assumption that there is no presence of LECs in the rest of municipalities, the percentage of LECs presence at the BiH level is about 35% (51/144).

The average presence of both partnerships (CEE and LEC) at the municipal level in BiH is at about 29%.

Local Employment Action Plan has been developed in 20 (30%) reviewed municipalities. At BiH level it means that 14% (20/144) of all municipalities have developed LEAP.

### Capability of Partnerships

The impact of CEEs on education and employment issues in 31 municipalities ranges from limited and low to significant (Annex I).

CEEs have significant impact in the municipalities in which they are the primary instrument for the creation and implementation of active employment policy and serve as a foundation for development, employment and social inclusion in all economic sectors of these municipalities. CEEs have significant impact in only 9 (29%) municipalities where CEEs have been established (9/31).

CEEs have a low impact in 17 (55%) municipalities where CEEs are capable of initiating and facilitating implementation of education and employment support programmes at least in one economic sector. The members of CEEs in these municipalities have gained some experience in functioning of the public-private partnership-based mechanisms for initiation of education and employment supporting activities.

CEEs have limited impact in 5 (16%) municipalities, where they have been recently established without clearly defined role and responsibilities.

### Recommendations:

- Presence of CEEs with significant and low impact at the BiH level is about 18% (26/144). It would be reasonable for LEP II project to use this number as a baseline for measuring the increase of 14% in the share of municipalities with functioning partnership-based mechanisms that improve employment outcomes and the delivery of active labour market programmes. It should be at least 32% (46/144) municipalities with functioning partnership-based mechanisms at the end of LEP II project.
- In order to improve organisational and institutional sustainability of the newly established LEPs and enabled them to be the primary instrument for the creation and implementation of active education and employment policy, LEP II project could consider providing further technical support to LEPs with limited impact (Brod, Buzim, Dobož, Grude and Tuzla) in accordance with the relevant key preconditions for sustainability and successful functioning of the partnerships.

The established LEPs need further technical support focused on managing and facilitating effective partnerships, conducting assessment of the local economy, using the results of the assessment to design and initiate programmes to properly address identified needs of entrepreneurs and job-seekers, monitoring and evaluation of the effectiveness of implemented activities aimed at supporting new employment and entrepreneurship development.

1. Certainly, support should be provided to new municipalities to establish LEPs, thus encouraging them to take a systematic approach to local economic development.

### Municipal Development Strategy and Unemployment

All 67 reviewed municipalities have a document Integrated Municipal Development Strategy. In 19 (28%) municipalities the strategy expired in 2020 and there was a slight delay in drafting of this strategic document due to pending adoption of the legal framework by the Entity governments.

Under chapter Local Economic Development Plan all municipal development strategies addressed unemployment issues through the programmes and projects to support development and competitiveness of SMEs, workforce development, support entrepreneurship development, support start-ups, improve business environment, establish public-private dialog, etc.

The financial plan, as an integral part of the strategy, indicates the initial financial resources needed for implementation of the planned projects as well as potential financial sources. Implementation of the programmes is not systematic but rather ad-hoc, depending on the availability of finances.

Consultants engaged by donor projects to support municipalities in this process should be more focused on proposing economic activities tailored to the specific municipal context to avoid a situation where most of the proposed programmes and projects look like in any other strategy. Namely, local economic development is often aimed at continuous support to those sectors that are no longer vital to the municipal economy or those where global competition and trends are counter to BiH's ability to compete. Priority should be given to emerging sectors such as information and communication technologies, renewable (clean) energy and organic agriculture production. These sectors have significant potential to attract and foster new investments and create jobs.

It has been noticed that the weakest link in the strategy development process is the lack of a mechanism for monitoring and evaluation of the strategy implementation, achieved results and defined indicators.

#### Recommendations:

- LEP II should encourage the partners to establish partnerships in emerging sectors with potential to generate quality and long-term jobs
- LEP II could lobby the mayors to give the priority, through appropriately budgeting (drafting a budget or rebalance of an existing budget) to the activities supporting emerging sectors
- The process of monitoring and evaluation of the strategy implementation should be improved.

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# Annex I.

## List of the Reviewed Municipalities

**Table 1.** Business-Friendly Certified Municipality

Municipality / City		Local Employment Partnership (LEP)						Municipal Development Strategy	
		Is there a Local Employment Partnership?		Is there a Local Employment Action Plan?	What is the contribution of LEP to new employment?	Is there any other form of public-private partnership (economic council, etc.)?		Is there a valid Municipal Development Strategy?	Does the Strategy contain measures to support employment?
No.	Name	Formally Established	Not Form. Established			Formally Established	Not Form. Established		
1.	Banja Luka*	Yes		Yes	Significant	Yes		2018 - 2027	Yes
2.	Bihac	Yes		Yes	Low	Yes		2014 - 2023	Yes
3.	Bijeljina*	Yes		Yes	Significant	Yes		2014 - 2023	Yes
4.	Bosanska Krupa*	Yes		Yes	Low	Yes		Expired 2020	
5.	Brod	Yes		No	Limited	Yes		Expired 2020	
6.	Doboj	Yes		Yes	Limited	Yes		Expired 2020	
7.	Gorazde*	Yes		No	Low	Yes		2017 - 2026	Yes
8.	Gradacac		Yes	Yes	Low	Yes		2014 - 2023	Yes
9.	Gradiska	Yes		Yes	Significant	Yes		2019 - 2027	Yes
10.	Jablanica		Yes	Yes	Low	Yes		2019 - 2023	Yes
11.	Kakanj	No		No		Yes		Expired 2020	
12.	Kotor Varos	No		No		Yes		Expired 2020	
13.	Laktasi*	Yes		Yes	Significant	Yes		2014 - 2024	Yes
14.	Maglaj		Yes	No	Low	Yes		Expired 2020	
15.	Mrkonjic Grad	No		No		Yes		2014 - 2024	Yes
16.	Novi Grad	No		No		Yes		2017 - 2026	Yes
17.	Novi Grad Sarajevo*	Yes		Yes	Significant	Yes		Expired 2020	
18.	Prijedor*	Yes		Yes	Significant	Yes		2014 - 2024	Yes
19.	Prnjavor*	Yes		Expired 2020	Low	Yes		Expired 2020	
20.	Posusje*	Yes		Yes	Low	Yes		2014 - 2023	Yes
21.	Sanski Most		Yes	No	Significant	Yes		2014 - 2023	Yes
22.	Tesanj	No		In preparation		Yes		2018 - 2022	Yes
23.	Teslic*	Yes		Yes	Significant	Yes		2018 - 2027	Yes
24.	Trebinje	Yes		Yes	Low	Yes		2018 - 2027	Yes
25.	Zavidovici*	Yes (Agriculture)		Yes (Agriculture)	Low	Yes		2017 - 2026	Yes
26.	Zenica	No		No		Yes		2012 - 2022	Yes
27.	Zepce	Yes		Yes	Significant	Yes		2018 - 2027	Yes

**Table 2.** Other Municipalities (Not Business-Friendly Certified Municipality)

Municipality / City		Local Employment Partnership (LEP)						Municipal Development Strategy	
		Is there a Local Employment Partnership?		Is there a Local Employment Action Plan?	What is the contribution of LEP to new employment?	Is there any other form of public-private partnership (economic council, etc.)?		Is there a valid Municipal Development Strategy?	Does the Strategy contain measures to support employment?
No.	Name	Formally Established	Not Form. Established			Formally Established	Not Form. Established		
1.	Banovici	No		No		No		2017 - 2027	Yes
2.	Bileca	No		No		No		2020 - 2029	Yes
3.	Bosanski Petrovac*	Yes		Yes	Low	No		2021 - 2027	Yes
4.	Bratunac	No		No		No		2017 - 2022	Yes
5.	Brcko District		Yes	No	Low	Yes		2021 - 2027	Yes
6.	Bugojno	No		No		No		2018 - 2027	Yes
7.	Buzim*	Yes		Yes	Limited	No		Expired 2020	
8.	Centar Sarajevo	No		No		Yes		2016 - 2022	Yes
9.	Capljina*	Yes		No	Low	Yes		2017 - 2027	Yes
10.	Citluk	No		No		Yes		2019 - 2027	Yes
11.	Derвента	No		No		Yes		2018 - 2025	Yes
12.	Foca	No		No		Yes		2017 - 2026	Yes
13.	Grude*	Yes**		Yes (Stone process)	Limited	No		Expired 2015	
14.	Hadzici	No		No		Yes		2017 - 2021	Yes
15.	Ilidza	No		No		No		Expired 2020	
16.	Istocno Novo Sarajevo	No		No		Yes		Expired 2020	
17.	Jajce	No		No		No		2019 - 2023	Yes
18.	Kalesija	No		No		No		2018 - 2027	Yes
19.	Konjic*	Yes		Yes	Low	Yes		2018 - 2027	Yes
20.	Kozarska Dubica	No		No		Yes		Expired 2020	
21.	Livno	No		No		Yes		2014 - 2023	Yes
22.	Lukavac	No		No		No		2019 - 2027	Yes
23.	Ljubuski*	No		No		Yes		2014 - 2024	Yes
24.	Modrica	No		No		No		2014 - 2026	Yes
25.	Odzak	No		No		No		Expired 2020	
26.	Orasje*		Yes	No	Low		Yes	Expired 2020	
27.	Pale	No		No		Yes		2017 - 2026	Yes
28.	Prozor - Rama	No		No		Yes		Expired 2020	
29.	Srbac	No		No		No		2018 - 2021	Yes

**Table 2.** Other Municipalities (Not Business-Friendly Certified Municipality)

Municipality / City		Local Employment Partnership (LEP)						Municipal Development Strategy	
		Is there a Local Employment Partnership?		Is there a Local Employment Action Plan?	What is the contribution of LEP to new employment?	Is there any other form of public-private partnership (economic council, etc.)?		Is there a valid Municipal Development Strategy?	Does the Strategy contain measures to support employment?
No.	Name	Formally Established	Not Form. Established			Formally Established	Not Form. Established		
30.	Srebrenik	No		No		Yes		Expired 2020	
31.	Samac	No		No		Yes		Expired 2020	
32.	Tomislavgrad	No		No		No		2017 - 2026	Yes
33.	Travnika*	Yes		Expired 2020	Low	Yes		Expired 2020	Yes
34.	Tuzla	Yes		No	Limited	Yes		2012 - 2026	Yes
35.	Ugljevik	No		No		Yes		2018 - 2022	Yes
36.	Velika Kladusa	No		No		No		2014 - 2023	Yes
37.	Visoko	No		No		Yes		2015 - 2021	Yes
38.	Vlasenica	No		No		Yes		2014 - 2023	Yes
39.	Zivinice***		Yes	No	Low	Yes		2017 - 2026	Yes
40.	Zvornik***	No		No		Yes		2018 - 2027	Yes

\* Municipalities participated in the ILO Local Employment Partnerships Project- Phase I

\*\* At the Cantonal level

\*\*\* Municipalities in the late stage of the BFC standard implementation