Local Economic Development Tools

An introduction for Municipalities and Local Economic Service Providers in Bosnia and Herzegovina
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CONTEXT

After a decade of conflict and aid interventions largely aimed at regenerating basic infrastructure and housing, Bosnia & Herzegovina today is still an area of high unemployment and low incomes. Communities formerly dependent on large state factories, state led supply chains, and heavy industry have not yet been able to regenerate economically, and there is consequently widespread poverty, a limited tax base and subsequently under funded social policies.

It is widely recognised that there can be no return to the centrally planned system of the 1980s and that state businesses will continue to decline, leading to greater short-term unemployment and lower community incomes. The scope for state led action to address economic issues is limited in the new global economy - so action for change must come from outside the state.

In this environment the sustainability of return is limited and communities will continue to decline rather than regenerate unless rapid economic change takes place.

The message of this guide and the other "Quick Start Guides" prepared by the European Union Quick Impact Facility, is that the changes required can be made to happen through local action and the local support that Mayors and local agencies can provide to local small private entrepreneurs.

This handbook and our other "Quick Start Guides" draw on the experiences of mayors and local economic actors across Europe and other parts of the world in the last 20 years as they have confronted and started to overcome the issues of high unemployment and economic decline.
### Figure 1
Summary of typical problems, causes and solutions regarding economic activity

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INTRODUCTION

QIF’s Quick Start Guide Volume 1 is a guide to developing an economic strategy and sets out the "First Steps" in developing your capacity to promote the local economy.

This guide - Volume 2 - presents a list of quick start project ideas that can be undertaken by municipalities and other local or regional bodies to support the development of their economy and create private sector jobs. It can be used as an introductory "ideas list" to be kept in mind when thinking about your local economy and how to support those who can create jobs.

The list of project ideas is split into the four basic ingredients of economic activity:

- Capital (finance)
- Businesses or enterprise
- Industrial and other local infrastructure
- People/skills.

You could use these basic ingredients as themes for your economic action plan, and include specific tools in your priority actions. Alternatively you may wish to choose just one or two ideas that could make a difference locally and try to get them started immediately.

In this guide we also present a project proposal format, which you can use to develop your projects. It can be used to present your project to possible funding partners and colleagues when lobbying for funding and other support.

Before we present the list of tools in detail, it is useful to clarify what we mean by local economic development:
What is local economic development?

Local Economic Development (LED) is the process by which local authorities develop - with their local partners (other public organisations, business and non-governmental sector) - a better business environment; ie. they create the condition for private sector led economic growth and employment generation, from which all communities benefit.

LED is based on the principle that wealth in local communities is created not by government but by private enterprise which depends on favourable local business conditions to create prosperity. Local governments have the key role in creating favourable environments for business success.

Local Economic Development Today

The practice of Local Economic Development in Europe has evolved significantly in recent years. This in part reflects a move away from interventionist economic policies which were common in large areas of Europe up until the 1970s, and from which many parts of Eastern and South Eastern Europe are now also moving away.

Local or regional economic development used to be practiced through national policies with direct intervention in the economy through state controlled companies or through massive grants, tax breaks and subsidized loans for manufacturing investors.

Less interventionist and more holistic policies have since evolved. They aim to make the business environment more favourable with an increasing focus on "soft" infrastructure investments (e.g. human resource development, improvements to the legislative environment) as well as ensuring the right "hard" infrastructure is in place (e.g. sites and premises).
Modern LED policies take a more equal and facilitative role with the private sector. These are often developed through public/private partnerships, which aim to lever private sector investments for the public good.

There is an increasing tendency for these policies to be evolved at the local level, which is the scale at which many economic problems occur and at which some of the solutions can be found.

Economic development has thus evolved as a very important role of local government in many areas of Europe over the past 20-30 years.

The need for new thinking

Local Economic Development is about creating the right business environment - not about controlling individual companies and entrepreneurs. Think of your local business environment as a series of bridges which may be broken and which are preventing local businesses growing and new jobs being created. Typical problems are:

- Entrepreneurs cannot access finance
- Legislation prevents businesses from registering
- Businesses lack basic business management skills
- Businesses are not innovating
- There are no sites and premises readily available for businesses
- New businesses lack workshops or small locations to get started
- Business premises lack the right communal services
- Business premises lack the right transport infrastructure
- Lack of information on job opportunities and skills available locally
- Local people do not have the right skills for employment
- Inward investors are not attracted to your municipality
- Social problems prevent people from gaining employment.

You can usually mend these bridges by using the tools presented below.

Unfortunately it is often the case that most energy is devoted to failing state businesses rather than helping new small private businesses succeed. Many problems can be addressed simply at a local level, if the energy and commitment are available to support local economic development through small private enterprise.
Below is a list of tools or projects that are commonly used to rebuild some of the "bridges" mentioned in the Introduction. We also provide some examples of how these tools have been applied. Whichever tools you select for your local economy remember that it is also important to communicate with your citizens and local businesses. All your local economic development activities should be accompanied by publicity to inform your citizens, and to give them a genuine opportunity to participate.

Strong communication with the public will help create the image that you want private businesses in your municipality and will improve business confidence.
The lack of finance is a major barrier to business development
Tools to increase the local availability of finance

The lack of finance is a major barrier to business development. Municipalities rarely get involved in giving credit directly to companies. However there is much that they and other local agencies can do:

I) **Providing information to businesses on which credit lines are available locally and how to access business finance.** There are many organisations providing credit in B&H. These include banks and NGOs who may provide various forms of micro-credit. Little information is made available to businesses - but collating and providing this information is a relatively simple task.

II) **Establishing a credit facility in a non-profit structure**, by organising initiatives in the voluntary sector such as credit unions (see example 1) or setting up credit facilities through a Credit Board supported by the municipality (see example 2). This action can address a local gap in small and micro start-up funds and is quite simple to implement.

III) **Encouraging a private bank to open in your municipality**, by demonstrating to the potential bank that you have a clear plan to develop the local private sector economy (there will therefore be more business for the bank). Support to a bank in finding premises and dealing with planning and registration application can also encourage them to open a branch in your municipality. Banks are responsive to direct approaches.

IV) **Improving "access" to finance.** Many individuals find it difficult to complete business plans and provide the financial information required to secure credit. Your municipality can support the delivery of training on how to complete these simple tasks, perhaps in partnership with your local business association, or a local agency.
Example 1: Credit Unions in the United Kingdom

Credit Unions are financial savings and loan co-operatives where members make regular savings and can obtain loans at low rates of interest. They are owned and run by members who have a common bond, usually created by living in the same area or working for the same employer. Credit unions are community-led approaches to tackle the lack of credit often found in poor areas, due for example to lack of collateral. Most, except the very biggest, are entirely run by local volunteers who contribute significant amounts of time to handling the detailed administration involved.

In the United Kingdom credit unions are regulated by a special law. The Strathclyde Credit Union Development Agency was set up by the local municipality, as part of its anti-poverty strategy. In only eight years, this agency has helped to set up more than half of the 76 credit unions now existing in the area. More than 70,000 people in the West of Scotland now lend and borrow from local credit unions.
Example 2: The Use of Municipal funds for low-cost credit in Gorazde, Bosnia and Herzegovina

Gorazde municipality used the receipts from the sale of municipal-owned premises to set up a low cost credit facility for local companies, allowing them to expand their activity and create new jobs. The resources allocated to this fund totalled 320,000 KM. A loan is conditional upon companies registering in Gorazde municipality and employing new workers.

A Credit Board was established to manage the fund, with the Economic Secretary of the municipality as president. Privredna Bank Sarajevo was invited to sit on the Credit Board. They provide their expertise in managing credit and are in charge of managing the payments. As with normal credit applications, borrowers need collateral and a guarantor for the loan.

The interest rate for the credit is 6%. 3% is charged by the bank to cover its services and 3% returns to the fund. The return period is 5 years. Credits range from 8,000 KM to 16,000 KM and the micro-business starts have to employ 1 or 2 people depending on credit amount. A person employed by the business has to be employed for a minimum of 5 years (the credit return period).

More than ten credits have already been approved. Repayments will be used to fund new credits. It is estimated that 40 new local jobs will be created in the first cycle of credits. This cycle consists of 9 credits to the value of 16,000 KM and 22 credits to the value of 8,000 KM.
1) Improving the legislative/micro-economic environment

Probably the most important reason for the poor performance of the private sector in B&H - as well as in many other transition economies - is the poor legislative environment. There are three areas where legislation created or enforced by a municipality can affect the performance of businesses:

a) Business Registration Procedures
b) Municipal Tax Collection
c) Business Regulation (health & safety inspection, workers protection etc.)

How can a municipality reduce the burden of this legislation?

There are three ways:

1. By reducing the time it takes to process applications by the municipality
   In many municipalities in B&H, it is necessary to visit six or seven offices in order to register. But a few municipalities have managed to reduce this to one. Where do you have to go to register a business in your town? Is it more than one office?
2. **By reducing the cost to business (except when tax collection is the actual aim of the legislation)**

Local charges can be reduced to a minimum level - they currently vary from less than 100 KM to more than 2000 KM for a micro business. What does your municipality charge?

3. **By reducing the complexity** of the legislation imposed on businesses (how many forms do they have to fill in, how long does it take to complete etc). The number of pieces of paper that a business has to complete or provide can be reduced substantially - currently this varies from 3 or 4 in progressive municipalities to 12 or 15. How many forms does your municipality require?

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<th>Most Frequently Used Incentives</th>
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<td>In the USA local and regional authorities use financial incentives to encourage new investments by businesses. The following is a summary of typical incentives offered to a sample of companies:</td>
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<td>Property tax rebates</td>
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<td>Tax credits</td>
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<td>Sales tax rebates</td>
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<tr>
<td>Job training</td>
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<tr>
<td>Preferred financing</td>
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<tr>
<td>Employment or payroll tax credits</td>
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<tr>
<td>Utility rebates</td>
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<tr>
<td>Other</td>
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The aim should be to move towards a system that is:

- **Fair** - it affects all businesses equally
- **Efficient** - it imposes minimum administration requirements on public bodies
- **Simple** - it is easy for companies to understand and comply with requirements
- **Permissive** - it does not provide a barrier to companies registering or getting on with their daily business activities.

Many municipalities will argue that there is little they can do, since they
merely implement legislation that is decided at a higher level. However, it is important to remember that most job creation in transition economies comes from new and very small companies - and that municipalities in B&H do have the power to change legislation in relation to crafts and other small companies. For larger enterprises there is much that can be done to provide clear information on procedures and help businesses with any problems they encounter. For more information about what you can do, take a look at our Quick Start Guide Volume 1 - First Steps in Local Economic Development.

Be in no doubt that there is substantial scope for local action, but a commitment to change is what is most needed.

2) Business Development through delivery of business support services

Many companies fail in their early years due to a lack of simple business knowledge in areas such as finance, management and legal requirements - even though their business ideas are often good. Small companies and start-ups have a poor record of using outside help in these areas, often due to their expense, but sometimes just due to lack of awareness. It is important to ensure that local business support services are available and properly publicised.

You could:

- **Support the establishment of a local business association, which could provide business advice to start-ups** (on things like accounts and markets).

  Business Associations can often make a real difference if they receive support and encouragement from their municipality. Training for existing business associations is important and can often be available through support from the local international community.

- **Encourage a private local business consulting company or a business-aware NGO to work in your municipality and deliver these services.**
Examples of such agencies in B&H include the EDA in Banja Luka, TALDI in Tuzla, Aldi in Gorazde. There are many others across B&H. These organisations are now coming together in B&H to form a network of local economic services providers (LESPnet). You should be able to make contact with one of these organisations and discuss a services contract if there is no existing provision. Publicity on these and other resources is available from the European Union offices, from OHR offices, and from the Quick Impact Facility. Contact details for LESPnet local representatives are listed on the inside back cover of this guide.

- **Set up a municipal one-stop-shop in your local economy department, in order to ensure information is available to support businesses.**

This can be done quite easily - even without changing the current structure of your council - by appointing a single officer of the council who will deal with all business enquiries and guarantee to handle them quickly and efficiently. This should include dealing with all other internal branches and officers of the municipality on behalf of all the businesses in the area and it could include a special phone number for business enquiries. Of course this should then be publicised regularly.

Appoint a single officer of the council who will deal with all business enquiries and guarantee to handle them quickly and efficiently
Example 3: Establishment of a Management Centre by Bosanska Krupa Business Association

The Business Association in Bosanska Krupa was established in the Summer of 2000, as a voluntary independent association, working for the interest of private business in the town. By March 2001 it had 350 members and had quickly developed a role in advocacy to improve the business environment at the municipal and cantonal level. The association found that one of the problems that its members encountered, especially micro and small businesses, was access to good business advice in areas such as legal advice, accountancy and strategic and management issues. With start-up financial support from QIF and the donation of a building from the municipality, the Bosanska Krupa Business Association set up a Management Centre providing the following services:

1. Support to returnees' businesses; realising the potential of returnees to add to the economic life of the town, the Management Centre helps returnees restore their ownership of their businesses and assets (where appropriate), reregister their businesses if they want to relocate to Bosanska Krupa, or register new companies if they want to start new ventures.

2. The provision of legal assistance; primarily with respect to registration, re-registration, contracts and representing businesses at the Court.

3. A business advisory service and management assistance; support to entrepreneurs in setting up new businesses, finding credit, initiating joint projects and writing business plans and project proposals.

4. A book keeping/accountancy department; to assist businesses with completing and maintaining their annual accounts.

To undertake this programme of activity the association employs 3 full time staff. The aim of the service was to become self-financing within five months of establishing itself, with the costs of the association covered by membership fees and charges for the above services.
3) Promoting innovation & diversification

Successful companies continually improve their products and their production methods and try to seek new markets. It is important that you support this creativity. Thus services to promote diversification (when companies develop new markets) and innovation (where companies design new products or services) deserve special attention. Projects could be developed which:

- **Give awards to innovative and diversifying companies.** You could do this by holding an annual prize ceremony for successful companies and individuals, possibly in cooperation with your local business association.

- **Give specific grants to companies that innovate or diversify.** If a company is moving into a new market with no other competitors locally, it may be worth seeking additional support in terms of a grant from a donor.

- **Develop better business linkages.** Companies often need encouragement to co-operate and make linkages amongst themselves. Successful local economies are often based on “clusters” of companies that co-operate

![Figure 2](image.png)

A pharmaceutical industry innovation network

- Focal company
- Other organisations
- Focal relationships
- Other direct relationships
- Indirect relationships

Encourage local companies and organisations to cooperate and make linkages amongst themselves.
with each other to launch new, better and cheaper products. If an area has particular economic strengths, a municipality can initiate forums to consider how local companies can improve the linkages between them. For example local food processors can be encouraged to cooperate with producers to buy more local products (see example 4).

- **Give good businesses regular publicity.** Most newspapers and local radio and TV stations are keen to feature businesses that are creating new jobs. This can stimulate other businesses to do better. The municipality or business association are well placed to organise media cover, since they are more likely to be able to get it for free.

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**Example 4: Increased Market Linkages in Gracanica Municipality**

One of the key economic strengths of the Gracanica area is the presence of established food processors (eg. Vega fruit, Corn Flips, Gracanka and Majevicanka). All are operating successfully and increasing production. Unfortunately local food producers were insufficiently aware of the possibilities offered by these producers and were not sufficiently organised to sell their products to these major buyers. Most local food producers were operating in a semi-subsistence fashion, only selling produce to very localised markets.

The Municipality of Gracanica worked with these producers and food processors to establish an independent agricultural association that would support production and improve the linkages between the two groups. The association now provides the following service to farmers:

1. Training in the use and application of modern production techniques
2. Joint purchasing of seed, fertilisers and other raw materials on behalf of farmers
3. Information to farmers about market needs and advice on which crops to plant and where to sell their produce
4. Establishing and improving the linkages with local food processors.

The agricultural association started its work with financial support from Gracanica municipality and QIF. In time it plans to charge membership fees to producers in order to improve its own sustainability.
4) Marketing and Promotion: Attracting new start-up businesses, business inward investment & helping sell more local products or services

Municipalities can play an active part in marketing a locality by:

■ **Actively promoting the municipality as a good place to start a business or as a good location for new business investment, even for companies wishing to relocate within Bosnia and Herzegovina.**

You can do this in various different ways:
- Through the media
- By producing a very simple brochure (businesses do not like big documents)
- By setting up a informative website
- By targeted direct mailing to businesses (this may be useful to develop a specific local resource).

■ **Providing investors with free or cheap land, with the right business infrastructure, or through supporting or funding training of the local workforce** (see examples 5, 7 and 9).

Often the deciding factor in where a business locates is very simple - suitable premises, access to utilities, simple registration procedures and trained and willing staff. A municipality can influence all of these factors.

■ Once business investors have established their business - **developing "after-care" services to ensure the investors stay and invest further in their facilities.**

In other parts of Europe the majority of new jobs come from existing small business investors - and the best way to get those jobs open quickly is to know your local businesses well and find out what they need to expand. This costs nothing but time to get started - indeed you can often do this with the support of your business association or local economic service provider.
Marketing local products and services.

Taking the lead in promoting and marketing local produce or establishing local quality labels and standards is a very useful local government function to help small businesses, or the local business association develop bigger or new markets (see example 6). In other parts of Europe this has had a big impact on activities like high value agricultural product sales and tourism.

Figure 3
Studies in Great Britain have shown that availability of sites and skilled labour are the main reasons for investors to choose specific location.
Example 5: Supporting Inward Investment in Kotor Varos Municipality

The municipality of Kotor Varos received a request from an Italian textile company interested in establishing a factory to provide material for Nike shoe wear.

The company was also researching the possibility of locating in two other areas of Bosnia & Herzegovina. Kotor Varos municipality decided to prepare a package of support to ensure the company located within its municipality.

This included:
1. Donation of the site to the company
2. Exemption from communal taxes.

Those taxes that were collected from the company would be used for improvement to the road, electrical connections, and other site infrastructure.

This package was sufficient to convince the company to locate in Kotor Varos municipality - thereby creating 250 new jobs locally. The municipality is now considering measures to support supplier companies setting up with the locality.

Example 6: Marketing Local Produce in Bijeljina Municipality

The Semberija region produces a wide range of agricultural products. Although high quality products were being produced locally, the municipality's economic department realised that the products were poorly marketed and therefore often only sold in local markets. The municipality recognised the opportunity to support producers by coordinating regional marketing activities and developing an organic food cluster - thereby increasing exports.

Working in partnership with the local agricultural business association, the municipality created a logo to represent the region's products. It also took the initiative to promote these branded products at trade fairs and exhibitions. These marketing activities will lead to higher added-value exports from the area, bringing money into the local economy and creating new jobs.
Tools to create the local infrastructure for economic growth

1. Support the clearing and preparation of sites for economic activity/property development

Much of the land and unused premises available in Bosnia and Herzegovina is not readily available for business use, despite being plentiful. This may be due to ownership issues or unsuitability. A municipality should ensure that there is a stock of land available for business use. Remember that different businesses need sites of different sizes. It is not important who owns the sites or buildings - just that there are spaces available for businesses to use. Thus you could:

- **Provide a property database.** Draw up a local "land plan" identifying what land and premises are unused, which types of sites and premises are available for business use, which sites are "readily available" and what further sites or premises are needed to meet business needs. Make this publicly available and publicise both the existence of the database and the available sites/buildings.

- **Support the development of new business parks and premises to meet business needs.** Often this needs only superficial landscaping and building preparation to make premises suitable for occupancy. In most areas there will be a building or construction company willing and able to partner the municipality or to buy and prepare the land, so that the objectives of providing space can be met at little public cost.

- **Market specific sites to investors and relocating companies.** This could be undertaken together with a local business association, a local service provider, or by letting organizations such as FIPA (the foreign investor programme for B&H) know that they are available. At its simplest, marketing involves advertising in the business section of newspapers and magazines; or you can be much more specific and target particular businesses relevant to your area.
Example 7: Free Land for Businesses in Ljubuski

As part of its activities to support the development of the private sector, the municipality of Ljubuski developed a package of support available to those wishing to start production-orientated companies. In order to stimulate investment the mayor offered land owned by the municipality to any company that was able to invest in new production facilities. The land was provided rent-free, and no communal charges were levied. Several companies have since opened in Ljubuski and around 500 new jobs have been created. In addition, private sector investment has led to the reconstruction of 80 buildings and some houses. The municipality also simplified the registration procedures and offers help throughout the process.

2. Providing and managing accommodation for business (e.g. business incubators)

High rent, a lack of small units and long leases often present major barriers to business start-ups or small businesses. In order to meet the needs of these types of business, small managed workspace units can be created out of larger, often unused buildings.

Business incubators often have business advice services located in the building to help companies through the first years of their operation. (A "Quick Start Guide, Volume 3 Establishing Business Incubators" will shortly be published by QIF).

Most areas of Bosnia and Herzegovina have empty industrial premises close to town centres (for example unused factories) that can be easily and cheaply converted into business incubators.

Business incubators often have business advice services located in the building to help companies through the first years of their operation.
Example 8: Gradacac Business Incubator

The incubator in Gradacac was created by an association of displaced people from Modrica - NBR. The incubator occupies a large former school which sustained extensive damage during the war and which was scheduled for demolition. The building, owned by the municipality, was leased to NBR for a nominal rent of 1KM per month. Initially this was for one year, but it has so far been extended annually.

The incubator contains about 24,000m$^2$ of very basic managed workspace. Beneficiary businesses pay rent under flexible agreements at around 1.5KM/m$^2$/month. The beneficiaries are supported with legal advice and help with business registration, low rents, liaison with NGOs, legal advice, business and financial planning, counselling, access to funds and a business training programme. The Gradacac incubator houses businesses that employ 240 people.

Grada~ac Business Incubator - Despite the external appearance, this incubator houses a range of businesses that employ a total of 240 people.
3. Prioritising the development of local environmental services (for example increased water supply, waste water treatment and waste collection)

Improving local environmental services may help to:

- Speed up the development of unused business sites
- Increase the number of business start ups on a site

Few or poor environmental services can hinder local economic growth, by preventing businesses from starting up or expanding their activities as quickly as they otherwise could. In addition, poor water systems can damage the environment and make the local area an unattractive place for businesses to locate - as well as to live and work. Such infrastructure projects require capital planning skills, ie. the ability to budget properly and possibly to seek loans that will be repaid through user charges. Fair user charges are important; businesses should not be overcharged as a means of tax collection or subsidising household users.

Experience elsewhere shows that without good quality utilities business will locate elsewhere, or will not grow quickly.

4. Supporting the development of infrastructure for businesses such as better, roads and public transport, gas, electricity and telecommunications

If it has adequate resources, a municipality can act independently; otherwise it can lobby public companies to act quickly. A key role of local economic development leaders is to ensure that business sites and premises have appropriate transport connections so that businesses can move their products and raw materials and workers can get to work. In the global economy high quality low cost telecommunications are vital. Experience elsewhere shows that without good quality utilities business will locate elsewhere, or will not grow quickly.
Tools to develop human resources and training activities

1. Job matching services

Local surveys have shown that many jobs in Bosnia and Herzegovina remain unfilled because businesses can’t find the right people to fill them. This may simply be due to a lack of good information being made available to potential employees. Your local employment bureau - with support from the municipality, private employers and service providers - can provide this service by:

- Asking businesses which skilled people they need
- Marketing itself as a place where job vacancies can be advertised for free
- Informing unemployed people about job opportunities suitable to them.

Often this will cost nothing and can be quickly started through action by existing local municipal employees.

2. Vocational training

Vocational training is training that provides skills for a particular job. It can be delivered by a school, college, business association or other agency. It is very simple to start if you know what skills local businesses need. Projects could:

- Establish local learning partnerships between businesses, training providers, the employment bureau and municipality to improve the flow of information on which skills exist and what businesses need.

- Set up training facilities for vocational training in empty schools or old buildings. Training based in the work place may also be appropriate and easier to implement.

- Improve IT skills training in schools and colleges. In the global marketplace IT skills that have developed in the last decade are and will be at a premium. They are also in short supply in Bosnia and Herzegovina.
Helping and encouraging schools and colleges to develop business-related IT skills training may be a way to get started - and often people are willing to pay for this training themselves.

**Example 9: Gradacac Training for Tourism**

In April 2001 the municipality of Gradacac developed its strategy to support the private sector. The strategy was based on the development of SMEs, building on the comparative advantages of the area in agriculture, tourism and culture. Through regular partnership meetings between the municipality and entrepreneurs the idea of supporting three new local hotels emerged. The municipality chose to support the development of these hotels by training potential hotel employees. The training would:

- Improve the likelihood of success for the hotels
- Increase the chances of employment for local people
- Increase the attraction of Gradacac to tourists.

The tourism project will work with the local employment bureau to identify 70 people for training as tourist guides, cooks, waiters and hotel managers. The training will be undertaken locally, using experienced local trainers. The total cost of the training is 7,000KM.
Figure 4

Employment services in the USA have developed pathways to employment for job seekers linking counselling skills, training and work experience schemes.

- Assess individual’s skills
- Support individual to search for a job
- Employment
  - Identify barrier to work. Agree “Employment Development Plan” with individual
  - Database of jobs available and skills shortages
  - YES Remove from register
- 1. Refer to health, social or community services
- 2. Basic skills training (writing, reading, etc.)
- 3. Vocational training
- 4. Work experience or “on the job” training
- 5. Counselling in job search techniques
- Further support to search for a job
- Employment
  - YES Remove from register
- NO
  - Reassessment of Employment Development Plan
Community Economic Development

A specific community - a small area within the Municipality for example - may be in a particularly poor situation and require specific action, covering social interventions as well employment activities. You can set up a local partnership in a village or a small town to tackle specific local areas, or target those excluded from the labour market - for example groups like older or disabled people.

It is useful to work with NGOs and voluntary groups who have direct contact with or are based in these communities. Actions like housing improvement and developing community activities can be part of Community Economic Development activity as long as they are part of an overall strategy to support the development of business-related sustainable jobs. These policies can also help returnee groups to reintegrate.

Often the best way to get started is to call a public meeting and ask all groups to suggest proposals for local action.
HOW TO DESIGN AND PRESENT AN LED PROJECT

Local Economic Development funding is very often hard to find without concrete outputs in jobs and incomes in the private sector. You will have to make convincing arguments to your municipal council and other funding partners to convince them that your project is worth supporting. This section provides a guide on how to present a local economic or business development project proposal, using a clear, simple format:

**Project Proposal: Name**

1.0 Background and Justification

<table>
<thead>
<tr>
<th>Short paragraph including only relevant material:</th>
</tr>
</thead>
<tbody>
<tr>
<td>■ Present the socio-economic situation of the municipality/area/project, its key problems and opportunities.</td>
</tr>
<tr>
<td>■ Discuss the vision you have for the development of the local economy or the project and how it fits your strategy.</td>
</tr>
<tr>
<td>■ Present the activities that you have undertaken and are undertaking to develop the local private sector economy.</td>
</tr>
<tr>
<td>■ Introduce the project out of the above discussion, demonstrating the need for and justification for the project.</td>
</tr>
<tr>
<td>■ Outline the key activities of the project. If private companies are involved refer to the market and to management capabilities.</td>
</tr>
<tr>
<td>■ Introduce the other partners you will work with and the partnership arrangements you have.</td>
</tr>
<tr>
<td>■ Note who will benefit from the project and how.</td>
</tr>
</tbody>
</table>
2.0 Objectives

Identify the two or three main objectives of your project. Ideally the reader will be able to follow these through to the relevant activities, the budget, etc., in the rest of the proposal. Think carefully about this section, since clear objectives help to make a good proposal. The objectives should be SMART - Specific, Measurable, Achievable, Realistic and Time-bound.

Example:

Objective 2.1: to prepare 5 units with 100m² of workspace for business use by October 2002.

Objective 2.2: to provide training in accountancy, finance and management to 5 start up companies by November 2002

Objective 2.3: to create 20 jobs in 5 SMEs by January 2003

(Please note these are just sample objectives and are very unlikely to apply to the project you are proposing.)

3.0 Activities

This should be a description of how the objectives are going to be achieved.

Show that you have thought through in detail how the project will be implemented and say how you will tackle any problems that might occur.

You should break the project into a small number of Activities, (Activity 1, Activity 2 etc.) - following the main structure of the project. Try to link each activity to one of your stated objectives.

Later on, link inputs, budget and outputs to the same activity and objective. It should therefore be possible to allocate specific costs and outputs to specific objectives, activities and inputs.
4.0 Inputs

This is where the budget comes. Include a table similar to the sample below, making sure you have included who would be paying for what. This could be split into:

- Input committed by the municipality
- Input committed by private businesses (if relevant) and other partners
- Input requested from the donor.

It is vital to include expertise and human resources as well as funds.

How many budget lines you include under each title/activity heading, depends on the nature of the project. Break up the costs under different accountancy headings: e.g. staff costs, infrastructure investment, equipment purchases, external consultancy etc.

<table>
<thead>
<tr>
<th>Item</th>
<th>Total Costs (KM)</th>
<th>Municipal Input (KM)</th>
<th>Input from other partners (KM)</th>
<th>Request from donor (KM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1 Title for this section of the budget. (This could be a few words relating to your first Activity.)</td>
<td></td>
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<tr>
<td>Sub-Totals</td>
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<tr>
<td>4.2 Title for this section of the budget. (This could be a few words relating to your second Activity.)</td>
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<tr>
<td>Sub-Totals</td>
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<tr>
<td>4.3 Title for this section of the budget. (This could be a few words relating to your third Activity.)</td>
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<tr>
<td>Sub-Totals</td>
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<tr>
<td><strong>Total</strong></td>
<td></td>
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</tbody>
</table>
5.0 Results (Outputs and Impacts)

Depending on the nature of the project, either use bullet points or simple tables to show the planned outputs. As usual it is good if you can keep these related to each of the Activities of the project. Distinguish between outputs and impacts as follows:

1) Outputs are related to the completion of the project's activities, for example the training of 20 business people or the clearing of 200m² of land for business use.

2) Impacts are related to the end result the project hopes to achieve, e.g. the creation of 40 new jobs, or the creation of 10 new businesses.

You may also want to present qualitative outputs and impacts. Qualitative statements describe more general improvements, such as "improvements in the business environment through...", "development of partnership working by...", etc. Qualitative statements should be made as specific as possible.

6.0 Implementation

A simple table is an easy way to indicate how the project may be phased and will provide a basis for reviewing progress according to plans during the project. For example a project could be delivered according to the following schedule:

<table>
<thead>
<tr>
<th>Months after project start</th>
<th>1.</th>
<th>2.</th>
<th>3.</th>
<th>4.</th>
<th>5.</th>
<th>6.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activity 1</td>
<td></td>
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<tr>
<td>Site Clearance</td>
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<tr>
<td>Reconstruction work</td>
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<tr>
<td>Activity 2</td>
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<tr>
<td>Delivery of Business</td>
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<tr>
<td>Support Services</td>
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<td></td>
<td></td>
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<tr>
<td>Creation of Jobs</td>
<td></td>
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</tr>
</tbody>
</table>

(Obviously, the above is merely an example and does not indicate the length of time such activities should take and how your project should be designed).
7.0 Management

Comment on who will take responsibility for managing and implementing the project, and how the project will work with any partners involved in its implementation. You should include how any procurement will be managed and demonstrate transparency in any financial transactions.

8.0 Risks, assumptions and sustainability

It is important to mention briefly the main issues that could influence the project not achieving its desired impact. These could relate to aspects of the market, the political situation, project leadership, and the response from businesses, etc. Be as realistic as possible.

An honest discussion of problems shows that you have considered how to tackle them and therefore minimise the risk. All good projects involve an element of risk and few projects can be seen as very low risk.
Further information and Advice on Tools for Local Economic Development

With 20 - 30 years of experience to draw on worldwide there are a multiplicity of information resources available to be adapted for local use in Bosnia and Herzegovina. Mayors, local actors in economic development and increasingly governments in some European countries are beginning to learn from each other and provide and share information about "what works".

Some up-to-date information, advice and support can be gained from local economic development projects in neighbouring regions such as in Slovenia (for example Kranj Business Advice Service), Hungary (for example Business Centres in most major cities) and Italy (for example Emilia Romagna Observatory, Turin). In Bosnia and Herzegovina there are a number of small projects starting to develop positive directions in Tuzla, Zavidovici and other areas.

Among the best sources for general information is the World Wide Web - but often you have to know what you are looking for. Far more useful if you are seeking to devise a project plan to make a difference locally is to speak to a local service provider, and to approach the Ministry of Trade (in the Federation), Ministry of Economy (in the RS) or the Ministry of Trade and Foreign Economic Relations (state-level). These Ministries are now trying to develop programmes in concert with international agencies to address the needs of local businesses.

Details of locally available business and employment advisors are included at the back of this guide. For useful information about economic development including other publications and project ideas, visit the QIF website at www.qif.ba
## Some Local Economic Development Websites

<table>
<thead>
<tr>
<th>Organization/Entity</th>
<th>Description</th>
<th>Website</th>
</tr>
</thead>
<tbody>
<tr>
<td>OECD - Organisation for Economic Co-operation and Development</td>
<td>The OECD supports economic and social policies for the better wellbeing of people.</td>
<td><a href="http://www.oecd.org">www.oecd.org</a></td>
</tr>
<tr>
<td>UNECE - United Nations Economic Commission for Europe</td>
<td>The UNECE supports economic and social policies for the better wellbeing of people globally.</td>
<td><a href="http://www.unece.org">www.unece.org</a></td>
</tr>
<tr>
<td>International Economic Development Council</td>
<td>It is the largest membership association serving economic and community development professionals and those in allied fields.</td>
<td><a href="http://www.iedconline.org">www.iedconline.org</a></td>
</tr>
<tr>
<td>The Internet-Service of the IHK/AHK</td>
<td>It supports you when sourcing products and services, new customers, clients or business partners with the help of an up-to-date databank.</td>
<td><a href="http://www.e-trade-center.com">www.e-trade-center.com</a></td>
</tr>
<tr>
<td>International Finance Corporation</td>
<td>It promotes private sector investment in developing countries, which will reduce poverty and improve people's lives.</td>
<td><a href="http://www.ifc.org">www.ifc.org</a></td>
</tr>
<tr>
<td>SEED</td>
<td>It strengthens small and medium enterprises (SMEs) in Bosnia and Herzegovina, Albania, FYR Macedonia, and Kosovo.</td>
<td><a href="http://www.ifc.org/seed">www.ifc.org/seed</a></td>
</tr>
<tr>
<td>Southeast Europe Business Network</td>
<td>It provides information and advice for the current and future businessmen of all profiles, including registration of the companies in both entities, credit lines, expert contact information in various fields, etc.</td>
<td><a href="http://www.seebiz.net">www.seebiz.net</a></td>
</tr>
<tr>
<td>The Small Enterprise Education and Promotion (SEEP)</td>
<td>It supports micro and small enterprise programmes in the developing world.</td>
<td><a href="http://www.seepnetwork.org">www.seepnetwork.org</a></td>
</tr>
</tbody>
</table>

This page lists and rates electronic resources related to enterprise creation, incubators, and self-employment initiatives.
Useful Contacts

European Commission 033 666-044
FIPA 033 278-080
Institute for Economy (Economic Faculty in Banja Luka) 051 468-518
Institute for Economy (Economic Faculty in Biha') 037 322-511
Institute for Economy (Economic Faculty in East Mostar) 036 570-731
Institute for Economy (Economic Faculty in West Mostar) 036 322-668
Institute for Economy (Economic Faculty in Sarajevo) 033 260-820
Institute for Economy (Economic Faculty in Tuzla) 035 283-108
Ministry of Economy of RS 051 218-729
Ministry of Foreign Trade and Economic Relations 033 445-911
Ministry of Trade of F B&H 036 310-148
Office of High Representative 033 283-500
Quick Impact Facility - Head Office 033 230-025
SOROS 033 657-190
UNDP 033 665-695
United Nations 033 496-000
USAID 033 667-900
World Bank 033 440-293

Glossary

B&H  Bosnia and Herzegovina
EU  European Union
F B&H  Federation of Bosnia and Herzegovina
FIPA  Foreign Investment Promotion Agency
LED  Local Economic Development
NGO  Non Governmental Organization
QIF  Quick Impact Facility
RS  Republic of Srpska
SME  Small and Medium Sized Enterprise