



Methodology of Localization of the Small Business Act



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LocalAct

METHODOLOGY OF LOCALIZATION OF THE SMALL BUSINESS ACT



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1. Introduction

1.1. What is LocalAct and Who is it Intended for

LocalAct is a methodology of harmonized local activity on development of small and medium-sized enterprises and entrepreneurs (hereinafter: SMEE) according to the principles and standards valid in the European Union countries.

It enables fast focusing and concentration of local resources on the improvement of business environment and support instruments for the SMEE, that the enterprises consider important for their business operations and development, and the local government considers them feasible, from the point of view of their capacities and resources.

By applying this methodology, several significant things are also made easier:

- Recently established practice of a public-private dialogue at a local level;
- Horizontal coordination of policies and support instruments to the SMEE in different sectors, between different municipality/city departments, i.e. services;
- Vertical coordination of policies and support instruments to SMEE between the local and higher levels of government in the country;
- Gradual harmonization of policies and support instruments to SMEE with the principles, standards and practices that are applied in the European Union countries.

LocalAct is based on the localization of the European Framework Small Business Act and Index of Policies for Small and Medium-Sized Enterprises and Entrepreneurs (SMEE) and it presents a unique attempt in the European practice up to the present. The methodology was developed within the CREDO Krajina¹ Project and it has been tested until now in 18 cities and municipalities in Bosnia and Herzegovina.

¹ The project is financed by Sweden and implemented by EDA – Enterprise Development Agency from Banja Luka.

LocalAct is intended for those who want to act in a smart, fast and harmonized manner to the things that make the development of SMEs at a local level easier and faster, including:

- Municipal authorities and practitioners dealing with the local economic development;
- Enterprises and entrepreneurs working on expansion and development of their business operations;
- Support institutions (secondary vocational schools, faculties, economic development agencies and development of SMEs, etc.);
- Ministries and other institutions interested in supporting the economic development and development of SMEs.

Together with them, the LocalAct methodology can also be quite useful for international projects, supporting the improvement of business environment and economic development in BiH and in the Western Balkans region.



1.2. Reasons for Development of LocalAct Methodology

With the introduction of a new fashion of certification of cities and municipalities, as places which are fond of the private sector and new investments (Business Friendly Certification SEE), first in Serbia, then in Croatia, Macedonia and Bosnia and Herzegovina, the question of dialogue between the representatives of the local government and local companies about the creation of a better local business environment and effective instruments of support to the development of local businesses and investments is becoming increasingly significant. Numerous international projects focused on the local and regional economic development also contribute to that².

The largest challenge in this adjustment of the local institutions to the needs and dynamics of local companies presents an initiation and maintenance of a dialogue between the public and private sector, which should lead to harmonized identification of bottle necks and barriers for better business operations, on one side, and possibilities of improvements, on the other. As a response to this challenge, some form of a permanent, advisory body is usually immediately formed, in the form of a local economic council, an economic forum, competition council, etc. The common denominator is that this body should consist, in an adequate proportion, of the representatives of local institutions and local companies, as well as that this body should meet on a regular basis (on a quarterly basis, as a rule) and that it should set out priorities for the improvement of business environment and support to the economy, following and improving their realization. In some cases, the work of this body is formalized already in the beginning (by adopting the policy of a public-private dialogue, rule book on work, etc.), whereas, in the others, the question of formalization is left to mature over time, along with the development of the process of dialogue and cooperation.

At this, it often happens, both in the beginning and later, that the dialogue “spins in a circle” between the problems related only to individual companies, on one side, and the problems that cannot be resolved at the local level, on the other. This usually leads to a “lost motion” at meetings and frustration of the participants, especially those from the private sector, so that they are the first ones to leave the dialogue they find purposeless, when none of the things they are interested in happen.

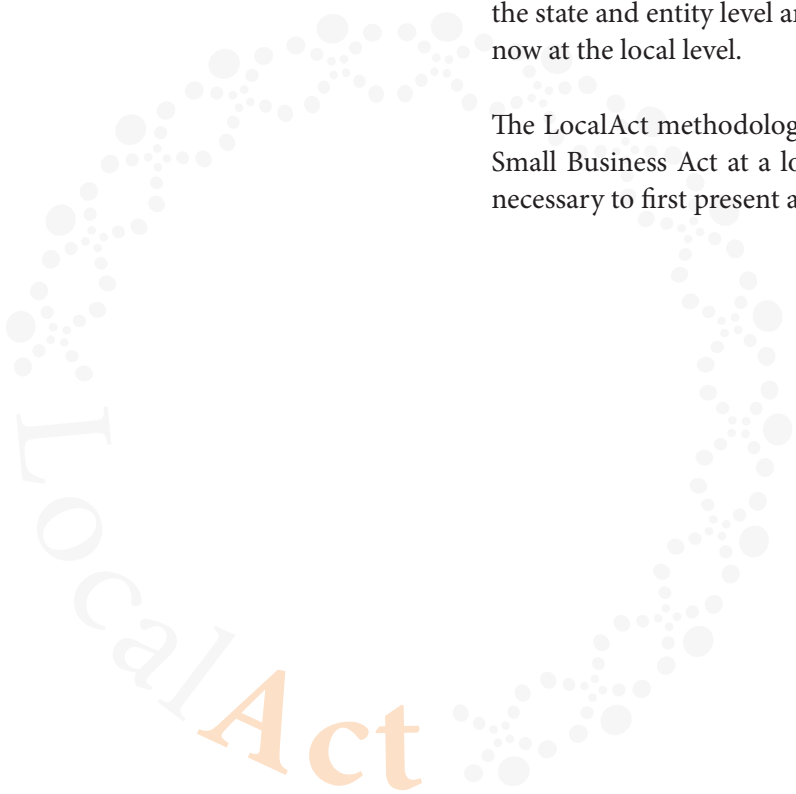
² The project is financed by Sweden and implemented by EDA – Enterprise Development Agency from Banja Luka.

After we have also, in our role as a consultant hired by international projects, faced with this problem, we started dealing with it more seriously, identifying its main characteristics and looking for adequate solutions. After taking into account this problem, we started looking for a solution that would have the following characteristics:

- It presents quite a comprehensive framework that includes both the currently existing as well as currently missing policies and instruments of support to the economy, primarily to the companies in development and in start-up, enabling systematic interventions;
- That such a framework is adequate for a relatively easy, fast and cheap assessment of situation of policies creating a favorable business environment and supporting development of economy, making it easier to make a harmonized selection of priorities for improvement and bringing the role of external experts, i.e. consultants, down to the smallest extent possible;
- That the selected framework is, to a good extent, harmonized with the framework that is being applied at higher levels in the country and, if possible, in the European Union, in order to enable the so-called vertical coordination of policies and gradual harmonization with the European practices.

We found such a framework in the European Framework Small Business Act and its accompanying Index of Policies for Small and Medium-Sized Enterprises (SME Policy Index), which is applied in BiH at the state and entity level and, sporadically, at the cantonal level. This framework has not been used until now at the local level.

The LocalAct methodology presents the first step towards the application of the European Framework Small Business Act at a local level, not only in BiH, but in general. For its better understanding, it is necessary to first present a summary of this European Act.



1.3. What is the Framework Small Business Act

The European Union has put the sector of small and medium-sized enterprises – the SME sector at the top of the priority list of the Lisbon Strategy for Growth and Jobs (2005). The role of the SME sector has been recognized and acknowledged at a highest political level of the EU, by adoption of the Framework Small Business Act. The European framework Small Business Act was adopted in 2008. It presents a comprehensive framework for the creation, implementation and monitoring of policies aimed at the small and medium-sized enterprises (SME). The concept was based on constant improvement of entrepreneurship and incorporation of the principle “think small first” into the laws and policies that should strengthen the competitiveness of SMEs in the European Union countries. It consists of ten principles and a number of undertaken additional concrete activities for the implementation of these principles in practice.

This is a framework document, whose essence is not in putting a legal binding obligations, but rather to serve as the best guidelines for adoption of measures which, on one side, take into account specificities of each member country, while, on the other, enable gradual harmonization of legislation and policies of support in the whole of EU.

The ten principles are:

Entrepreneurship:	Creation of an environment where entrepreneurs and family companies can succeed and where entrepreneurship is appreciated.
Second chance:	Ensure that the honest entrepreneurs, who bankrupted once, are soon given a second chance for a business success.
Think small first:	When creating the rules, think first how they will affect the small.
Accountable administration:	Adjustment of the public administration to the needs of SMEE.
State aid and public procurement:	Ensure a higher availability of state aid and public procurement instruments for SMEEs.
Access to finances:	Making the access to finances easier for SMEE and developing of a legal and business environment adjusted to the specific requirements of the SMEE, including the timely payment in commercial transactions.
Single market:	Assistance for SMEE to use the opportunities given by the single European market.
Skills and innovations:	Assist the improvement of skills of employees and all forms of innovations at SME.
Environment:	Enable the SME to turn environmental challenges into economic opportunities, acting in a sustainable manner.
Internationalization:	Encourage SME to use the growth on global markets and support them in that.

Together with these ten main dimensions, the Framework Act also includes a whole set of legislative proposals based on the “think small first” principle.

During 2011, the first revision of the Framework Small Business Act was done, so as to provide an adequate response to the economic crisis challenges and perform harmonization with the Strategy Europe 2020. The second revision is coming to a close now, which is focused on the improvement of the regulatory framework, access to finances, access to the market and internationalization of the SMEs.



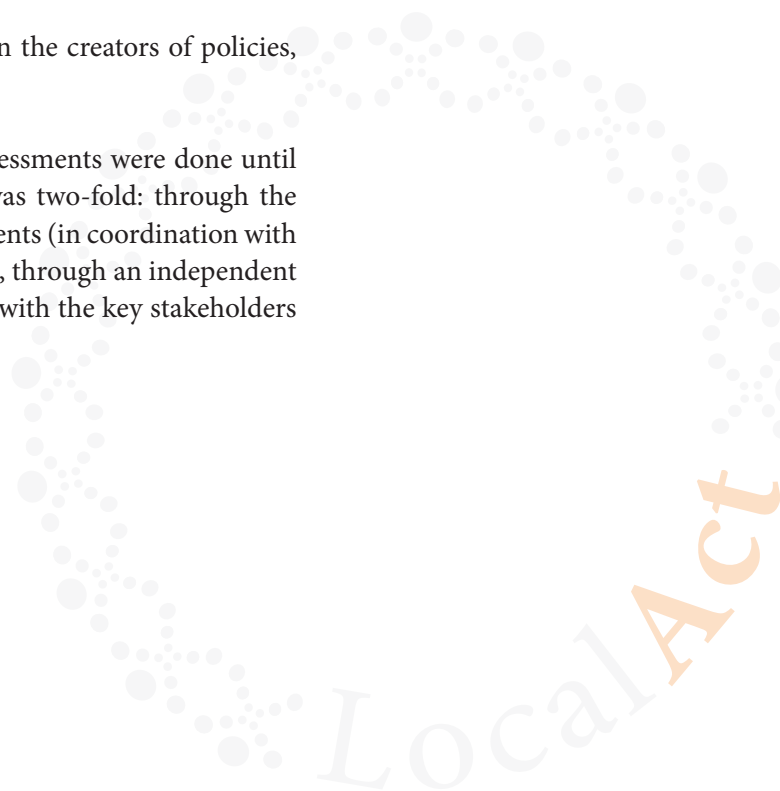
1.4. How is the Framework Act Applied in BiH

The application of the Framework Small Business Act in the Western Balkans countries is done using the SME Policy Index. This is the tools for making this Framework Act operational, in order to enable monitoring and evaluation of the country's progress, whose economies are in the phase of development or transformation, in terms of bringing closer their support to good practices achieved in the EU countries. The Index was jointly developed by the Organization for Economic Cooperation and Development (OECD), European Commission (EC), European Bank for Reconstruction and Development (EBRD) and European Training Foundation (ETF).

The application of this Index in the Western Balkans countries (and in Turkey) should be used to:

- Identify advantages and lacks in the creation, implementation and monitoring of policies related to SME, for the purpose of giving recommendations for the appropriate reforms;
- Perform their comparisons and assessment according to the reference values between the Western Balkans countries (and Turkey) and European Union countries through the ten principles of the Framework Small Business Act;
- Make the dialogue easier and make the program of coordination between the creators of policies, private sector, nongovernmental organizations and donors.

In the Western Balkans countries (also including Turkey), four rounds of assessments were done until now: 2006, 2009, 2012 and 2015. The last round of assessments, in 2015, was two-fold: through the process of self-assessment by the BiH Council of Ministers and entity governments (in coordination with the Ministry of Foreign Trade and Economic Relations of BiH) and, in parallel, through an independent assessment by the OECD and its partner's organizations, based on interviews with the key stakeholders and private sector.



The assessment is performed on the basis of the ten principles of the Framework Small Business Act, which were turned into twelve main dimensions:

Dimension:	Significance:
1. Entrepreneurial learning and female entrepreneurship	It contributes to the formation of entrepreneurship-oriented human capital and more balanced treatment of female entrepreneurs.
2. Bankruptcy and giving a second chance to SME	It contributes to effective bankruptcy, higher taking over of the risk with entrepreneurs and easier new start by learning from mistakes.
3. Institutional and regulatory framework for the adoption of SME policy	It contributes to taking into account the interest of SME still in the early phase of preparation of policies, as well as to the simplification of business framework.
4. Working environment for SME	It contributes to ensuring a functional, non-bureaucratic environment that supports the formation and more competitive business activities of companies.
5a. Services of support to SME and companies in start-up	It contributes to the development of an efficient market of financial and non-financial business services for companies in development and in start-up.
5b. Public procurement	It contributes to an easier access to public procurement for SME.
6. Access to financing for SME	It contributes to an easier access to financing for SME and an effective usage of financial services by SME.
7. Standards and technical regulations	It contributes to the harmonization of business operations and products of SME with the standards and technical regulations of international trading partners.
8a. Entrepreneurial skills	It contributes to a better quality management and working skills of management and employees at companies in development and in start-up.
8b. Innovation policy for SME	It contributes to incentivizing the growth of innovations at SME, better strategic framework, institutional services and financial support.
9. SME at "green" economy	It contributes to the growth of eco-investments and improvements, as well as higher responsibility of SME to the environment.
10. Internationalization of SME	It contributes to an easier and faster fitting of SME into global value chains.

Almost all the dimensions are still divided into a range of sub-dimensions, while each sub-dimension is assessed from three points of view: how the concrete policy has been designed, how it is being implemented and how its effectiveness is monitored and evaluated.

Situation assessment according to this Index is performed on the basis of quite a complicated questionnaire with several hundred questions (of a closed type with a binary or multiple choice), as well as of an open type at the end of each thematic block (thematic blocks are related to the design, implementation as well as monitoring and evaluation).

Responses to the questions are then brought down to appropriate places at a five-level scale for each sub-dimension. The five-level scale marks different degrees of development and application of policies, in the following way:

Level:	Significance:
1	No defined framework for this specific dimension, it is done on a case by case (ad hoc) basis.
2	The trial is ongoing as well as the preparation of a draft of framework/policy for this specific dimension.
3	There is a defined and accepted framework/policy for this specific dimension.
4	In addition to defined framework/policies, there are also specific signs of their implementation.
5	The implementation of framework/policies is followed by indicators on their effectiveness. It may be assessed as good practice that the others could use.

The Republic of Srpska has moved two steps further from the usage of the Framework Small Business Act and SME Policy Index, only in the function of assessment of situation of policies and practices that are related to SME. This is about the incorporation of all the ten principles of the Framework Act into the Law on Development of Small and Medium-Sized Enterprises³, on one side, as well as on the development of their introduction and achievement in the strategic document⁴ that streamlines the support to the SME development.

³ The Official Gazette of the Republic of Srpska, No. 50/2013.

⁴ Strategy of Development of Small and Medium-Sized Enterprises in the Republic of Srpska for the period 2015-2020 (draft).

2. Model of Application of the Act and Index at a Local Level in BiH

The structure of the localization model and application of the Act and Index⁵ consists of the following key elements:

1. The selected set of indicators for the SMEE sector, fully adjusted to the needs and possibilities of the local level;
2. Economic council, as a basic form of a public and private dialogue at a local level, with an appropriate secretariat as a body for professional, administrative and logistic support, as the main holders of the application of the Act, i.e. Index at a local level;
3. The process of simplified application, consisting of five basic phases, harmonized with the other strategic processes at a local level;
4. The main elements of procedures for the application of the Act and Index at a local level (responding to the questions: who, what, when and how performs the tasks within the Act and Index application).

2.1. Selected Set of Indicators for the Local Level

The main tool for the localization of the Act and Index is the “Overview of indicators for SMEE at the local level”, containing 31 precisely defined indicators. These 31 indicators were carefully selected and adjusted to the local level of B&H out of the framework of 124 indicators of the Small Business Act for Europe.

The selected set of 31 indicators, grouped within 8 aspects⁶, shows the degree of development of business environment and support policies to SMEE according to the most significant features. Each indicator consists of a cumulative five-degree scale, showing the present situation in the area covered by that indicator. These are, approximately, the following levels of the situation assessment: (1) no defined policy, ad hoc activities, (2) a dialogue is under way, by which defining of an appropriate policy is planned, (3) an appropriate policy is defined and agreed on, (4) policy implementation is under way, and (5) there are evident effects of the policy implementation, based on monitoring and evaluation.

Overview of indicators by dimensions, with the assessment scale, is provided in the attachment.

⁵ Hereinafter, the term Act will be used for the Basic Law on Small Business, and the term Index will be used for the SME Policy Index.

⁶ The SME Policy Index has 12 dimensions, however, when its localization was done, two dimensions were excluded on account of not being relevant for the local level in BiH. The included dimensions were partly redefined, so that here the term aspect is used in lieu of the term dimension.

2.2. The Main Implementers of the Act Application at the Local Level

The main implementers of the Act at the local level are the economic council and its secretariat.

The economic council is an advisory body of a municipality mayor, consisting of the key representatives of the private and public sector.

The economic council includes decision-makers (directors or owners) of enterprises from the selected sectors – locomotors of development of local economy and a representative of the Chamber of Commerce, on one side, and the key representatives of the public sector, on the other side (municipality mayor with heads of relevant departments and director of a local development agency, director of secondary school center, representatives of relevant public services – Tax Administration, Employment Institute, etc.). Balanced share of participation of public and private sectors is intended to be reached. Participation of local nongovernmental organizations, specialized for the local economic development, is also welcome.

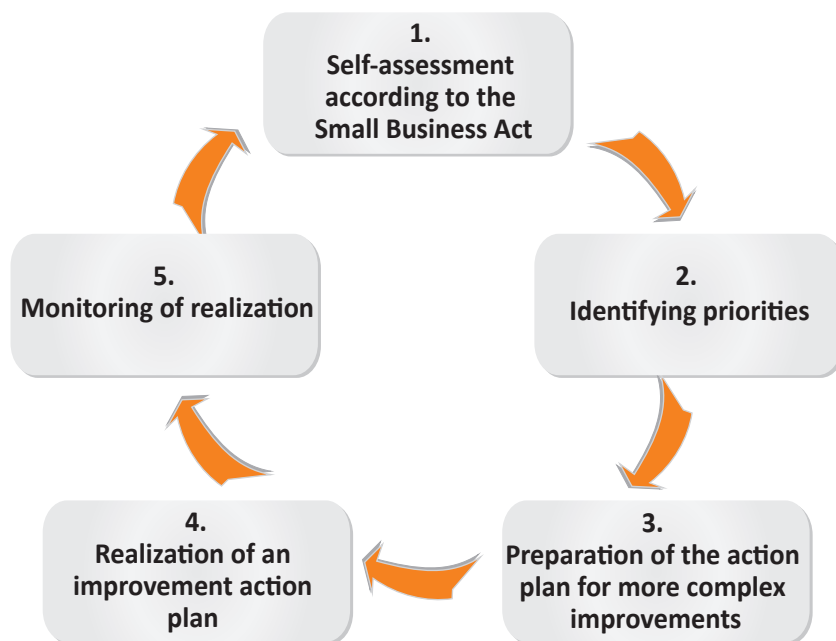
Professional and logistical support to the economic council is provided by the secretariat (a relevant municipal department/division or a local development agency).

In the case that a municipality has not established such a council and secretariat, they will form a smaller inter-sectoral team (up to 5 members) for the Act application, the role of which will be the usual role of a economic council secretariat and they will organize ad hoc consultations/meetings of the private and public sector, in order to compensate for the lack of a economic council.



2.3. Process of the Act Application at the Local Level

The process of the Act application follows the logic of managing development (a baseline analysis, planning priorities, making priorities operational, realization and monitoring) and it consists of 5 phases, as follows:



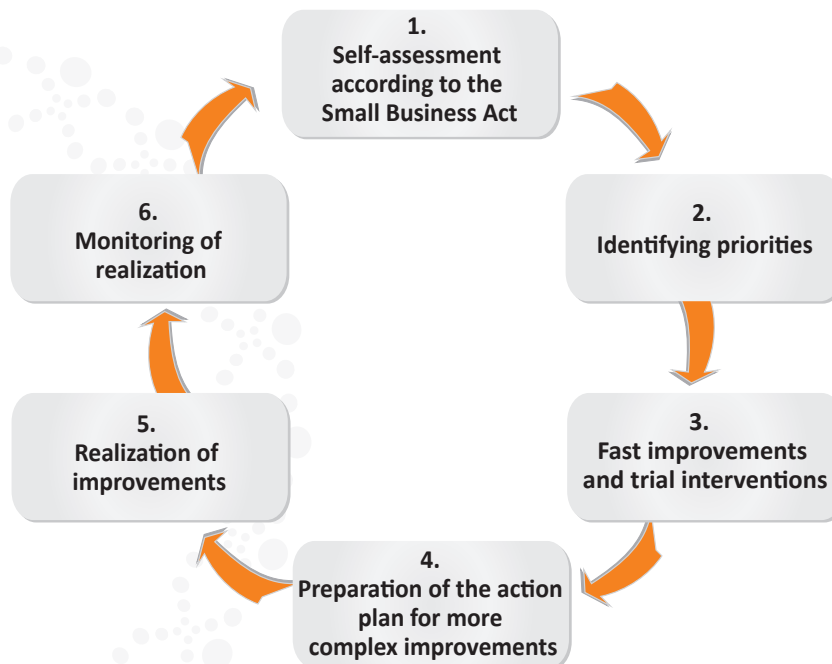
During the application, the need to perform two-fold adjustment was noted: (1) that the timeframe of the priority realization is adjusted to the biorhythm of the private sector, which usually loses patience if the things, that seem urgent and easily feasible, are postponed in order to first plan their realization in a bureaucratic manner (as is usually the case with the public sector), and (2) to, for the things that are complex by their nature, perform several non-risky, smaller trials, in order to see what are the actual obstacles and possibilities of their resolution, prior to planning their realization.

In such a way, practically an inter-step was introduced, where immediate realization of those priorities, which are simple for implementation, can be done in a short period of time (during one, at the most two,

quarters) and with locally available resources, which all give a psychological effect of the so-called victory and they build self-confidence and mutual trust of the stakeholders involved.

In parallel, for the things for which we do not know in advance as to how they will develop, whether because of different interests of the stakeholders involved, political sensitivity or numerous interactions, whose effect we can neither control nor foresee, these are several smaller, initial, trial interventions, in which the risk can be controlled, so as to find out more about what is it that we can expect and who we can rely on more when planning and implementing complex requirements, necessary for the realization of such a priority.

The process of the Act application in such a way gets one more step, but it also gets on the dynamics and, at the same time, on certainty, as, in cases when little resources are requested, those resources can be engaged immediately, with a high level of certainty in terms of their usage, while, in cases where significantly higher amount of resources are to be engaged, those resources are engaged only after certain “trials” and disclosure of critical points, i.e. creation of levers that make the implementation of more complex interventions easier.



2.4. The Main Elements of the Act Application Procedure

The part below shows the main elements of the procedure of working on the Small Business Act application at the local level, by phases of the process.

2.4.1. Self-Assessment Phase

The largest operational part of work on self-assessment of the situation is performed by the economic council secretariat, in mandatory consultations with the representatives of department/services and other organizations/institutions, which are assessed to have a better insight into the state of realization of an appropriate indicator.

Prior to performing the self-assessment, all the secretariat members (that is, members of the working team, if there is no economic council and its accompanying secretariat) should be informed of the set of the SMEE indicators and an adequate scale of assessment at the local level. When informing the members of the set of indications, any initial dilemmas and anything unclear gets explained. It is recommendable that informing them is done with the help of an appropriate consultant or practitioner, with experience in the process of self-assessment as a part of the Small Business Act application.

The self-assessment of the situation is done at a joint meeting of the secretariat members, to which, if possible, representatives of departments/services and other organizations/institutions are invited, for whom it is assessed that they may have a better insight into the state of realization of an adequate indicator.

Assessment of the realization of each of the indicators is performed on the basis of pre-defined and generally described levels of development, starting from level 1 to level 5, by marking an adequate level of indicator development and by noting down additional comments, if necessary. Performing of this should be accompanied by a direct insight into the available documentation, supporting achievement of an additional degree of each considered indicator. If the secretariat, at the moment of self-assessment, does not own such documentation, it should request it from an appropriate source and then subsequently consider it, at the next meeting. A brief designation of the document, confirming the state of achievement of the indicators, is then written down in the last column (marked as the Argumentation/verification).

When it comes to the indicators with whom there are serious dilemmas, additional information may be requested and additional consultations may be done with those who are the most knowledgeable about this aspect of the situation.

It is recommendable that the period of execution of self-assessment of the state of Small Business Act application is harmonized with the time of updating/revision of the operational realization plan of the integrated local development strategy, namely, every 3 year, as a rule.

2.4.2. Identifying Intervention Priorities Plans

On the basis of performed self-assessment of the state of indicators for SMEE at the local level, the secretariat/working team prepares a summary of the report on the Small Business Act for Europe/Index application.

The summary gives a clear overview first of the issues for which there is still no clear policy defined and for the issues with an underway process of proper policy defining, then, issues for which the implementation of the defined policies has started, as well as issues for which the policies have been implemented for a while now, but without expected results, or their implementation and effects are not monitored properly. In the end, issues with achieved effects in line with the expectations or over-achieved effects are given. The summary should be put on 1-2 pages, in more or less this format:

Aspect:	No policy/ instrument or it is being defined:	Implementation started, no results yet:	Results do not match expectations:	Results at the level or above expectations:
...
...

Such a prepared summary is then circulated to the economic council members, as part of preparation for the meeting considering the results of analysis and self-assessment of the situation and discussion about the priority areas and interventions for the situation improvement.

At the meeting, a short presentation is done (up to 20 minutes) with a visual support. This is followed by discussion, which either confirms or possibly revises the assessment results, primarily by the private sector. This is about moderated discussion, where the participants give their short comments, objections and suggestions, which are immediately visually presented at a certain panel, board, large piece of paper or screen. At the end of discussion, which lasts for 30-40 minutes, the moderator summarizes the contribution during the discussion and, if need be, with the consent of participants, revises the initial assessment where there are serious objections or suggestions.

In the next phase of the meeting, the selection of priorities is done. It is recommendable, for the purpose of more economic use of time, to apply the so-called Pareto rule⁷, so that each participant is given a certain number of points (in the form of stickers or circles of a certain color), which they then award, by their choice, to the previously listed and possibly amended/revised items from the Assessment Summary, taking into account what they consider significant for adoption, i.e. for improvement. Those items that get more points, as a rule, present priorities to be dealt with in the future period. If need be, it is possible through short additional discussion to get to somewhat changed, realistic picture of priorities, which will, together with the significance criterion, take into account the feasibility criterion.

It would be good to, immediately after that, talk about the things that can lead to fast improvements and achieve the effect of “fast victory”. The selection of those things is lead by the following criteria⁸ :

- That they are not politically “sensitive”;
- That they can be done in the period that is shorter than four months;
- That all the necessary resources for their implementation are locally available;
- That their expect effect is clear in advance to all the participants.

Such fast interventions usually present some of the first steps for the realization of things that have been selected as priorities. Sometimes, these are about some organized, well prepared event (eg. one-day workshop about the topics significant for the economy or thematic meetings of businessmen with the management of a secondary vocational school about the practical training) or about the introduction

⁷ The Pareto principle, more known as the 80-20 rule, is based on the insight that about 80% of our results have been achieved only by 20% of our activities causing them. When it comes to the selection of priorities, it is used for the calculation of the number of points (cards, circles) for voting, which are awarded to each participant, by taking the number of listed items from the Assessment Summary (with no defined policies or with only started implementation or with results not corresponding to the expected) and dividing them by 5 (20%).

⁸ Adjusted from: Meyer-Stamer, Jorg (2008): Value Chain Promotion. Duisburg: mesopartner, pp. 88.

of new practice enabling bringing closer of the points of view of the public and private sector (visiting the companies and facilities by the municipal management, organization of meetings of the economic councils at production facilities, instead of in the municipal building, etc.) or about the performance of fast analyses that will point out towards the main trends that happen in the local economy. Agreements are made on who should be in charge of 1-2 fast improvements.

In the end, awarding of an assignment for the preparation of the improvement action plan.

The framework agenda of the meeting related to defining of priorities, resulting from the application of the Small Business Act, can look like this:

WHAT?	HOW?	WHO?
Introduction	The chairman emphasizes the reasons behind the Act application, its significance and further work.	The chairman (helped by a consultant, if necessary).
Presentation of the self-assessment results.	Presentation of the summary, visually supported, and discussion about the results: questions and answers of the meeting participants.	Secretariat/working team, consultants (if needed).
Identifying priorities for defining interventions.	Moderated discussion of participants. Identification of priorities with the help of an appropriate method (Pareto).	Economic council/participants of consultations.
Selection of 1-2 fast improvements.	Participants' proposals. Selection based on the fast improvement criterion.	Economic council. Consultant's moderation.
Defining of assignments for the preparation of the improvement plan.	Determining who will (a team), until when and how, prepare a draft improvement plan, how will the consultations be done (electronically or in meetings...).	The chairman (with the help of the Secretariat)

Such a meeting has the character of an interactive workshop and it requires good moderation. If good moderation is ensured, the duration of the meeting is about two hours, maximum two and a half hours.

2.4.3. Improvement Plan Preparation

Action plan for the improvement of business environment and economy support policies, as a rule, is prepared by the secretariat/working team, in consultations with the relevant experts from individual areas, if there is a need for that. The preparation of the action plan is done by the following questions⁹:

1. What exactly should we improve and how (eg. which policies should we prepare and adopt, how should we ensure the participation of those whom the policy is related to; which policies should we follow in a better way or redesign them, and how);
2. How should undertake the main responsibility for managing the improvement process and who else must/should participate/cooperate in it;
3. Which resources are necessary for the performance of improvements and how will these be ensured;
4. When should the work on the specific improvement start and how will we know that we have started.

Particular attention is paid to the issues for which it is assessed that they are particularly complex and sensitive, for which we cannot foresee in advance how will they develop, because of different interests of the stakeholders involved, political sensitivity or numerous interactions, whose effect we can neither control nor foresee. For each of these issues, several small, initial, trial interventions are prepared, where the risk can be controlled, so as to find out more about what could we expect and who we can rely on more when planning and realizing more complex requirements, necessary for the realization of such a priority. Attachment No. 2 gives an overview of feasibility and sensitivity of some of the interventions, which have proven to be priorities in the former practice.

The first draft of the prepared improvement plan is considered first with the municipality mayor and chairman of the economic council, so as to perform the necessary changes according to their suggestions. Such a draft, with the necessary changes and amendments, is sent to all the members electronically or via fax, with a simplified deadline of a maximum 10 days for delivery of objections, suggestions, comments, amendments and similar, with requesting opinion of each of the members about whether the prepared plan is acceptable and whether there are any needs for holding a special meeting in order to adopt the plan. The economic council chairman, after collection of feedback information from the secretariat, issues an order for possible amendment or revision of the plan and also decides on whether the plan may be considered adopted or convenes a separate meeting for consideration and adoption of the improvement plan.

⁹ From: Meyer-Stamer, Jorg (2008): Value Chain Promotion. Duisburg: mesopartner, pp. 88.

2.4.4. Improvement Plan Realization and Monitoring

Realization of fast improvements starts as soon as the initial requirements are met, while the realization of other improvements happens according to the defined and accepted plan. The secretariat timely notifies the implementers of assignments about their obligations and deadlines. If it is necessary to ensure special resources, necessary for the realization of the assignment, formulates such kind of the request to the municipality mayor or another decision-maker, who can and should provide those resources.

For the purpose of a better coordination of the plan realization, the secretariat may timely organize meetings with the key stakeholders in the organization, so as to consider the state of realization and possible problems that should be resolved so that the planned assignments may be realized in a timely and good quality manner. Monitoring of the realization of the improvement plan is performed at quarterly meetings of the economic council, on the basis of a short report prepared by the secretariat.

The following reporting format on monitoring the state of realization is recommended:

Overview of the state of realization of the improvement plan:

Completed activities (including stating of the results)

Activities happening in accordance with the plan	∴
Activities happening with smaller delays	∴
Activities happening with bigger delays (including stating the reasons for it)	∴
Activities recommended for redefining the plan (including stating the reasons)	∴

Annual monitoring and annual report should also include degrees of achieving the indicators.

Economic council gives appropriate proposals and brings appropriate conclusions, which can be used to provide more updated and better realization of the plan, as well as perform its redefining in the segments where necessary.

The following self-assessment of the state of the Act application, which is done after 3 years, presents, at the same time, an evaluation of the execution of the plan of improvement in the previous period. It is, at the same time, used to start a new three-year cycle of the Act application, so that the new priorities can enter amongst the priorities of the implementation of integrated local development strategy, if they had already not been included there.

3. Experiences and Observations from the Former Practice

The assessment of the state of policies for SMEE according to the Act and Index has been performed so far in eighteen municipalities and cities in BiH (10 in the FBiH and 8 in the RS), in some at the end of 2014 and in some others in the beginning or in the middle of 2015. The overview of these assessments shows what are the policies that are still missing, which are only being formed, that have started with the implementation, and which have been implemented for a while now, but still without the expected results.

In the largest number of involved municipalities, there are still policies missing, i.e. the instruments of SME support, in the following areas:

- Cooperation of higher education with business community;
- Entrepreneurial learning and secondary level education;
- Measures to fight informal economy;
- Support to innovation-oriented companies;
- Business cooperation with the already existing companies (sub-contracting, spin-off);
- Training and counseling for the start-up companies;
- Business incubators;
- Business services for the needs of SMEE;
- Support to business and professional training at SMEE;
- Promotion of the environmental management system and standard usage;
- Promotion of SME at a local level;
- Overview and simplification of regulations and acts in the competence of local self-governance units, which are of significance for the SMEE.

On the other side, what is currently mostly done is work on shaping and planning of the introduction of policies/instruments in the following areas:

- Financial support for the SMEE/Loan-Guarantee Scheme (most often insufficiently targeted);
- Financial support for the start-up companies;
- Harmonization of supply and demand of expert profiles and skills;
- Influence of SMEE over determining infrastructural priorities of significance for SMEE in the Capital Investment Program;

- Support to promotion of female entrepreneurship;
- Combined providing of services and information for companies;
- Support to the fair exhibition for SMEE;
- Creation of analytical basis for monitoring of SMEE and local business trends;
- Coordination of institutions in the preparation of development documents.

In the majority of involved municipalities, the specific policies and instruments are already being implemented in the following areas:

- Participation of SMEE in the environmental improvement (through LEAP or SEAP¹⁰);
- Standardization/certification of companies and products;
- Consultations between the public and private sector (frequency, influence, transparency)¹¹;
- The amount of utility charges and fees significant for SMEE;
- Overview and simplification of conditions and permits for the construction of facilities;
- Strategic development documents including the SMEE sector;
- Reduction of time and costs of registration of craft businesses.

However, the effects of the application of these policies/instruments are mainly not followed, often with an impression about certain dissatisfaction of participants from the private or public sector with the improvements achieved.

The assessment of situation according to this methodology shows, in terms of the final results, certain correspondence with the BFC methodology, by having two local self-governance units being the first that obtained the BFC in BiH, Prijedor and Sanski Most, being the first ones here as well, in terms of planning and introduction of policies and support instruments for the SME.

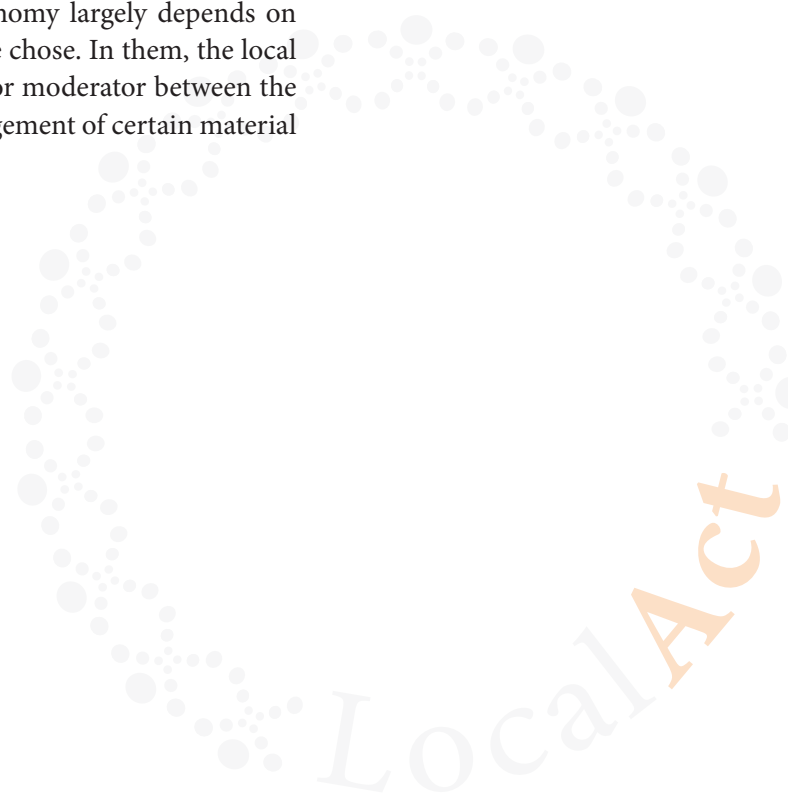
It turned out that the areas, for which there are still no defined policies, do not belong into the direct competencies of the local self-governance, therefore the local governments do not perceive them as issues they should streamline their resources on. On the other side, the areas where certain policies are

¹⁰ LEAP – Local Environmental Action Plan; SEAP – Sustainable Energy Management Action Plan

¹¹ It should be taken into account that these municipalities have mainly been involved with the projects, which, in their activities, have the support for establishing of economic councils, as well as that this date in no way can be representative for the LSGU in BiH.

already being implemented, belong to the direct local self-governance units' competencies (utility fees and charges, requirements and permits for building, registration of crafts, the environment, preparation of developmental plans/strategies). When the areas where the policies are only being planned and harmonized are looked at more carefully, it is seen that this is about issues that become the subject of increased attention of local institutions because of these two primary reasons: (1) increased interest to support the economy because of the growing unemployment (financial support, harmonization between the supply and demand of professional profiles and skills, creation of analytical surfaces to monitor local economy); and (2) involvement of things that are in the focus of support of international projects in BiH (female entrepreneurship, combined service providing, coordination of institutions).

By the application of the Act and Index at a local level, using the LocalAct methodology, the perception of local administration is expanded to the issues that have not been directly stated within the framework of competencies of local self-governance, but which are rather significant for the local economy, so that the local leadership and administration can define and award policies and resources for support. At a closer look, these are the things that belong into some sort of a "gray zone" in terms of competencies, namely, they are not explicitly defined in the competencies of any level of government in BiH. On the other side, the quality of business environment and competitiveness of economy largely depends on their proper setting and implementation, regardless to which point of view we chose. In them, the local government can, of course, be of help, primarily as some sort of a facilitator or moderator between the different actors from the public and private sector, and, then, by targeted engagement of certain material and financial resources for the improvement of these interactions.



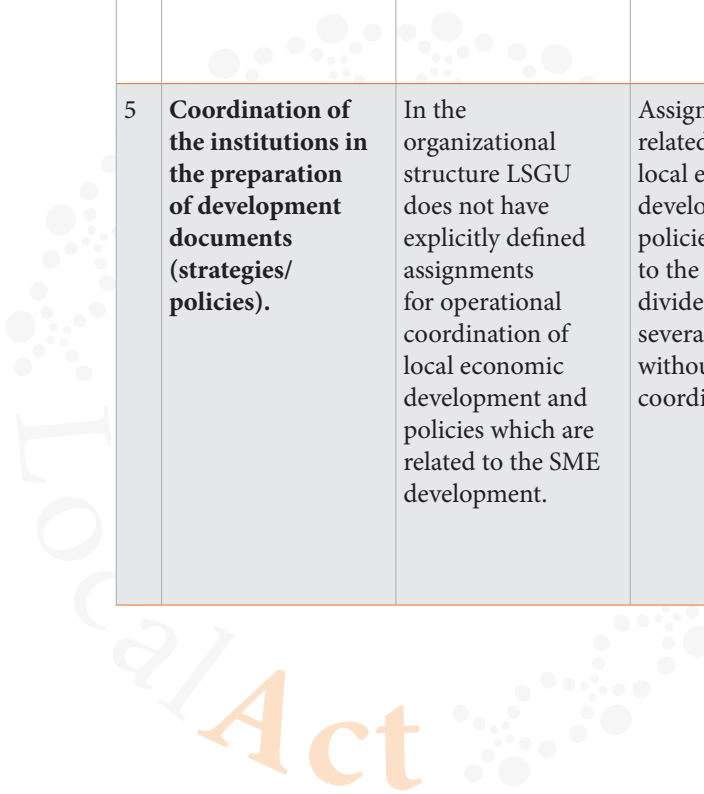
Attachment 1: Overview of Indicators for SMEE at the Local Level in BiH

I CREATION OF AN ENVIRONMENT FOR THE DEVELOPMENT OF ENTREPRENEURS AND FAMILY COMPANIES

		Level 1	Level 2	Level 3	Level 4	Level 5	Argumentation / verification
1	Entrepreneurial learning and secondary school education	Entrepreneurial learning in secondary school education is limited to ad hoc projects, which are not part of the main curriculum.	Entrepreneurial learning in secondary school education is limited to individual school initiatives.	Entrepreneurial learning makes an integral part of the education curricula of secondary schools, in the initial phase of introduction (the first year of application).	Entrepreneurial learning makes an integral part of the education curriculum of secondary schools, with trained teaching staff, teaching materials that are developed in cooperation with local companies.	Level 4 + active inclusion of local companies into the education process of entrepreneurial learning.	
2	Cooperation of the higher education with the business community.	No dialogue amongst the actors about improvement of cooperation of the higher education with the business community.	The initiative about establishing and regulation of cooperation of the higher education with the business community is under way.	The document on cooperation between the higher education institution and business community is prepared and discussed by the stakeholders.	Policy of cooperation of the higher education area and business community is approved by the key stakeholders. An action plan for the implementation of this policy is prepared.	The action plan is fully applied and there is a strong cooperation between the higher education area and business community.	
3	Policy of support to the promotion of female entrepreneurship (documents, training and financing)	Strategic document does not include policies of support to entrepreneurs.	Preparation of an appropriate strategic document to also include support to entrepreneurs is being done.	The strategic document foresees support to entrepreneurs, however, there is still no specific financial and non-financial support applied.	A greater part of support foreseen by the strategic document for entrepreneurs is realized. Activities on self-organization of business women – entrepreneurs are under way.	Foreseen support for female entrepreneurs is being realized in line with the plan. An association of business women – entrepreneurs is active.	

II DESIGNING RULES ACCORDING TO THE “THINK SMALL FIRST” PRINCIPLE

		Level 1	Level 2	Level 3	Level 4	Level 5	Argumentation / verification
4	Analytical basis for following SME	No well-organized databases of companies. No statistical indicators of institutes are used (statistical institute, employment institute), etc.	Database of companies is being made. Statistical indicators obtained from the competent institutions are used for the preparation of information/ reports on the state of the economy.	A well-organized database of companies that is timely amended and regularly updated (at an annual level), mainly on the basis of data from the Tax Administration (APIF/AFIP). It is used, together with available statistical data, for standard reports about the state of local economy.	Together with a well-organized database of companies and available statistical indicators, occasional surveys/interviews of companies are also used (at least once a month). Both types of data (secondary and primary) are used for monitoring of the state and needs of the SME, as well as for the preparation of analysis and reports.	Level 4 + usage of advanced analytical tools (providing assessment of competitiveness of the sector and SME), with evaluation of effects by applying the policies and instruments of support to SME.	
5	Coordination of the institutions in the preparation of development documents (strategies/ policies).	In the organizational structure LSGU does not have explicitly defined assignments for operational coordination of local economic development and policies which are related to the SME development.	Assignments related to the local economic development and policies related to the SME are divided between several units, without mutual coordination.	An established operational unit with clearly defined assignments for operational coordination of local economic development and policies, which are related to the SME development. Local entrepreneurs and investors have one address which they can contact.	An established and functional operational unit with clearly defined assignments for operational coordination of local economic development and policies related to the development of SME. Defined manners of coordination with other units and stakeholders.	Level 4 + an efficient mechanism for coordination of policies for SME, where the LSGU leadership actively participates, key organizational units, SME representatives, as well as local representatives of the organization of a higher administrative level.	



		Level 1	Level 2	Level 3	Level 4	Level 5	Argumentation / verification
6	Strategic development document (including local economic development and SME)	LSGU does not have a strategic development document, which includes LED/SME for the current strategic period.	The process of preparation and adoption of a strategic development document that includes the LED/SME. SME representatives participate in the preparation of the document.	LSGU Assembly/ Council has adopted a new strategic development document with an implementation plan.	Strategic development document is in effect and it is implemented (visibly from the realization report). The project and measures related to SME are realized mainly in line with the plan. A body was formed which coordinates and monitors implementation of the strategy.	Level 4 + active participation of SME representatives in coordination and monitoring of the strategy implementation. There are clear indicators showing progress in terms of the state and development of SME.	
7	Measures for fighting against informal economy and 'illegal employment'.	There are no systematic measures to fight against grey economy and 'illegal employment'.	A plan for fighting against grey economy and 'illegal employment' is being prepared.	A plan for fighting against grey economy and 'illegal employment' was adopted after consultations with the private sector.	There are proofs that the elements of this plan have been implemented.	Implementation of the plan advances well and a system for monitoring and measuring of success of fighting against grey economy is established.	
8	Frequency and influence of consultations between the public and private sector.	There are no records about held consultations between the public and private sector in the last two years.	Public consultations are performed only as an obligatory form of public debate when adopting significant documents (development strategy, spatial plan...).	Consultations with the private sector are implemented when bringing specific decisions and measures affecting SME business operations. The private sector has an opportunity to formally give comments to draft documents affecting business operations and development.	Consultations with the private sector are implemented already during the preparations of all the decisions and measures affecting the business operations of SME. There are proofs of incorporation of objections of the private sector into the draft decisions/policies significant for the business operations and development of SME.	Consultations are held on a regular basis, not less than on a quarterly basis, and all the significant decisions and documents that affect business operations of the SME and LED are considered. There are some proofs that suggestions are initiated by the private sector in terms of documents or measures implemented.	

		Level 1	Level 2	Level 3	Level 4	Level 5	Argumentation / verification
9	Representativeness and transparency of consultations between the public and private sector	There is no evidence about held consultations between the public and private sector in the last two years.	A very small number of the private sector representatives (or their associations) that does not maintain the local economy structure. There are no open calls or minutes of the consultations.	A greater number of enterprises and their associations is invited to consultations, without paying special attention about adequate structural representation of the local businesses. An open call, conclusions are delivered to the participants.	A greater number of enterprises and their associations is invited to consultations, paying special attention about structural representation of the local businesses. Attendance and participation of enterprises may be positively evaluated. The agenda and conclusions are available to the public (web, media)..	The main form of public and private sector consultations is a permanent Economic Council with active participation of all the significant representatives of the private sector, maintaining the structure of the local economy. Annual work plan and key information from consultations available to the public (web, media).	
10	Influence of SME to determining of infrastructure priorities significant for SME, in the program of capital investments (PCI)	Determining of infrastructural priorities for the program of capital investments is done through the usual public debates, without special opportunities for direct influence of SME to determining infrastructural priorities.	Small and medium size enterprises have a direct possibility to influence determining of infrastructural priorities in the program of capital investments, through the work of economic council and/or other specifically organized events.	Infrastructural priorities are defined in cooperation with SME, they are accepted and incorporated into the program of capital investments, with defined assignments, deadlines and resources.	Infrastructural priorities, defined in cooperation with SME, are implemented according to the Program of Capital Investments. Indicators of the Program of Capital Investments are monitored and possible corrective activities are undertaken.	Monitoring, regular updating and reporting about the realization of the Program of Capital Investments of significance for SME, not less than once annually at the economic council meeting.	

III DEVELOPMENT OF PUBLIC ADMINISTRATION RESPONSIVE TO THE SMEE's NEEDS

		Level 1	Level 2	Level 3	Level 4	Level 5	Argumentation / verification
11	Unified providing of services and information for enterprises	There is no providing of services to SME according to one-stop shop principle. Information about procedures for registration of enterprises and accompanying costs are not available on the website of LSGU.	There is no providing of services to SME according to one-stop shop principle. Information about procedures for registration of enterprises and accompanying costs are available on the website of LSGU.	Together with information about procedures for registration of enterprises and accompanying costs, at the same place on the website of LSGU are available information about the prices of utility services and fees, programs of support, incentives and facilities for SME. Cooperation with regional One stop shop is being established.	With all the relevant information, significant for registration and business operation of enterprises (given for level 3), notification about new information, changes and events significant for enterprises are sent electronically to all the interested enterprises. Obvious cooperation with the regional One stop shop.	Level 4 + all the registrations and procedures end at a one-stop shop, in the area of LSGU.	
12	The number of days for obtaining a decision on registration of a craftsman's business activity.	Registration is done in more than 30 days.	Registration lasts longer than 15 days, but less than 30 days.	Registration lasts longer than 5 days, but less than 15 days.	Registration lasts less than 5 days, but more than 1 day.	Registration in 1 day.	
13	The total cost for obtaining decision on registration of craftsman's business activity.	More than 250 Euros.	Less than 250 Euros, but more than 150 Euros.	Less than 150 Euros, more than 50 Euros.	Less than 50 Euros, more than 10 Euros.	Less than 10 Euros.	

		Level 1	Level 2	Level 3	Level 4	Level 5	Argumentation / verification
14	Overview and simplification of regulations and acts in the competence of LSGU, which are of significance for SME.	In the last 2 years, no overview and simplification was done of the regulations and acts in the competence of LSGU, which are of significance for SME.	A prepared overview of regulations and acts significant for SME that need to be simplified. Adjustment of the plan of specific simplifications and improvements is being done.	A plan of simplifications and improvements of the regulations and acts of significance for LSGU approved, with specific activities, deadlines, assignments and necessary resources.	Implementation of the simplification and improvement plan of regulations and acts is being successfully done.	Level 4 + application of SME test for bringing of new regulations and acts at a level of LSGU.	
15	Overview and simplification of requirements and permits for building of (business) buildings	Businessmen express their dissatisfaction with the duration and costs of obtaining requirements and permits for building. No overview of the process and possibilities for simplification and cost-effectiveness was done.	An overview of the process of obtaining requirements and permits for building is done. Preparation and harmonization of the plan of specific simplifications and accelerated process and cost decreases is being done.	A plan of specific simplifications and accelerations of the process for obtaining requirements and permits for building, with cost decrease, agreed on with the private sector and approved by a relevant local authority.	Implementation of the plan of simplification and acceleration of the process of obtaining requirements and permits for building is being successfully done. The application is being monitored and corrective actions are undertaken.	Level 4 + influence of simplifications and accelerations of the process are being monitored in the area of obtaining building requirements and permits to the satisfaction of businessmen and local economy (investments, employment, budget).	
16	The amount of utility fees and charges	In the last 2 years no harmonization of the price of utility fees and charges was done.	Preparation of a plan of reduction of utility fees and charges is being done, in line with the consultations done with SME.	The plan of reduction of utility fees and charges is prepared and approved, with specific activities, deadline and assignments.	Implementation of the plan of reduction of utility fees and charges is being successfully done. Differentiated amount of utility fees and charges introduced.	Level 4 + influence of reduction of utility fees and charges to operation of enterprises is monitored and corrective actions are undertaken.	

IV ADOPTING OF PUBLIC POLICY TOOLS TO THE SMEE's NEEDS P

		Level 1	Level 2	Level 3	Level 4	Level 5	Argumentation / verification
17	Business services for the needs of SME in LSGU	There is no overview of available business services in the area of LSGU (and close vicinity) nor an overview of the needs of SME for business services.	Preparation of an overview of available business services in the area of LSGU (and close vicinity).	Updated overview of available business services and their providers in the area of LSGU (and closer vicinity) available to SME. Examination of needs of the SME for possible new business services are under way.	Performed analysis of available business services and their providers in the area of LSGU (and closer vicinity) and the needs of SME. Preparation of a plan for providing the missing business services is under way.	The plan for providing of the missing business services is being successfully implemented. Comparison of available and missing business services is done on a regular basis (at least once in two years).	Higher levels of providing support can happen in the form of inter-municipal cooperation.
18	Training and counseling for starting-up enterprises.	No business training for new entrepreneurs nor information/ advisory support for starting-up enterprises.	Planned business training and/ or information-advisory services for starting-up enterprises.	Realized (being realized) basic forms of business training and providing of information for starting-up enterprises.	Realized a wider spectrum of business training services and advisory services for starting-up enterprises, with monitoring of effects.	Level 4 + mentoring for enterprises within the priority sectors.	
19	Business incubators	No incubator and no feasibility study for establishing it.	Feasibility study for establishing incubators on the LSGU territory done.	An incubator plan approved, its establishing under way.	The incubator in an experimental phase of work. Providing of basic services.	The incubator successfully functioning and is being further developed. Advanced level of services for its occupants.	
20	Financial support (vouchers, grants, guarantee fund, business angels).	No financial support to starting-up enterprises and no plan of establishing it.	A prepared plan for appropriate instruments of financial support for starting-up enterprises.	Financial support plan for starting-up enterprises is being partly implemented.	Financial support plan is being successfully implemented. Effects are monitored and support is improved.	Level 4 + examples of successful usage of "business angles".	
21	Business cooperation with the already existing companies (sub-contracting, spin-off...)	No work is being done on creation and facilitation of business cooperation between the starting-up enterprises with the already established companies.	Examination of the needs of the already existing companies for local sub-contracting and possible spin-off activities is under way.	Promoting of the needs of the already existing companies for local sub-contracting and possible spin-off activities is under way.	The first examples to ease business cooperation of starting-up enterprises with the already established companies are successfully realized.	Support to business cooperation between the starting-up enterprises with the already existing companies is being successfully done, monitored and improved.	

Higher levels of providing support can happen in the form of inter-municipal cooperation.

V FACILITATION OF ACCESS OF THE SMEE TO FINANCES AND STANDARDS

		Level 1	Level 2	Level 3	Level 4	Level 5	Argumentation / verification
22	Financial support to SME Credit-guarantee scheme	No financial support to SME, no feasibility studies for its establishing.	Financial support to SEM is provided in some sectors, but it is not sufficiently targeting and transparent, as is without monitoring of effects and justifiability of support.	Improvement of providing financial support to SME is under way, in terms of its better targeting and better monitoring of the effects and justifiability of support.	Improved financial support to SME is provided, with clear and justified target groups and full transparency of the process. Effects and justifiability of support are monitored.	Level 4 + higher forms of financial support in the form of a loan-guarantee fund, independently or with another LSGU. Clear indicators of support effects to the local economy (investments, employment, export) and budget.	<i>It is recommendable that this instrument is realized in the form of inter-municipal cooperation.</i>
23	Micro-finance institutions and leasing	No microcredit organizations nor leasing in the area of LSGU.	Microcredit institutions and leasing institutions exist at the level of pilot projects with a limited influence.	Micro-finance and leasing sector are present and operate in the area of LSGU.	Mikrofinansijske i lizing ustanove samoodržive. Posebna podrška za ciljne grupe kao što su mladi i žene preduzetnice.	Level 4 + a wide spectrum of micro-finance and leasing products.	
24	Standardization (introduction of quality standards/ technical standards of the EU in enterprises)	No certified companies nor organized support to introduction of standards in enterprises.	A small number of certified companies.	Leading companies in the main sectors have the necessary certificates.	In the main sectors, a majority of companies have the necessary certificates or they are being prepared for the process of certification. The program of support to certification is implemented and adjusted to the needs.	Level 4 + monitoring of the effects and support for the introduction of standards in the other sectors. Support program is constantly improved.	

VI INCENTIVIZING OF IMPROVEMENT OF SKILLS AND ALL FORMS OF INNOVATIONS

		Nivo 1	Nivo 2	Nivo 3	Nivo 4	Nivo 5	Argumentacija / verifikacija
25	Compliance of demand and supply of professional profiles and skills	No information about the state of (non)-compliance of demand and supply of professional profiles and skills.	Instruments for examination of enterprises about demand for professional profiles and skills are used.	Examined demand and supply. Adopted plan for compliance of education profiles, programs and skills, with activities, deadlines, implementers and resources.	Plan of compliance of educational profiles, programs and skills is mainly implemented according to the planned timeframe.	Level 4 + an established mechanism for constant compliance of educational profiles, programs and skills according to the supply on the labor market.	A higher level of providing support can also happen in the form of inter-municipal cooperation.
26	Support to business and professional training.	No information about priority needs for new business and professional knowledge and skills nor about the method of how to obtain them.	Enterprises are forwarded information about available business and professional training and their participation is monitored.	Established priority needs for new business and professional knowledge and skills. Competent institutions and specialized organizations should be informed with the needs.	Prepared support plan for obtaining of new business and professional skills. Implementation of the plan started.	The plan is successfully implemented. Effects are monitored and updating of the plan is done at an annual level.	
27	Support to innovation-oriented enterprises	No information about innovation orientation and needs of enterprises.	A database on innovation-oriented enterprises formed. Enterprises are forwarded information about programs and sources of support for business innovations and investments.	Active search and providing of support to innovation-oriented enterprises, in line with their needs. In addition to providing of information, this also includes connection of enterprises and know-how.	Level 3 + financial (budget) support to introduction of business innovations in enterprises.	Level 4 + a functional center for innovations and technology established.	

A higher level of providing support can also happen in the form of inter-municipal cooperation.

VII ENABLE SMEs TO TURN ENVIRONMENTAL CHANGES INTO BUSINESS OPPORTUNITIES

		Level 1	Level 2	Level 3	Level 4	Level 5	Argumentation / verification
28	Participation of SME in improvement of the environment/ energy efficiency	Environmental aspect is not included by the strategic document of LSGU.	Preparation of a local environmental action plan (LEAP, SEAP) is under way. Local SME are not included.	The environmental plan is prepared and harmonized with the local economy development plan. Local SME is included into the preparation and implementation.	Local SME are, substantially, included into implementation of environmental improvement projects and measures, with clear effects in terms of their business operation and development.	Level 4 + creation of new products and services with SME for satisfaction of growing demand in terms of environment / energy efficiency.	
29	Promoting of the usage of environmental management system and standards	No information specifically prepared for SME about the requirements and advantages of the system and standards related to the environment.	Information package related to the environmental issues and appropriate standards is being prepared.	Implementation of the plan of promotion of a system and standards related to the environment is under way, including advantages of their application.	Most SMEs in the key sectors and key population categories included into organized promotion of the system and standards that are related to the environment.	Level 4 + financial and professional assistance for the introduction of standards and preparation of SME projects.	



VIII INCENTIVIZING AND PROVIDING OF SUPPORT TO SMEs TO IMPROVE BUSINESS OPERATIONS ON DEVELOPING MARKETS

		Level 1	Level 2	Level 3	Level 4	Level 5	Argumentation / verification
30	Support to SME for exhibition fairs	No support to SMEs to attend exhibition fairs.	Ad hoc support to SMEs to attend exhibition fairs.	Implementation of programs of targeted support to SMEs to attend exhibition fairs, only within the country, is under way.	Implementation of programs of targeted support to SMEs to attend exhibition fairs, including Western Balkans regional fairs, is under way.	Program of targeted support is successfully implemented, which also includes attending specialized fairs for the key export markets.	A higher level of providing support can also happen in the form of inter-municipal cooperation.
31	Promotion of SMEs at a local/regional level	Promotion events happen at an ad hoc basis.	LSGU considers events of SME promotion and competent org. units prepare a draft calendar of events.	Approved new SME promotion events. There are clear indicators that all the participants are notified and invited to the coming events.	SME promotion events are held at a regular basis. There are clear indicators about a wider representation of participants and their presence.	Level 4 + clear indicators that the SME promotion events have improved the SME competitiveness.	



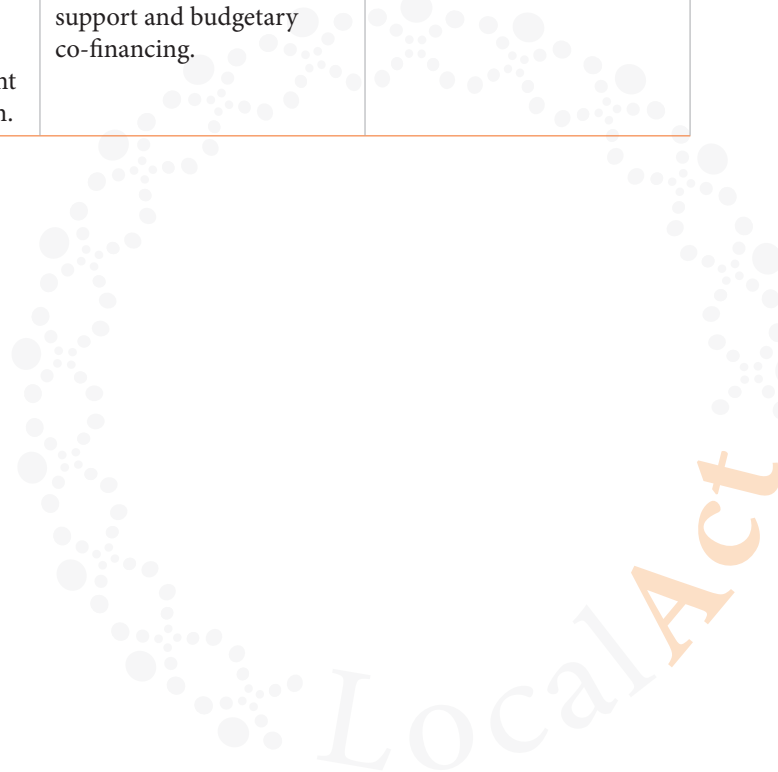
Attachment 2: Overview of Identified Priorities from the Point of View of Sensitivity and Feasibility

Indicator	Summarized description	Problem situation	Feasibility	Political sensitivity
Analytical bases for SME monitoring	To which extent the LED unit owns, updates and uses the organized data on companies, whether it turns them into information about the situation and potentials of local economy (eg. competitiveness), whether it uses them to assess the effect of local policies...	Complicated – initial engagement of experts necessary.	Easier intervention, requiring: - 2-3 of the interested persons at the LED unit and coaching support in the duration of 2 months, - Funds for purchasing of the base (e.g. Tron), - Capacities for the collection of primary data (implementation of “targeted” action research).	Not politically sensitive.
Measures to fight against informal economy and unreported employment	This usually appears as a request of the sector representatives that are oriented to the local market (construction, trade) or to the local resources (wood processing).	Initially, it should be treated as complex. Later it will probably move to the domain of complicated or, in time, obvious.	It is a hard to perform intervention, because of divided competencies of the inspections between the local and higher level, as well as inclusion of several relevant inspections. <i>Trial: initial workshop with the participants of different levels of government and local entrepreneurs about the topic of the informal economy problem and unreported employment.</i>	Politically, a very sensitive topic, as it gets into the ways of obtaining income for socially jeopardized categories (displaced persons, unqualified labor force...)

Indicator	Summarized description	Problem situation	Feasibility	Political sensitivity
Frequency and influence of the consultations between the public and private sector	Is there any real dialogue between the public and private sector or this is a one-way communication; how often it happens and what is its influence over the decisions on local economy and LED.	Initially, it should be treated as complex. If it is treated as complicated in the beginning (or unique), it can lead to giving up and disappointment of the private sector as a partner.	It is a hard to perform intervention, because of its complexity (at least in the initial phase) and different perception/perspective of the public and private sector. <i>Trial: start with interviews and workshops, so as to come to the lack of the market, management and cooperation (networking), for the purpose of a parallel change and adjustment of perception; workshops according to the interaction matrix between the public and private sector...</i>	A moderately sensitive topic, because of possible political party manipulations and politicizing (including of only “our” businessmen, “marketing” of the municipal mayor, etc.).
Overview and simplification of requirements and permits for building of (business) facilities	To which extent is it simplified, accelerated and made easier to obtain requirements and permit for building.	Complicated, having in mind that in the beginning, it is recommendable to treat it as a complex one, because of resistance of administration and possibly hidden corruption.	Moderately to more severely feasible intervention – it requires dedicated leadership and an internal team, with a temporary external support. <i>Trial: mapping of processes, testing and analysis of procedures for the issuance of permits for construction (business) facilities (if it is possible, during the concrete issuance of building permits).</i>	Umjereno osjetljiva tema zbog otpora administracije i moguće skrivene korupcije, te narušavanja stvorenih lokalnih monopola u gradnji.
Amount of utility fees and charges	To which extent the prices of utility fees and charges are adjusted to different needs and possibilities of local companies.	It is complicated, as it includes a professional support in order to get to the best solution that meets different interests.	It is an easily to moderately feasible intervention – it requires commitment of leadership and a good starting professional support. It is hard to perform in areas where the mayors come from the public sector.	A moderately sensitive topic, because of the need to cut politically caused costs (employment at public companies...)

Indicator	Summarized description	Problem situation	Feasibility	Political sensitivity
Standardization (introduction of quality standard/technical standards of the EU in companies)	Improvement of the situation in terms of the introduction of standards at companies and local support for export-oriented companies.	Simple, if it is accessed to in a fair and transparent manner.	It is an easily feasible intervention, if the budgetary funds for support can be ensured.	It should not be politically sensitive, unless there are manipulations.
Harmonization of supply and demand of professional profiles and skills	How to ensure harmonization of educational profiles, programs and skills according to the supply on the labor market. <i>LED units usually do not perceive this problem as a part of their competencies.</i>	Complex, because of contrary hypothesis about the causes of the lack of adjustment (the employers do not appreciate their labor force; parents and children do not appreciate production professions; professors do not have practical knowledge; no communication between the stakeholders...)	A hard to perform intervention, because of seemingly contrary interest and long duration of the process of changes of educational profiles and programs. <i>Trial: workshops according to the interaction matrix between businessmen and schools; improve the pupils' and students' practice at companies; organize professional training according to the priority demand.</i>	A politically less sensitive topic.
Support to business and professional training	How to ensure innovation of business and professional knowledge and skills at companies. <i>Unit for LED usually do not perceive this problem as a part of their competencies.</i>	Complicated – it requires previous analysis of the priority demand and planned interventions.	Moderate, requires an adequate professional support and budget co-financing.	Not a politically sensitive topic.

Indicator	Summarized description	Problem situation	Feasibility	Political sensitivity
Support to innovatively oriented companies	Is an organized support to companies provided in terms of mediation of information, business connection and know-how, at a local/regional level. <i>Units for LED usually do not perceive this problem as a part of their competencies.</i>	Complex – it requires a previous analysis of innovation practice and priority of the companies and adjustment to the forms of support.	It is a hard to perform intervention, it requires an appropriate professional support (and budgetary co-financing).	Not a politically sensitive topic.
Participation of SME to the improvement of environment/energy efficiency	To which extent are the local companies included in the implementation of projects and measures of energy efficiency/ environment.	Complicated, including the public and private partnership projects.	Moderate, it requires an appropriate professional support and budgetary co-financing.	Not a politically sensitive topic.
Promotion of SME at a local/regional level.	What is our support to the promotion of local companies at a local/ regional market.	Initially complicated, it requires a previous analysis of the sector and companies for the promotion and adjustment of the forms of promotion.	Moderate, it requires an appropriate professional support and budgetary co-financing.	Not a politically sensitive topic.



What should be started and in which way:

Start with fast improvements:	Start with trial activities:
<ul style="list-style-type: none">• Analytical basis for SME monitoring• The amount of utility fees and charges• Standardization (introduction of the quality standard/technical standards of the EU in companies)• Support to business and professional training• Participation of SME in the improvement of environment/energy efficiency• Promotion of SME at a local/regional level	<ul style="list-style-type: none">• Measures to fight against informal economy and unreported employment• Frequency and influence of consultations between the public and private sector• Overview and simplification of requirements and permits for building of (business) facilities• Harmonization between the supply and demand of the professional profile and skills• Support to innovation-oriented companies



Overview of Identified Priority Indicators /Measures /Instruments from the Point of View of Sensitivity and Feasibility

