

# Self-employment Programmes in Bosnia and Herzegovina<sup>1</sup>

**Prepared by: Levent Koro**

## I. General Information on the Self-Employment Programme

There are three different Self-employment Programmes in Bosnia and Herzegovina (BiH): Co-financing programme for self-employment in Federation of Bosnia and Herzegovina (FBiH), Self-Employment Support Programme in Republika Srpska (RS)<sup>2</sup> and Self-Employment Programme in Brčko District (BD). The general objective of these Self-employment Programmes is to generate employment for those that are registered as unemployed with the Public Employment Services (Employment Bureaus) by provision of some type of financial support to start a business activity and, in this way, encourage self-employment of unemployed persons from different target groups. All Programmes are implemented on the basis of annual cycle of Programme implementation (i.e. programme announcement, application from beneficiaries, review of applications, awarding the grants as well as annual allocation of funds for implementation of the Programme).

The programmes are open to all unemployed registered within Employment Offices that actively seek employment at the time of announcement of the Programme. However, RS has two more sub-programmes targeting two different groups: one for children of war veterans and of disabled veterans and one for Roma population.

The programme is implemented on the basis of a public call. However different Programmes have different interventions. While Self-employment Programme in FBiH supports the unemployed that are registered with PES through provision of financial support, the Self-Employment Programme in RS provides short entrepreneurship training in addition to financial support. Self-employment Programme in BD provides slightly longer entrepreneurship training compared to RS Programme. None of the programmes provide mentoring support services to unemployed during the first year of operations.

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<sup>1</sup> This report is mainly drafted on the basis of questionnaire completed by the Public Employment Services of Federation of Bosnia and Herzegovina, the Republika Srpska and Brčko District for peer review analysis of Self-Employment Programmes.

<sup>2</sup> This programme is further divided into three different sub programmes: (i) Together for Work, (ii) Self-Employment Support Project and (iii) Self-Employment Support Project for Roma

Geographically, the Programme covers the entire territory of BiH. For 2018, the PES in FBiH has a budget in amount of 3 million euro (or 6,000,000 KM) dedicated for Self-employment Programme (1 million for youth below 30, 0.5 million for women and 1.5 million euros for other registered unemployed) while RS has a budget in total of 2 million euro (1,911,000 KM for children of war veterans and disabled veterans, 2,000,000 KM for other groups and 50,000 KM for Roma population). On the other hand, BD during 2017 had a yearly budget of 383,000 euro (or 750,000 KM) for Self-employment Programme. All Self-employment Programmes are financed through national budgets of FBiH, RS and BD.

## II. Programme Interventions

### 1. Promotion of the Programme

The Self-Employment Support Programme is being promoted by the media during the year, especially during the publication of a Public Call which invites potential candidates to apply for a Programme. The Programme is promoted through public information media using the media conferences, press releases, brochures, advertisements etc., as well as at the PES web portals. The unemployed persons are also informed directly about the Programme in employment offices (bureaus) through employment counsellors. The promotional activities of the Programme aim to target and cover all groups. Nevertheless, Self-employment Programme in RS targeted for Roma population undertakes additional promotional measures for inclusion of Roma. For this purpose, PES in RS cooperates with non-governmental sector for announcement and inclusion of Roma population in the Programme.

### 2. Recruitment/Admission process of candidates into the Programme

The Self-Employment Programmes are open to all candidates that are registered as unemployed with the Employment Offices, at the time of public announcement. Self-employment Programme in FBiH has specific targets (quota) for young people below 30 and women; while the Programme in RS has two other specific targeting groups (one for children of soldiers killed during the war, war veterans and war invalids and one for Roma population). On the other hand, in FBiH for example, unemployed that were part of the Programme during previous three years and those that were not registered within PES six months before the publication of a Public Call for Participation in this Programme cannot take part in the Programme.

All candidates submit a completed application forms into respective employment offices. Following the expiration of application deadline, each application is assessed based on established criteria. There is no commission that evaluates the received applications in FBiH. The Employment Offices check the application to determine the status of unemployment, previous participation in employment or self-employment measures and verifies the accuracy of submitted documentation.

On the other hand, in addition to the condition of being registered as unemployed before the publication of a public call, the Self-employment Programme in RS, requires from candidates to submit a request with a written business plan and successfully complete the entrepreneurship training. Finally, applications for Self-Employment Programme in RS and BD are assessed by the Commission for Processing and Evaluation of applications on the basis of pre-determined criteria and ranks the proposed business ideas.

The assessment of each application in BD for example is done through ranking of the business plans based on following criteria:

- The significance of the business idea and its contribution to improving the conditions for the development of competitiveness, innovation and entrepreneurship;
- Planned type of activity;
- Job creation potential and the possibility of generating additional employment opportunities in the next two years;
- Ability to provide co-financing to the business idea either from its own or from other sources (both financial and other resources such as office space, equipment etc);
- Sustainability of the proposal;
- Availability of the market, agreements, cooperation with existing business for input supply and sales etc.

Both in RS and BD, following the review, the Commission for processing and evaluating the applications proposes the list of candidates for approval to the Director of the PES. The Board of Directors of the Employment Service, upon the proposal of the Director, makes a final decision about approval of applications and disbursement of the funds.

### 3. Provide entrepreneurship training to candidates

Short entrepreneurship training is organized only in Self-employment programmes in RS and BD but not in FBiH. The training focuses on increasing the knowledge of unemployed registered at employment offices in starting and carrying out their own business activities. Both training courses include topics such as the basics of entrepreneurship; legal aspects of business and registration obligations, market opportunities, finances, familiarizing them with the accounting obligations etc. The entrepreneurship course in RS is delivered by PES own qualified trainers, while such training course in BD is delivered by certified lecturers in the field of entrepreneurship and self-employment, mainly professors from the economic faculties in the District. The training course is very short in RS while it is much longer in BD. In RS training course lasts about 3 hours organized during one working day while in BD lasts up to 20 hours organized within 9 work days. Furthermore, both RS and BD apply assessment process in the end of the training. In RS the assesment is done by PES trainer while in BD by an external provider. For example, the external provider in BD after the training assess the performance of the candidates and following successful completion awards the certificate for training.

### 4. Access to Finance

Self-employment Programmes in BiH offers a financial support in the form of grants to ease the barrier for creation of start-ups for unemployed people registered at PES. PES in FBiH pays a financial subsidy in amount of 160 euro per month for each applicant over the next 12 months reaching in total amount of 1,920 euro. The monthly amount of financial subsidy for women and young applicants below 30 is 200 euro (in total of 2,400 euro over the next 12 months per applicant). If self-employment employs another unemployed registered in the PES irrespective of age, work experience and level of education before the day of submission of application, the Programme provides additional subsidy in amount of 165 euro per month for duration of six months.

On the other hand, the average amount of financial support given to applicant by the Self-employment Programme in RS is about 2,500 euros with exception of children of soldiers killed during the war and children of war veterans and war invalids. Finally, the minimum amount of financial support of the Self-employment Programme in BD is 2,500 euro per applicant while the maximum amount is about 10,000 euro.

When the Board of directors of the PES decides on the approval of the funds, a contract with the unemployed person is concluded within 30 days from the date of issuance of the decision, which regulates mutual rights and obligations of beneficiaries and PES.

For allocation of funds, winning applicants should register a business and fulfil obligations in terms of provision of contributions for mandatory social insurance and taxes for Tax Administration, at least 12 months starting from the day of commencement of the business activity. The winning candidates also have to provide evidence for the realization of the contractual obligation with the PES. In the case of non-fulfilment of the contractual obligations, the unemployed person is obliged to return the entire amount of funds. Payments are usually made in two tranches, at the beginning and at the end of the program. In RS 70% of the funds are paid at the beginning of the programme and 30% at the end of the programme if the person fulfils the contractual obligations. For disbursement of the funds, BD also requires the possession of the account of that legal entity with the commercial bank.

## 5. Business Coaching & Mentorship

Self-employment Programmes in BiH do not include any interventions that aim to provide assistance to newly established entrepreneurs to manage and grow their businesses through mentoring or coaching support.

## 6. Monitoring & Evaluation

The implementation of the Programme is monitored by PES (Employment Bureau) on continuous basis for realization of the contractual obligations. More specifically, PES checks and monitors (a) the documentation that the beneficiaries regularly submit in order to justify the approved funds; b) the database of the Tax Administration, whether beneficiaries fulfil the obligation to maintain the registered activity within the envisaged deadline. If PES/ Bureau finds that the contractual obligations are not fulfilled, they will initiate the procedure for termination of the contract. In addition, the Self-employment Programme in BD for example organizes monitoring visits to see the direct progress of the beneficiaries.

## II. Results

On average, about 1,150 beneficiaries are engaged with Self-Employment Support Programme on yearly basis in BiH (about 400 in FBiH, 670 in RD and 54-74 in BD). There is noteworthy participation from women and youth. For example, share of women beneficiaries in FBiH was 40%. The most frequently registered businesses were in the field of providing various services such as retail shops, catering and agriculture. According to the educational structure, the highest share of beneficiaries that were engaged in

the Programme completed upper secondary school with 56%, while the share of those with higher education was 10.5%.

PES in BiH also reviews the survival rate of businesses supported by the Self-employment Programme. For example, BD reviewed survival rates of beneficiaries supported back in 2014 and 2015. They found that about 75-85% of the beneficiaries from 2014/15 were still in business in 2017. On the other hand, PES in FBiH found that about 55-60% of beneficiaries retained their start-ups after the end of the co-financing agreement.

### III. Good Practice

Programmes identify the following critical factors influencing the success of the Self-employment programmes:

- **Promotion of Programme using various channels of communication:** PES in BiH highlights the importance of using a wide range of communication channels instead of using limited number of channels for promoting the Self-employment Programme especially during the publication of a Public Call which invites potential candidates to apply for a Programme. The Programme is suggested to be promoted using a wide range of means such as through TV, radio, web, newspapers using media conferences, press releases, brochures, advertisements etc.
- **Managing the entire process of Self-employment Programme through web-based platform:** PES in BD reports that all steps of Programme execution from launching the Public Invitation, to application, selection of candidates and inviting them to training, final list of winning beneficiaries and disbursement of funds is managed exclusively through the website of the Employment Bureau. This, according to them has led to reduction of the direct cost through saving resources, time and overload to human resources.
- **Organizing Entrepreneurship Training:** PES in BiH emphasized the importance of organizing the entrepreneurship training since it has direct impact to beneficiaries as they can gauge whether they have entrepreneurial preferences or capacity to deal with their own businesses. PES in RS for example introduced entrepreneurship training as obligatory intervention for Self-employment Programme for this purpose.
- **Looking at local market needs for product and service placement:** PES in BiH also highlighted that beneficiaries that focus on local market needs are much more successful than those looking at foreign markets. Most likely, given the limited support provided by the Programme, they found that business proposals that focus on local market needs are more sustainable compared to those that are oriented towards international markets.