

**REPUBLIC OF SRPSKA  
GOVERNMENT**

**SMALL AND MEDIUM ENTERPRISES  
DEVELOPMENT STRATEGY  
OF THE REPUBLIC OF SRPSKA  
FOR THE PERIOD 2021 - 2027**

***APRIL 2021***

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## List of acronyms

AIIFS – Agency for Intermediary, Information and Financial Services  
GDP – Gross Domestic Product  
BiH – Bosnia and Herzegovina  
*B2B (Business-to-business)*  
HEI – Higher education institution  
*GIZ - Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH*  
GFRS – Guarantee Fund of the Republic of Srpska  
*EC - European Commission*  
*EBRD - European Bank for Reconstruction and Development*  
*ETF - European Training Foundation*  
*EUNORS - Enterprise Europe Network of the Republic of Srpska*  
*EEN - Enterprise Europe Network*  
EnE – Energy efficiency  
ETL – European technical legislation  
EU – European Union  
CCERS – Chamber of Crafts and Entrepreneurship of the Republic of Srpska  
IDBRS – Investment Development Bank of the Republic of Srpska  
ICBL – Innovation Center Banja Luka  
QI – Quality infrastructure  
LSGU – Local Self-Government Unit  
MEIC – Ministry of European Integration and International Cooperation  
MCO – Microcredit organisation  
MSTDHEIS – Ministry of Scientific and Technological Development, Higher Education and Information Society of the Republic of Srpska  
MEE – Ministry of Economy and Entrepreneurship of the Republic of Srpska  
SME – Small and Medium Enterprises  
MF – Ministry of Finance of the Republic of Srpska  
*OECD - Organisation for Economic Co-operation and Development*  
SES – Sustainable energy sources  
CCRS – Chamber of Commerce of the Republic of Srpska  
DARS – Development Agency of the Republic of Srpska  
RS – Republic of Srpska  
*SBA - Small Business Act*  
*SWOT - Strengths – Weaknesses – Opportunities – Threats*  
CAB – Conformity assessment body  
UEA – Union of Employers' Associations of the Republic of Srpska  
FBiH – Federation of Bosnia and Herzegovina  
CDTCC - Center for Digital Transformation of the Chamber of Commerce of the Republic of Srpska

## 1. Introduction

According to the Law on Development of Small and Medium Enterprises, the development of small and medium enterprises and entrepreneurship in the Republic of Srpska is under the jurisdiction of the Ministry of Economy and Entrepreneurship (hereinafter: MEE). In the previous twenty years, the support to this sector has been constantly strengthening, through the formation of the said legal framework and strategic documents, as well as through strong support institutions both at the national and local level.

Bearing in mind that the previous strategic document was valid until 2020, in 2020 the MEE started drafting a new document and formed a working group, consisted of representatives of all institutions and organisations whose activities are important for the economy. Having in mind the coronavirus pandemic and the fact that all activities of MEE and other organisations that participated in the development of this document were aimed at supporting the economy and the population in order to reduce the consequences of the pandemic, the new strategic document was completed in the first quarter of 2021.

The importance of adopting this document is of special importance, because it covers many areas in which it is necessary to define new support instruments for small and medium enterprises, as well as continue all important activities from the previous period, take into account requirements for European integration and preserve the competence of the Republic of Srpska.

The strategy is a new document, which is a continuation of the policies of support in this area since 2002, when the first support programme was made. The document is in line with the European Act for Small and Medium-sized Enterprises, which provides recommendations for regulating all relevant activities in this area, which will facilitate and improve their business.

According to the Law on Development of Small and Medium Enterprises (*Official Gazette of the Republic of Srpska*, 50/13 and 84/19), the strategy should define the basic strategic goals, carriers and means for the development of small and medium enterprises. According to the mentioned Law, the bearer of drafting, implementation and coordination of monitoring the realisation of this document is the Ministry of Economy and Entrepreneurship. An important role in the implementation will certainly have the Development Agency of the Republic of Srpska, other ministries and administrative organisations, whose competencies directly or indirectly relate to supporting this sector, the Chamber of Commerce of the Republic of Srpska, Chamber of Crafts and Entrepreneurship of Republic of Srpska, local development agencies, academia and other important stakeholders.

The document was prepared with the support of the project *Small Business Act - Framework for Strategies and Policies in BiH (SBA in BiH)* implemented by the *Eda Banja Luka Agency* and funded by Sweden, and with significant contributions from members of the Strategy Working Group and institutions and organisations in the Republic of Srpska that gave their opinions on the document.

The Strategy was developed at the time of the coronavirus pandemic, the consequences of which could not have been fully understood before the adoption of the Strategy. The document used certain statistical data for 2020, which were available at the time of drafting the document, while other statistical and financial indicators for 2020 were not available, so the Strategy will be updated in accordance with the envisaged deadlines. However, it is necessary to submit this document to the adoption procedure for the sake of continuity in support and preservation of competencies in this area.

## 2. Excerpt from the analytical part

### 2.1. Quantitative analysis of small and medium enterprises in the Republic of Srpska

#### 2.1.1. Definition of small and medium enterprises

According to the Law on Development of Small and Medium Enterprises (*Official Gazette of the Republic of Srpska*, No. 50/13 and 84/19), the status of small and medium enterprises (hereinafter: SMEs) have companies, other legal entities and independent entrepreneurs (hereinafter: economic entities) that meet the following criteria:

- a) employ on average less than 250 workers per year,
- b) are independent in business and
- c) have a total annual income of up to BAM 97,790,000 or have the value of business assets up to BAM 84,099,400.

For the purposes of this analysis, the division of enterprises was performed according to the criterion of the number of employees (micro enterprises - less than 10 workers, small enterprises employing less than 50 workers, medium enterprises - more than 49 and less than 250 workers). Having in mind the definition of SMEs, in this document the term SMEs includes both legal entities and independent entrepreneurs.

#### 2.1.2. Macroeconomic environment of the Republic of Srpska

##### **Gross domestic product of the Republic of Srpska**

The nominal gross domestic product (GDP) of the Republic of Srpska in 2019 amounted to BAM 11.2 billion and compared to 2018, it increased by 5.35% (with a real growth rate of 2.5%). Continuous growth of nominal GDP has been recorded in the last five years, while the real GDP growth rate in 2019 is slightly lower than in the previous three years and amounts to 2.5%. There was also a continuous growth of GDP per capita, which in 2019 amounted to BAM 9,848.

**Table 1: Gross domestic product in the Republic of Srpska for the period 2015 - 2019**

	2015	2016	2017	2018	2019
Nominal GDP (in millions of BAM)	9.205	9.631	10.077	10.680	11.251
GDP real growth rate (in %)	2,8	3,5	3,1	3,9	2,5
Population (estimated in 000)	1.162	1.157	1.153	1.148	1.142
GDP per capita (in BAM)	7.921	8.320	8.740	9.304	9.848
GDP per capita (in €)	4.050	4.254	4.469	4.757	5.035

Data source: Institute of Statistics of the Republic of Srpska

##### **Industrial production volume**

The volume of industrial production in the Republic of Srpska in 2020 decreased by 6.7% compared to the previous year. Observed by areas, the volume of manufacturing decreased in the period I-XII, 2020 compared to the same period last year (-9.9%). The volume of production in the area of Mining and quarrying and the production and supply of electricity, gas and water shows changes in the past period and a decrease in 2020.

**Table 2: Volume of industrial production in the period 2015-2020 in%**

	I-XII 2015/ I-XII 2014	I-XII 2016/ I-XII 2015	I-XII 2017/ I-XII 2016	I-XII 2018/ I-XII 2017	I-XII 2019 I-XII 2018	I-XII 2020 I-XII 2019
Mining and quarrying	10,5	0,7	-2,6	4,1	-4,4	-0,4
Manufacturing industry	3,2	3,5	6,2	-2,8	-12,4	-9,9
Production and supply of electricity, gas and air conditioning	-1,0	25,3	-7,5	19,8	-12,8	-3,9
<b>INDUSTRY TOTAL</b>	<b>3,0</b>	<b>8,1</b>	<b>1,2</b>	<b>3,6</b>	<b>-11,4</b>	<b>-6,7</b>

Data source: Institute of Statistics of the Republic of Srpska

### Foreign trade

The total volume of foreign trade in the period 2015-2019 has been growing continuously. The increase in the volume of foreign trade was mainly due to the increase in exports, which in 2019 compared to 2015 increased by 38.12%, while imports for the same period increased by 9.45%. The increase in exports leads to an increase in the coverage of imports by exports, which in 2019 amounted to 75.50% (59.83% in 2015).

**Table 3: Foreign trade of the Republic of Srpska for 2015-2019 (in 000 KM)**

	Export	Import	Volume	Balance	Coverage of import by export
2015	2.613.924	4.369.179	6.983.103	-1.755.255	59,83%
2016	2.869.101	4.426.945	7.296.046	-1.557.844	64,81%
2017	3.476.093	4.899.081	8.375.174	-1.422.988	70,95%
2018	3.741.823	5.222.270	8.964.093	-1.480.447	71,65%
2019	3.610.386	4.782.190	8.392.576	-1.171.804	75,50%

Data source: Institute of Statistics of the Republic of Srpska

Regarding the geographical distribution of foreign trade of the Republic of Srpska, in the observed period, economic entities mostly exported to Italy in the total value of BAM 569 million or 15.8%, and to Serbia BAM 494 million or 13.7% of the total exports in 2019. This is followed by exports to Croatia, Slovenia, Germany and Austria. Manufacturing accounts for 85.8% of exports in 2019, followed by production and electricity supply (7.3%), and agriculture, forestry and fishing (3.8%).

In the same period, most goods were imported from Serbia in the value of BAM 889 million, or 18.6% of the total imports in 2019.

### Labour market in the Republic of Srpska

The average number of registered employed persons in 2019 in the Republic of Srpska was 275,418, while the average number of unemployed in the same year was 89,896 persons. Data on the movement of the number of registered employed and unemployed show an increase in the number of employed persons and a decrease in the number of unemployed persons in the observed period 2015-2019.

In the mentioned period, there was a continuous decrease in the administrative (24.6% in 2019) and survey unemployment rate (11.7% in 2019).

According to the Labour Force Survey for the second quarter of 2020, the survey unemployment rate is 14.2%.

### ***Financial sector***

The financial market of the Republic of Srpska is still dominated by the banking sector with a share of 88.8% in total assets, while other parts of the financial sector record a significantly lower share - insurance companies 5.4%, microcredit organisations 4% and investment funds 1.8% .

The banking sector of the Republic of Srpska consists of eight banks based in Republic of Srpska. In the first half of 2020, despite the coronavirus pandemic, the banking sector maintained adequate stability and liquidity. The adequacy ratio of regulatory capital and the leverage ratio of all banks are above the statutory minimum.

The Republic of Srpska microcredit sector, as part of the Republic of Srpska banking system, consists of 14 microcredit organisations (MCOs) based in the Republic of Srpska. MCOs are non-deposit taking financial organisations whose main activity is providing microcredit, and MCOs mainly meet the needs of the market niche of micro-entrepreneurs who, due to the volume of their business, find banking services more difficult to access, usually with a lower level of security and higher interest rates.

In addition to banks and MCOs based in the Republic of Srpska, there are 52 organisational units of seven banks based in the Federation of BiH and 127 organisational units of MCOs based in the Federation of BiH, along with three business units of lessors based in the Federation of BiH, which provide financial and operating leasing services.

In the coming period, the implementation of the Law on Factoring, which was adopted at the end of 2020, should also contribute to greater financial inclusion of SMEs.

### ***2.1.3. Structure of small and medium enterprises***

In the Republic of Srpska, according to the data of the Tax Administration of the Republic of Srpska, at the end of 2019, there were 39,530 economic entities, of which 17,585 were SMEs, 91 were large companies and 21,854 were entrepreneurs (of which 3 were large entrepreneurs).

In the structure of SMEs in 2019, legal entities participate with 44.6% and independent entrepreneurs with 55.4% of the total number of SMEs.

When looking at SMEs by size, there is a slight decrease in the participation of micro-enterprises and an increase in the participation of small and medium-sized enterprises in the structure of SMEs, which can be seen from the following table.

**Table 4: Structure of SMEs in the Republic of Srpska by size for the period 2015 – 2019**

	2015	2016	2017	2018	2019
Micro (up to nine employees)	36.334	37.062	37.737	37.332	36.729
% share of micro enterprises in SMEs	94,25%	94,24%	93,79%	93,40%	93,13%
Small (10-49 employees)	1.822	1.876	2.056	2.176	2.231
% share of small enterprises in SMEs	4,73%	4,77%	5,11%	5,44%	5,66%
Medium (50-249 employees)	395	390	442	462	476
% share of medium-sized enterprises in SMEs	1,02%	0,99%	1,10%	1,16%	1,21%
Total SMEs	38.551	39.328	40.235	39.970	39.436

Data source: Annual reports for SMEs, MEE, DA (according to the data of the Tax Administration of Republic of Srpska)

In 2019, according to the form of organisation in the structure of SMEs of legal entities, 90.15% are limited liability companies, 3.13% joint stock companies and 6.71% other forms of organisation of legal entities.

Business entities owned exclusively by men make up 62.66% of the total number of entities in 2019, while exclusively women are owners in 26.85% of business entities. The remaining 10.49% of economic entities are jointly owned economic entities.

#### 2.1.4. Territorial representation of SMEs

Of the total number of SMEs that operated in the Republic of Srpska in 2019, 44.55% of them operated in the economic area of Banja Luka. When we look at the change in the number of SMEs by economic areas in 2019 compared to 2015, the share of SMEs increased in the economic areas of Banja Luka and Trebinje, while in other economic areas (Bijeljina, Doboj, East Sarajevo and Prijedor) the share of SMEs decreased in the total number of SMEs in the Republic of Srpska. The growth of the number of SMEs in the previous period (2015 - 2019) was recorded in the economic areas of Banja Luka, Trebinje and Bijeljina, while the growth of the number of SMEs in 2019 was recorded in the economic areas of Trebinje and Banja Luka. Compared to other economic areas, the largest decrease in the number of SMEs in 2019 compared to the previous year (-4.8%) was recorded in the economic area of Doboj.

**Table 5: Territorial representation of SMEs by economic areas of the Republic of Srpska**

Economic area (belonging municipalities / cities) <sup>1</sup>	Number of SMEs				
	2015	2016	2017	2018	2019
Banja Luka (Banja Luka, Gradiška, Jezero, Kneževo, Kotor Varoš, Srbac, Laktaši, Čelinac, Mrkonjić Grad, Petrovac, Prnjavor, Ribnik, Istočni Drvar, Kupres, Šipovo)	16640	17072	17568	17630	17569
Banjaluka (%)	43.16	43.41	43.66	44.11	44.55
Bijeljina (Bijeljina, Bratunac, Vlasenica, Zvornik, Lopare, Milici, Osmaci, Srebrenica, Ugljevik, Šekovici)	6554	6510	6640	6731	6615
Bijeljina (%)	17.00	16.55	16.50	16.84	16.77
Doboj (Vukosavlje, Derventa, Doboj, Modriča, Petrovo, Brod, Teslić, Šamac, Pelagićevo, Donji Žabar, Stanari)	5465	5715	5715	5344	5087

<sup>1</sup> The areas are defined in accordance with the Spatial Plan of the Republic of Srpska

Doboj (%)	14.18	14.53	14.20	13.37	12.90
East Sarajevo (Višegrad, Pale, Rogatica, Rudo, Sokolac, East Ilidža, East Stari Grad, East Novo Sarajevo, Han Pijesak, Trnovo)	4236	3580	3789	3815	3707
East Sarajevo(%)	10.99	9.10	9.42	9.54	9.40
Prijedor (Prijedor, Novi Grad, Kozarska Dubica, Krupa na Uni, Kostajnica, Oštra Luka)	3982	4058	4058	3995	3962
Prijedor (%)	10.33	10.32	10.09	9.99	10.05
Trebinje (Berkovići, Bileća, Gacko, Ljubinje, Nevesinje, East Mostar, Trebinje, Foča, Kalinovik, Novo Goražde, Čajniče)	1674	2393	2465	2456	2496
Trebinje (%)	4.34	6.08	6.13	6.14	6.33
<b>TOTAL REPUBLIC OF SRPSKA</b>	<b>38551</b>	<b>39328</b>	<b>40235</b>	<b>39971</b>	<b>39436</b>
<b>RS TOTAL (%)</b>	<b>100,00</b>	<b>100,00</b>	<b>100,00</b>	<b>100,00</b>	<b>100,00</b>

Data source: Annual reports for SMEs, MEE, DA (according to the data of the Tax Administration of Republic of Srpska)

### 2.1.5. Employment in SMEs

When we look at employment according to the size of SMEs, the largest share in the number of employees in 2019 was held by micro entities (37.83%).

**Table 6: Structure of employees by size of SMEs, 2019**

	Number of employees				
	2015	2016	2017	2018	2019
Micro (up to nine employees)	53937	53354	56215	55724	55256
Micro (%)	41.56	41.26	39.75	38.47	37.83
Small (10-49 employees)	36128	36836	40419	42615	43271
Small (%)	27.84	28.48	28.58	29.42	29.63
Medium (50-249 employees)	39710	39133	44793	46509	47524
Medium (%)	30.60	30.26	31.67	32.11	32,54
TOTAL	129775	129323	141427	144848	146051
Total (%)	100.00	100.00	100.00	100.00	100.00

Data source: Annual reports for SMEs, MEE, DA (according to the data of the Tax Administration of Republic of Srpska)

There is a decrease in the share of micro enterprises in the employment of workers (from 41.56% in 2015 to 37.83% in 2019) and an increase in the share of small (from 27.84% in 2015 to 29.63% in 2019) ) and medium-sized enterprises (from 30.60% in 2015 to 32.54% in 2019) in the employment of workers.

The largest number of employees works in SMEs in the field of manufacturing (27.51% of employees in 2019), which according to the number of employees surpassed the trade in which in 2019 24.36% of workers were employed. After the manufacturing industry and trade, according to the number of employees, SMEs in the field of hotel and catering (8.92%), construction (8.32%), transport and storage (5.92%) and professional, scientific and technical activities (5.05%) follow.

**Table 7. Number of employees in SMEs by activities, 2019**

Activity sectors	Number of employees			
	Legal entities	Entrepreneurs	Total	%
Agriculture, forestry and fishing	2.970	719	3.689	2,53
Mining and quarrying	843	3	846	0,58
Manufacturing industry	33.105	7.072	40.177	27,51
Production and supply of electricity, gas, steam and air conditioning	787	2	789	0,54
Water supply; sewerage, waste management and remediation activities	4.479	69	4.548	3,11
Construction	10.494	1.652	12.146	8,32
Wholesale and retail trade; repair of motor vehicles and motorcycles	23.190	12.381	35.571	24,36
Traffic and storage	6.501	2.151	8.652	5,92
Accommodation, food preparation and serving activities; hotel and catering	2.311	10.712	13.023	8,92
Information and communication	2.688	257	2.945	2,02
Financial and insurance activities	2.339	99	2.438	1,67
Real estate business	404	53	457	0,31
Professional, scientific and technical activities	5.227	2.153	7.380	5,05
Administrative and support service activities	1.521	302	1.823	1,25
Public administration and defense; compulsory social insurance	-	13	13	0,01
Education	1.100	460	1.560	1,07
Act. health care and social work	3.076	18	3.094	2,12
Arts, entertainment and recreation	2.593	150	2.743	1,88
Other service activities	725	3.430	4.155	2,84
Act. extraterritorial organs. and bodies	-	2	2	0,00
TOTAL	104.353	41.698	146.051	100,00

Data source: Annual Report for SMEs for 2019, MEE, DA (according to the data of the Tax Administration of the Republic of Srpska)

The gender structure of employees in SMEs did not change significantly in the observed period (2015-2019). Women make up about 40% of SME employees and men about 60%.

#### **2.1.6. Structure and business indicators of SMEs - legal entities**

According to the data of the Agency for Intermediary, Information and Financial Services (AIIFS) on the number of submitted final accounts of legal entities in 2019, 10,200 legal entities operated in the Republic of Srpska, which is 8.2% more than the number of legal entities in 2015. The number of legal entities in the past period has grown continuously from year to year.

Out of the total number of legal entities in 2019, 10,098 are in the category of SMEs and 102 are large legal entities. In the period 2015-2019. There was an increase in the number of all enterprise sizes, large (25.9% more in 2019 compared to 2015), medium (increase of 8.4%), small (increase of 14.9%) and micro enterprises increase of 6.5%).

The number of employees in SMEs is continuously increasing in the observed period and in 2019 that number is 14.9% higher than in 2015. The total income of SMEs is higher by 23.6% in

2019 compared to 2015, which indicates an increase in the efficiency of the company, also reflected in the increase in income per employee by 7.6% in 2019 compared to 2015.

In the observed period (2015-2019), the productivity of companies also increased, expressed in a continuous increase in total gross value added <sup>2</sup>, gross value added per employee and a stable profit rate since 2015, which in 2019 increased to 9%.

Despite the increase in export revenues in the observed period, the share of exports in SME income is almost unchanged (14% in 2019 and 13% in 2015).

**Table 8: SMEs in numbers 2015-2019**

	2015	2016	2017	2018	2019
Number of SMEs	9.428	9.605	9.850	10.007	10.098
Number of employees	91.851	96.723	96.045	98.974	105.508
Total revenues, in millions of BAM	12.298	13.130	14.298	15.271	15.201
Revenues from exports, in millions of BAM	1.560	1.876	2.065	2.230	2.149
Income per employee, in BAM	133.889	135.753	148.872	154.292	144.073
Cumulative financial result, in millions of BAM	628	897	800	880	1.380
Gross value added, in millions of BAM	2.285	2.636	2.590	2.838	3.463
Gross value added per employee, in BAM	24.879	27.249	26.962	28.672	32.824
Export in income (in%)	13	14	14	15	14
Profit rate <sup>3</sup> (in%)	5	7	6	6	9

Data source: Processing based on Tron / Bisnode data, according to AIFIS data (includes legal entities that submitted final accounts)

Of the total number of employees in legal entities in 2019 in the Republic of Srpska, 46% are employed in the economic area of Banja Luka, followed by the economic areas of Bijeljina (18%) and Doboj (12%) which have a slightly higher number of SMEs compared to other economic areas of the Republic of Srpska. The structure of the number of SME legal entities by economic areas corresponds to the structure of the number of employees in SME legal entities.

**Table 9: Number of employees in SMEs by economic areas<sup>4</sup>, 2019**

Economic area	Associated municipalities / cities	Employed		
		Number	%	Average per area
Banja Luka	Banja Luka, Gradiška, Jezero, Kneževo, Kotor Varoš, Laktaši, Mrkonjić Grad, Petrovac, Prnjavor, Ribnik, Srbac, Istočni Drvar, Kupres, Čelinac, Šipovo	48.311	46%	10,0
Bijeljina	Bijeljina, Bratunac, Vlasenica, Zvornik, Lopare, Milići, Osmaci, Srebrenica, Ugljevik, Šekovici	18.752	18%	10,7
Doboj	Vukosavlje, Derventa, Doboj, Modriča, Petrovo, Brod, Teslić, Šamac, Pelagićevo, Donji Žabar, Stanari	12.811	12%	11,2
Istočno Capajevo	Višegrad, Pale, Rogatica, Rudo, Sokolac, Istočna Ilidža, Istočni Stari Grad, Istočno Novo Sarajevo, Trnovo, Han Pijesak	8.989	9%	10,4

<sup>2</sup> Gross value added = profit + sum of gross salary + depreciation

<sup>3</sup> Profit rate = cumulative financial result / total income \* 100

<sup>4</sup> Economic areas are determined by the "Spatial Plan of the Republic of Srpska until 2025"

Приједор	Kozarska Dubica, Krupa na Uni, Novi Grad, Prijedor, Kostajnica, Oštra Luka	9.152	9%	11,3
Требинје	Berkovići, Bileća, Gacko, Ljubinje, Nevesinje, Istočni Mostar, Trebinje, Kalinovik, Foča, Čajniče, Novo Goražde	7.493	7%	10,9
<b>Total</b>		<b>105.508</b>	<b>100%</b>	<b>10,4</b>

Data source: Tron data processing, according to AIFIS data (includes economic entities that submitted final accounts)

Data on the number of employed workers in 2019 by areas of activity show that the largest number of persons in all economic areas of the Republic of Srpska is employed in the processing industry. The economic area of Prijedor stands out here, in which, in relation to other economic areas, the manufacturing industry has the largest share in the employment structure (40% of employees) and Trebinje with the smallest share of the manufacturing industry in the employment structure in relation to other economic areas (22% of employees). The areas of trade and construction also employ a large number of workers in all economic areas.

Of the total number of SMEs in the Republic of Srpska in 2019 (10,098), almost a third are from the trade sector (29%), followed by SMEs in the manufacturing sector (19%), 10% of SMEs in the sector of professional, scientific and technical activities and 8% in construction. In addition to trade, according to all indicators from the following table (number of SMEs, number of employees, total income, export revenues and GVA), SMEs operating in the manufacturing industry stand out. Despite a larger number of SMEs in the trade sector, the manufacturing industry employs more workers than trade. The average number of employees in SMEs in the field of manufacturing is 16 per company, while the average number of employees in SMEs in the field of trade is 8 per company.

**Table 10: SMEs by fields of activity in numbers, 2019**

Activity field	Number of SMEs		Number of employees		Total revenue in millions of BAM		Export revenue in millions of BAM		GVA in millions of BAM	
	Total	%	Total	%	Total	%	Total	%	Total	%
A Agriculture, forestry and fishing	476	5%	3017	3%	378	2%	82	4%	87	3%
B Mining and quarrying	100	1%	765	1%	89	1%	10	0%	33	1%
C Manufacturing industry	1923	19%	31402	30%	3781	25%	1172	55%	814	24%
D Prod. and supply of electricity, gas...	119	1%	1062	1%	784	5%	69	3%	112	3%
E Water supply; waste management...	159	2%	4597	4%	219	1%	33	2%	124	4%
F Construction	789	8%	9984	9%	1131	7%	75	3%	314	9%
G Trade	2883	29%	22390	21%	6115	40%	372	17%	792	23%
H Traffic and storage	745	7%	6548	6%	650	4%	202	9%	189	5%
I Hotel and catering	178	2%	2762	3%	199	1%	5	0%	58	2%
J Information and communication	376	4%	3059	3%	349	2%	51	2%	131	4%
K Financial activities and insurance	60	1%	626	1%	347	2%	0	0%	217	6%
L Real estate activities	140	1%	458	0%	73	0%	1	0%	30	1%
M Professional, scientific and technical activities	973	10%	5504	5%	437	3%	54	3%	198	6%
Administrative and support service activities	207	2%	1423	1%	103	1%	13	1%	42	1%
O Public administration and defense; compulsory social insurance	11	0%	141	0%	12	0%	0	0%	10	0%

P Education	135	1%	1091	1%	35	0%	0	0%	23	1%
Q Health and social work activities	608	6%	7700	7%	276	2%	0	0%	192	6%
R Arts, entertainment and recreation	77	1%	2313	2%	170	1%	9	0%	74	2%
S Other service activities	139	1%	666	1%	52	0%	1	0%	24	1%
<b>TOTAL</b>	<b>10098</b>	<b>100</b>	<b>105508</b>	<b>100</b>	<b>15201</b>	<b>100</b>	<b>2149</b>	<b>100</b>	<b>3463</b>	<b>100</b>

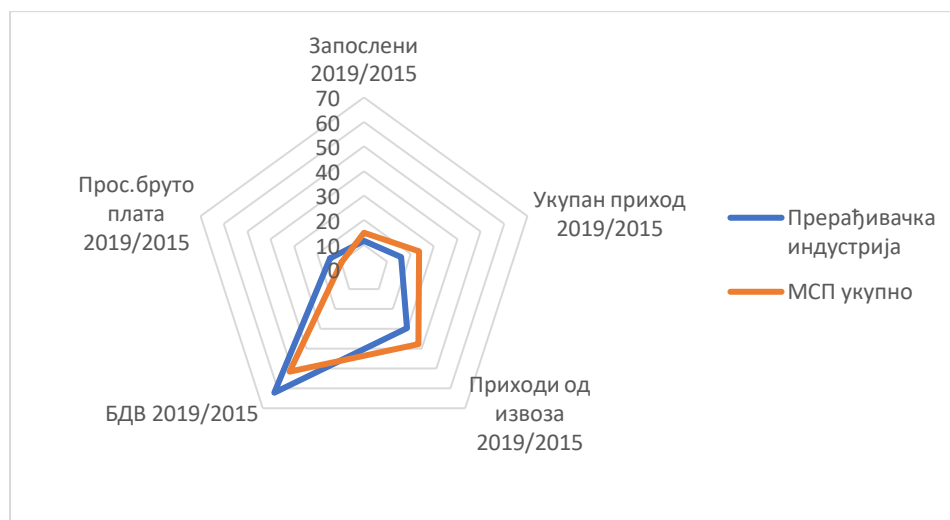
Data source: Processing based on Tron data, according to AIFIS data (includes economic entities that submitted final accounts)

Total revenues of SMEs from the trade sector amount to 40% of total revenues (manufacturing industry 30%), while the manufacturing industry generates 55% of export revenues. The share in the realised GVA of SMEs in the field of trade in 2019 is 23%, and the manufacturing industry 24%.

### **SME legal entities in the field of manufacturing**

Data for SMEs legal entities in the manufacturing industry in 2019 refer to 1,923 SMEs that submitted final accounts, and which employ a total of 31,402 workers.

**Graph 1: Rates of change of statistical indicators in the manufacturing industry 2019/2015**



	Manufacturing	SMEs total
Employees 2019/2015	12%	15%
Total income 2019/2015	16%	24%
Export revenues 2019/2015	30%	38%
GVA 2019/2015	62%	52%
Average gross salary 2019/2015	15%	10%

Data source: Processing based on Tron / Bisnode data, according to AIFIS data (includes economic entities that submitted final accounts)

In 2019, compared to 2015, an increase in all observed growth indicators of the manufacturing industry was recorded, with the largest increase in the indicators of gross value added (62%). Export revenues increased by 30% in 2019 compared to 2015.

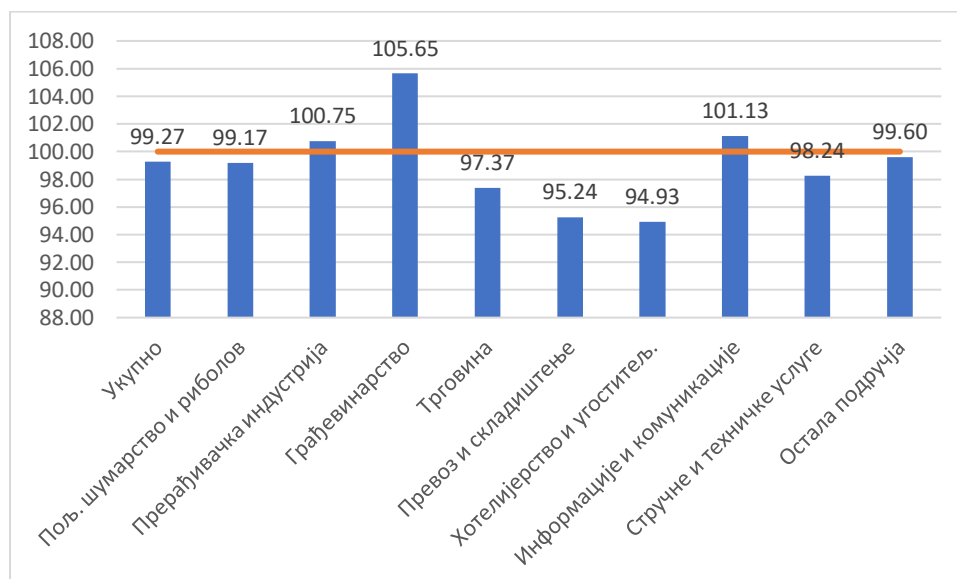
### 2.1.7. Business operations of economic entities in 2020

The following analysis was made on the basis of available data on business operations of economic entities in 2020, which include data on small, medium and large economic entities, given that data sorted by company size were not available during the adoption of the Strategy. For the analysis of operations in 2020, data on changes (indices and growth rates) were used, which to a certain extent can be applied to the economy as a whole.

#### Employment

The expected reduction in the number of employees due to reduced or suspended operations of economic entities due to the consequences of the pandemic was mitigated by government measures and measures implemented by economic entities to retain employed workers. The total number of employees in economic entities in September 2020 amounted to 273,395 employees and is lower by 0.73% compared to the same period last year. The largest share in employment has the area of manufacturing (21.16% in 2020), followed by trade (17.49% in 2020).

**Graph 2: Indices of the number of employees in economic entities by areas (IX 2020 / IX 2019)**



Data source: Institute of Statistics' press release, semi-annual release "Employees, September 2020"

When it comes to the areas that employ the largest number of employees, the number of employees in the area of trade decreased by 2.63%, while the number of employees in the area of manufacturing increased by 0.75%.

Data on the number of employees show the impact of the pandemic on the areas of hotel and catering and transport and storage. These two sectors have the highest rate of reduction in the number of employees in the observed period (September 2020 compared to the same month last year). The number of employees in the hotel and catering industry decreased by 5.07% while the number of employees in the field of transport (transport and storage) decreased by 4.76%.

In the observed period, the construction sector recorded an increase in the number of workers, 5.65% more construction workers in September 2020 compared to the same month last year.

In April and May 2020, the Union of Employers' Association of the Republic of Srpska conducted a research on the effect of the COVID-19 pandemic on the company's operations. Survey data (543 companies included) show that the pandemic caused significant business disruptions in two thirds of the surveyed companies. More than one quarter of the companies did not operate in the observed period (26%) and 39% of companies operated with partial capacity at the time of the survey. At full capacity, without changing the work regime, only 3% of companies operated, while 31% of companies worked at full capacity, working from home. Despite these challenges, only 6% of employees were laid off due to a series of timely measures taken by companies to preserve the workforce. The most common measure was the reduction of working hours spent by 27% of companies and work from home.<sup>5</sup>

The Republic of Srpska Chamber of Commerce also conducted a survey for businessmen who faced difficulties in doing business due to the corona virus. The data was submitted by 1,076 companies, mostly small companies, while 99% of them confirmed that they already felt the negative consequences, caused by the virus on their business.

The largest number of questionnaires were submitted by small (42.4%) and micro (29.1%) companies, while 21.4% of completed surveys refer to medium-sized companies and 7% to large companies. Of the total number of surveyed economic entities, the largest number of them, i.e. 20%, operated in the manufacturing industry, followed by the wholesale and retail trade sector (19%), and 16% in other service activities. Almost all respondents confirmed that they felt the effects of the corona virus on their business, while more than half of the respondents confirmed that they would feel the effects on both imports and exports. Also, 20.6% believe that they will feel the consequences of importing products and services in Republic of Srpska, while 10.6% of surveyed companies have faced problems when exporting their products and services to foreign markets.

The crisis caused by the pandemic has reduced the company's liquidity. Business entities were forced to reorganise their business, and due to the reduced volume of work within their core business, as well as due to general recommendations, they had to send some employees on vacation, work from home or even self-isolation. However, 42.2% of surveyed companies pointed out that work from home was not possible, either due to the work activity itself or due to inadequate working conditions, while 36% of companies (454) had cases of self-isolation or limited access to work. Of the total number of respondents, 21.8% did not restrict the arrival of their employees to work.

According to the data of the Institute of Statistics of RS (semi-annual announcement "Employees, September 2020"), in 2020, 41,835 persons were employed by entrepreneurs, which is 0.33% more than in the previous year. The largest number of employees with entrepreneurs work in the field of trade (31.02% in 2020), hotel and catering (31.02% in 2020) and manufacturing (17.11% in 2020). The hotel and catering sector decreased the number of

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<sup>5</sup> Data source: <http://unijauprs.org/dokumenti/covid-19/covid-19-RS.html>

employees compared to the previous year by 3.40%, while the other two sectors with the largest share in the number of employees increased the number of employees in 2020 (manufacturing by 1.2% and trade by 1.2%). 4.8%).

### **Industrial production**

The annual index of total industrial production shows a decrease in the volume of industrial production in 2020 by 6.7% compared to the previous year.

**Table 11: Annual indices of industrial production, previous year = 100**

Year	Index	% of change
2016	108,1	8,1%
2017	101,2	1,2%
2018	103,6	3,6%
2019	88,6	-11,4%
2020	93,3	6,7%

*Data source: Institute of Statistics of RS, industry database*

Observed by activities and annual rates of change calculated from calendar-adjusted indices of industrial production in 2020 compared to 2019, we can see what happened by areas and areas of industry during the coronavirus pandemic. The volume of the manufacturing (in which the largest number of small and medium enterprises is represented) decreased in 2020 compared to the previous year (-10.3%). The other two areas of industry also show a decrease in the volume of production in 2020, the area of mining and quarrying and production (-0.4%) and the supply of electricity, gas and water (-3.9%).

**Table 12: Industrial production - annual rates of change calculated from calendar-adjusted indices, I-XII 2020 / I-XII 2019**

Areas of industry		I-XII 2020 I-XII 2019
<b>INDUSTRY TOTAL</b>		-6.7
<b>Mining and quarrying</b>		-0.4
<b>Manufacturing</b>		-10.3
<b>Food and drink</b>	Manuf. food products	-8.2
	Beverage production	-24.5
<b>Textile industry</b>	Textile production	-7.6
	Manufacture of wearing apparel	-44.1
<b>Leather and footwear</b>	Manufacture of leather and leather products	-8.0
<b>Metal processing</b>	Manufacture of machinery and equipment nec	-14.3
	Manufacture of motor vehicles, trailers and semi - trailers	1.4
	Manufacture of other transport equipment	-24.8
	Manufacture of fabricated metal products, except machinery and equipment	-4.1
<b>Wood processing</b>	Processing of wood and wood products	0.2
	Manufacture of furniture	-0.9
<b>Chemical and pharmaceutical ind.</b>	Manufacture of chemicals and chemical products	-40.1
	Manufacture of basic pharmaceutical products and	-3.9

	pharmaceutical preparations	
<b>Plastic and rubber</b>	Manufacture of rubber and plastic products	23.6
<b>Computers and electronic and optical products</b>	Manuf. computers, electronic and optical products	57.7
<b>Electrical equipment</b>	Manufacture of electrical equipment	-3.8
<b>Production and supply of electricity, gas, steam and air conditioning</b>		-3.9

Data source: Institute of Statistics of RS, press release: Industry

Observed by sectors of the manufacturing, the impact of the pandemic in the food industry was greater in the area of beverage production (-24.5%) compared to food production (-8.2%). In the textile industry, clothing production recorded a much larger decrease (-44.1%) than textile production (-7.6%). All areas of metal processing, except the production of motor vehicles, recorded a decrease in industrial production. The largest decrease was recorded in the area of manufacture of other transport equipment (-24.8%) and manufacture of machinery and equipment (-14.3%). The area that dominates metal processing (according to the number of employees, income, exports), especially among SMEs, the production of finished metal products recorded a decrease in production of 4.1%.

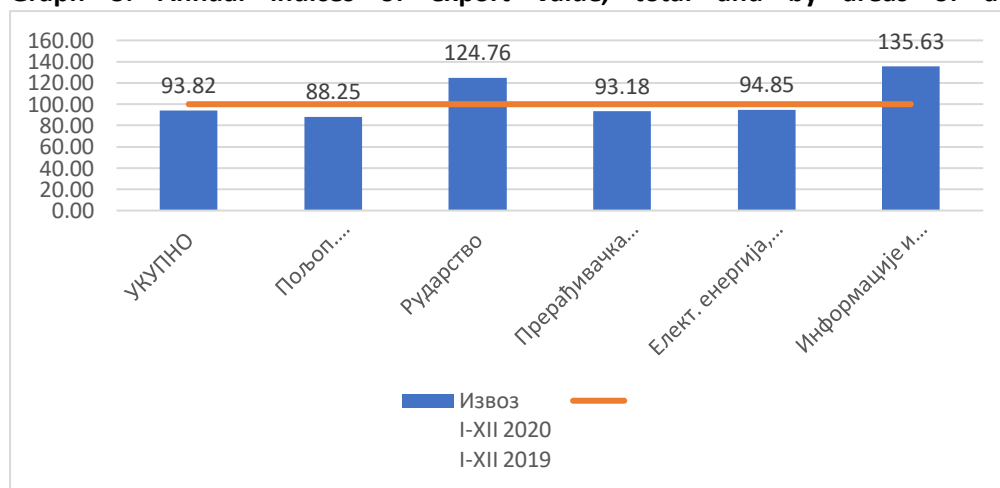
Areas that recorded an increase in production in the conditions of the pandemic, in 2020 compared to 2019, are the production of rubber and plastic products (23.6%) and the production of computers, electronic and optical products (57.7%).

### Foreign trade in 2020

The total export of the Republic of Srpska in 2020 amounted to BAM 3,387,398,000 and is 6.18% lower than the export in 2019. The import of Republic of Srpska in 2020 amounts to BAM 4,472,660,000 and is lower by 6.47% compared to the previous year. The coverage of imports by exports of Republic of Srpska in 2020 is 75.74% (75.50% in 2019).

The total volume of foreign trade has decreased by 6.35% and amounts to BAM 7,860,058,000 in 2020.

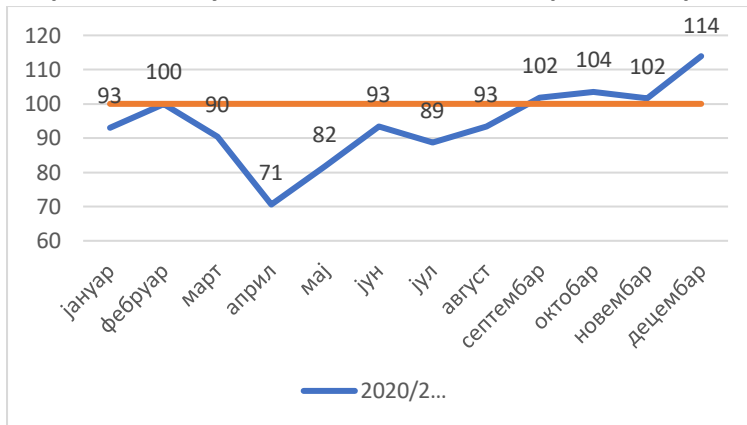
Graph 3: Annual indices of export value, total and by areas of activity (2020/2019)



Data source: Institute of Statistics of RS, announcements on foreign trade

Exports of the manufacturing account for 85.27% of the total exports of the Republic of Srpska and the decrease in the exports of the manufacturing by 6.82% mostly affected the decrease in the total exports of the Republic of Srpska. In addition to the area of Mining, in which large business entities are active, the area of Information and Communication recorded an increase in exports by 35.63% in 2020 compared to the previous year (a total of about BAM 3.97 million of exports in 2020).

**Graph 4: Monthly indices of total value of exports of Republic of Srpska (month 2020 / month 2019)**



Data source: Institute of Statistics of RS, announcements on foreign trade

Data on Republic of Srpska's exports abroad by months show the impact of the declaration of the COVID-19 virus pandemic and the introduction of restrictive measures by export partners in March 2020 on the company's export activities and an increase in the value of exports in September 2020. Since September 2020, there has been an increase in the value of total exports and higher exports in the following months compared to the same periods of the previous year.

In order to reduce the consequences of the pandemic and support the economic sector, the Government of the Republic of Srpska passed a series of decrees and acts on the basis of which significant funds were allocated to support all business entities for March, April and May 2020, then to support the transport and tourism sectors, enabled the deferral of the payment of certain tax liabilities, approved the Guarantee Programme for Businessmen and other types of support.

## **2.2. Qualitative business analysis of small and medium enterprises**

This chapter deals with activities from the previous period in the field of SMEs, which are classified according to the dimensions of the EU Act for Small and Medium Enterprises (SBA). In this regard, this chapter provides a basis for defining strategic goals and priorities.

### **2.2.1. Entrepreneurial learning and women's entrepreneurship (SBA dimension 1)**

In the Republic of Srpska, the subject *Basics of Entrepreneurship* is taught in all secondary schools, except in medical schools and general grammar schools. Given the number of high school students attending these two schools, a large number of students are not covered by entrepreneurial learning. The conclusion of the participants of the workshop "Challenges and priorities of strengthening the systemic competitiveness of SMEs"<sup>6</sup>, which was held as part of the strategy development process, is that the interest of high school students (especially craft occupations) in entrepreneurial learning is lower.

The Law on Secondary Education and Upbringing (*Official Gazette of the Republic of Srpska*, No. 41/18, 35/20 and 92/20) provided for the possibility of introducing dual education. The Chamber of Commerce of the Republic of Srpska, the Ministry of Education and Culture and the employers signed an agreement on cooperation within the project 'Improvement of practical teaching in secondary vocational education'. In this way, the RS Ministry of Education and Culture, the RS Chamber of Commerce and the Republic Pedagogical Institute have established an institutional partnership and cooperation with the aim of establishing a dual education system.

Entrepreneurship is studied at most faculties of economics and at some faculties of other fields.

The new Law on Higher Education (*Official Gazette of Republic of Srpska*, 67/20) entered into force in 2020. This Law has achieved greater synergy between the economy and higher education institutions (hereinafter HEI). In accordance with the provisions of the mentioned Law, the Council for Higher Education of the Republic of Srpska and the membership of the Management Boards of the University of Srpska include representatives of the economy who represent the economy in decision-making bodies and persons who will delegate the needs of the economy to the higher education institutions. Greater synergy between the economy and higher education enables education to follow the needs of the labor market, and to create enrollment policies. So far, this type of cooperation has been lacking and there has been an overproduction of certain profiles and occupations that have become surplus, while there is not enough interest in the deficient ones. The law emphasizes the synergy between the economy and higher education, and thus recognises the need for the labor market to adapt to

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<sup>6</sup> The workshop "Challenges and priorities of strengthening the systemic competitiveness of SMEs" was held as part of the development of the SME Development Strategy in the Republic of Srpska in February 2020. The workshop was attended by over 50 competent representatives of the public, private and non-governmental sectors.

the needs of the economy, i.e. human resources with appropriate knowledge and skills. The law enabled HEIs to establish scientific institutes, innovation centers, centers of excellence, technology transfer centers, business-technology incubators and science and technology parks, which are the basis for the creation of university companies, start-ups and after-spin-off companies.

In order to develop and improve the quality of adult education, as one of the four subsystems of education and upbringing, and thus contribute to the development in this area and the overall development of the Republic of Srpska. Adult education strategy in the Republic of Srpska for the period 2021–2031 was adopted at the 103<sup>rd</sup> session of the Government of the Republic of Srpska, held on December 30, 2020 (*Official Gazette of the Republic of Srpska* No. 5/21). The planned strategic goals in adult education are aimed at improving the adult education system and are in the function of harmonising supply and demand in the labor market, improving the knowledge, skills and abilities of individuals leading to their easier employability and competitiveness, and personal development, as well as raising quality of adult education and cooperation of all social partners in achieving these goals.

Activities to improve treatment and support for women entrepreneurs in Republic of Srpska have intensified in recent years through the creation of support policies and instruments. MEE, together with other ministries, institutions, organisations and entrepreneurs, has prepared the Strategy for the Development of Women's Entrepreneurship of the Republic of Srpska for the period 2019–2023, which was adopted in 2019. The strategy defines the basic goals, activities, stakeholders, deadlines and resources necessary to support women's entrepreneurship. Strategic goals include financial support programmes, professional support, support for women's networking and association, inclusion of women's entrepreneurship in regulatory frameworks and advisory bodies, all types of promotional events, promotion of this form of entrepreneurship in education, specific activities for women in rural areas and support for women entrepreneurs engaged in old crafts and handicrafts.

The most important activities done in the past in this area are: organisation of regular annual international conferences for women entrepreneurs with over 700 women, establishment and strengthening of the role of the Council for Women's Entrepreneurship in the Chamber of Commerce of Republic of Srpska, continuous raising of awareness of women entrepreneurs of the Council's work, holding thematic workshops for women entrepreneurs, holding a fair of women's entrepreneurship, establishing the Club of Business Women of Republic of Srpska, creating a digital catalog in the Chamber of Commerce of Republic of Srpska, establishing cooperation with associations of women entrepreneurs in Serbia and Croatia. Support in this area needs to be continuously strengthened. Also, MEE implements support programmes for women entrepreneurs with the support of the Gender Center of Republic of Srpska.

Within the project *European Small Business Act as a framework of strategies and policies for SMEs in BiH*, implemented by the Agency for Enterprise Development Eda funded by Sweden, supported the implementation of projects in the field of women's entrepreneurship in 2019 (Chamber of Commerce of Republic of Srpska, project *Support to Entrepreneurship of Women of the Republic of Srpska* and the Humanitarian Association of Women Duga, *Ethno*

*Entrepreneur* project). Within the projects, some of the most important activities in this area were realised: establishment and strengthening of the Council for Women's Entrepreneurship, holding conferences, workshops and trainings, preservation of old crafts and improvement of ethno products sales, establishment of instruments for cooperation and networking of women entrepreneurs.

MEE, together with other institutions and organisations, prepared the Draft Law on Social Entrepreneurship of the Republic of Srpska which regulates the concept, goals and principles of social entrepreneurship, conditions and procedure for acquiring the status of social enterprise, keeping the register of social enterprises, tasks and work of the Council for Social Entrepreneurship, as well as other issues of importance for social entrepreneurship. The goal of this law is to use the potential of social entrepreneurship for the sake of sustainable economic and social growth and development of the Republic in the coming period.

Social entrepreneurship can be one of the key factors in improving the general social and economic policy in the Republic of Srpska. A large number of socially and economically excluded people can be employed in socially-owned enterprises, which provides significant support to the economy and reduces the burden of social benefits. The text of the Law aims to improve the legal environment that encourages and develops this important branch of the economy in the future.

### **2.2.2. *Facilitating a second chance to SMEs (SBA dimension 2)***

The project *Embracing failure to facilitate second-chance entrepreneurship in the Danube region* is implemented by DARS (project budget EUR 94,750, funded by the European Union under the Interreg Danube Transnational Programme), and the associated partner is MEE. The aim of the project is to develop 'second chance' policies for entrepreneurs, as well as to develop practical solutions to improve entrepreneurial learning and culture in order to avoid 'loss of entrepreneurial potential' and overcome the 'stigmatisation' of entrepreneurs who have gone bankrupt. During the implementation of the project so far, several events and workshops have been organised for entrepreneurs who want to improve their business, business beginners who want to protect themselves from failure and entrepreneurs who have failed and who want to start a business again and decision makers in this area. The Transnational Network of Experts for Second Chance Entrepreneurs was presented, consisting of experts who will provide ongoing support and mentoring to entrepreneurs during and after the project. For this macro-regional expert network, the project partners brought together 22 experts from 11 countries and will be supported by lawmakers and key actors. DARS prepared and implemented the *Support Programme for Entrepreneurs with Business Difficulties*. This free form of support is organised in each of the countries participating in the project, and is intended for beginners in business, entrepreneurs with difficulties, as well as those who want to start a business again after failure. The goal of the programme is to provide support to entrepreneurs in crisis prevention, creating opportunities for restarting business activities, informing about alternative sources of financing and promoting 'second chance' entrepreneurship. As part of the project, DARS is working on the preparation of a study on the

exchange and adoption of good practices in terms of providing a 'second chance' to entrepreneurs in the Danube region. The study aims to improve the situation for entrepreneurs who need a 'second chance' and suggests steps to build local strategies to implement the early warning mechanism in the Danube countries. Within the project, DARS also participates in the development of a strategy for this area, and a regional action plan for the Republic of Srpska has been prepared.

### **2.2.3. Institutional and regulatory framework for SME policy-making - Reducing barriers to doing business (SBA dimension 3)**

In the previous period, amendments to the Law on SME Development (*Official Gazette of Republic of Srpska*, No. 50/13 and 84/19) were adopted, which fully harmonised the definition of SMEs in Republic of Srpska with the definition of SMEs in the European Union. In addition, the convocation of the Council for SME Development and Entrepreneurship of Republic of Srpska was expanded, and the Republic Agency for SME Development was transformed into the Development Agency of Republic of Srpska, which enabled it to contribute to better economic support, more projects and promotion of Republic of Srpska economy.

The Law on Amendments to the Law on Craft and Entrepreneurial Activity was adopted, which aims to further reduce time and costs in the registration process by creating conditions for electronic submission of applications in the process of registering entrepreneurs, as well as verifying the conditions for registration through data exchange between electronic records of competent authorities.

A series of new and amended legislation has taken a significant step in removing business barriers and reducing administrative costs for SMEs in Republic of Srpska. Thus, the Law on Amendments to the Law on Court Fees (*Official Gazette of the Republic of Srpska*, No. 67/20) abolished the following court fees: for a submission requesting a certificate, for an issued certificate, for a submission requesting the issuance of a single access code and to issue a unique access code. The court fee for entry in the register was reduced, as well as for deleting the entry.

In order to relieve the economy and improve the overall business environment in the Republic of Srpska, in December 2020 were adopted: the Law on Amendments to the Law on Special Republic Taxes, the Law on Amendments to the Law on Communal Taxes and the Law on Amendments to the Law on Administrative tax.

The new regulations reduce the obligation of the special republic tax in 2021 by 30%, in 2022 by 60%, and finally this tax will be abolished from 2023.

Certain communal taxes, the existence of which represents a burden on the economy, are abolished, not so much in the financial sense as in the procedural sense, and the financial effect of the income owner is not so significant. The new law also abolishes communal taxes, which are doubly determined, i.e. they are already contained in the communal tax that is paid for the use of public area space. With the aim of further relieving the economy, the proposed law exempts small entrepreneurs from the obligation of the communal tax. Also, taxpayers

who register for the first time are released from the obligation to pay the communal tax on displaying the business name.

The Government of the Republic of Srpska is determined to continue the policy of reducing and abolishing communal taxes in the Republic of Srpska in the future.

The Law on Amendments to the Law on Administrative Fees exempts taxpayers from paying administrative fees (republic, city or municipal) for requests, applications, proposals, applications, certificates or confirmations, whose individual amounts in practice were up to BAM 10. Individually, this is not a burdensome amount, but for certain citizens it is a burden either financially or administratively (fee payment procedure).

At the same time, the adopted Law on Amendments to the Law on Income Tax envisages the improvement of the existing legal solution and the prevention of abuses that have occurred in practice.

The Ministry of Justice drafted a set of laws in order to introduce facilities and create a better business environment, and they were adopted by the National Assembly of Republic of Srpska in 2019 and 2020, namely the Law on Amendments to the Law on Court Fees of Republic of Srpska (*Official Gazette of the Republic of Srpska*, No. 73/08, 49/09, 67/13, 63 / 14,66 / 18 and 67/20), Law on Amendments to the Law on Registration of Business Entities of the Republic of Srpska (*Official Gazette of the Republic of Srpska*, No. 67/13, 15/16 and 84/19) and the Law on Liquidation Procedure (*Official Gazette of the Republic of Srpska*, No. 82/19)

The Law on the Tax System of the Republic of Srpska (*Official Gazette of the Republic of Srpska*, No. 62/17) stipulates that the court fee is a non-tax fee. The Ministry of Finance proposed to the Government of the Republic of Srpska the reform of non-tax payments, i.e. their abolition or reduction, in order to improve the business environment in the Republic of Srpska and reduce the burden of the economy and the population with non-tax payments.

The initiative of the Ministry was partially adopted and the court fee was reduced or abolished only for companies and other subjects of registration, as well as for parts of companies and other subjects of registration, which are entered in the Register of Business Entities according to the Law on Registration of Business Entities in the Republic of Srpska (*Official Gazette of Republic of Srpska*, No. 67/13, 15/16 and 84/19).

This law prescribes the court fee for entry in the court register for companies and other subjects of registration, as well as for parts of companies and other subjects of registration, by the new Tariff No. 20a, and reduces the court fee for changing data for companies in the amount of 10% in relation to the currently prescribed court fee in the Tax Tariff of the Annex to the current law from BAM 150 to BAM 135.

Also, the amount of the court fee for publishing data in the *Official Gazette of Republic of Srpska* is reduced by 20%, from the amount of BAM 50 to BAM 40.

In addition to the above, the initiative of the Ministry was accepted in full in the part relating to the deletion of court fees from Tariff No. 20 for the establishment of parts of companies and for registration of foreign trade and court fees for request to delete entries in the court register, as well as for reduction of court fee in accordance with the Initiative for the decision to delete the entry in the court register from the amount of BAM 100 to the amount of BAM

50 and the amount of the court fee for appeal against the decision made in the registration procedure from the amount of BAM 200 to the amount of BAM 100.

These amendments were made in accordance with the principles of the tax system from the Law on the Tax System of Republic of Srpska, all in order to improve the business environment, increase economic activity and develop the competitiveness of the economy of Republic of Srpska.

Also, these amendments to the Law prescribe the amount of the court fee for reserving the business name of a business entity in accordance with Article 8 of the Law on Amendments to the Law on Registration of Business Entities in the Republic of Srpska.

By amending the Law on Registration of Business Entities in the Republic of Srpska, founders, i.e. members of the management board when establishing a new business entity, i.e. changing the business name of an existing business name may (and do not have to) reserve the business name under which they wish to establish a business entity, to make reservations with the competent registration court, and this law prescribes the amount of court fee, which corresponds to the amount of labor costs of persons acting in a particular procedure and other costs related to the provision of services to individuals and legal entities when reserving a business name.

Amendments to the Law on Registration of Business Entities are planned to enable electronic registration in Republic of Srpska for limited liability companies whose founders are domestic natural and legal persons, taking into account the fact that for other forms of business entities and foreign founders, natural and legal persons, other preconditions need to be created, such as an agreement for the recognition of digital certificates with other countries, the involvement of even more participants for adequate preparations, etc. and what will constitute the next phase of this process. It is very important to mention that the introduction of this service is one of the first steps in intensifying activities in the introduction of e-government systems, since users will receive electronic profiles with digital certificates that they can use for other electronic services. In this way, the basis for the introduction of new electronic services in a broader sense would be created.

The Law on Liquidation Procedure prescribes in more detail the obligations and duties of the liquidation manager, as well as liability for damage caused to business owners and creditors during the liquidation proceedings, as well as fines that may be imposed on the liquidation manager in case of violation of this law. One of the basic goals of the liquidation procedure is to settle the creditors of the liquidation debtor, and to distribute the rest of the liquidation estate in proportion to the participation in ownership, i.e. the decision of the owner of the business entity's capital on the distribution of the liquidation estate.

One of the novelties in this law, in relation to the current law, is the prescribing of provisions related to the realisation of property in liquidation proceedings, namely immovable and movable property, as well as property without encumbrances and with encumbrances. Also, a novelty in this law is that the liquidation manager, with the consent of creditors, movable property that could not be cashed, for prescribed reasons, can hand over to the Red Cross, humanitarian organisations, social and educational institutions, if they accept it. In addition to the above, the Law on Liquidation Procedure introduced a new institute into our legal

legislation - a shortened voluntary liquidation procedure, in order to speed up the process of closing business entities and reduce the costs of liquidation proceedings.

The business entity registration process is further improved through the Republic of Srpska Business Entity Registration Project electronically.

The MF initiated a number of amendments to the laws that are not within the competence of this ministry, but they affect the business of independent entrepreneurs. The initiatives were partially accepted.

#### **2.2.4. Support services for SMEs and start-ups (SBA dimension 5a)**

DARS has established a mentoring system in Republic of Srpska, with the support of the Japan International Cooperation Agency (JICA) within the project *Establishment and promotion of mentoring services for SMEs in the Western Balkans - Serbia, BiH, Macedonia and Montenegro* for the period 2017-2020. During the establishment, DARS developed a mentoring scheme based on the policies and strategies of the Government of Republic of Srpska, financed and managed the entire mentoring service, developed and improved the necessary mentoring knowledge, trained and certified new mentors, managed the training system, qualifications system and evaluation system.

Since the beginning of the project, a total of 45 mentors have been trained who have provided mentoring services in 53 small and medium enterprises. Upon completion of the project, further maintenance of the mentoring system in the Republic of Srpska will be carried out by DARS in coordination with MEE, local development agencies and economic / development departments in the municipalities and cities of the Republic of Srpska. In the coming period, DARS is planned to continue the practical part of training in companies with certified mentors, establish continuous mentoring support to domestic companies in order to provide a sustainable mentoring system in the Republic of Srpska and achieve positive effects on the development of our companies and the economy as a whole.

Through the implementation of the mentoring system, DARS will contribute to the growth and development of SMEs, which will significantly strengthen the development capacities of local development agencies and local self-government units in the Republic of Srpska, and promote local economy opportunities to create opportunities for cooperation with Japanese investors.

One of the support programmes for innovative beginners in business, which DARS has been implementing since 2018, is the Accelerator programme, which lasts 2.5 months and includes support in the form of training, advisory support, use of work space within business incubators, administrative and technical support for using funds from various financing programmes, opportunities to present themselves to potential investors, and promotion and international networking. The trainings that the participants go through are related to the areas of entrepreneurial competencies, development of CANVAS models, market research, presentation skills, financial planning, finding sources of financing and internationalisation of business. After the training, participants have the opportunity to work with certified mentors on a "one on one" basis, where each participant is given special attention depending on the

idea with which he applied for the programme. Mentoring support is provided in the areas of legal form for business registration, marketing plan writing and business plan writing. After the implementation of the Accelerator programme, participants with the best business ideas are evaluated, who are rewarded with money through a fund formed by partner organisations / institutions. If there is a possibility at the location of the implementation, the best business ideas are also rewarded by using free premises for work within the business incubator. The best participants of the programme thus get the opportunity to enter the second phase of the program - growth programme, and in addition to using free premises for business incubator, they also receive administrative and technical support to apply for various funding programmes, promotion and international networking, as well as representation in front of potential investors. Besides the local development agencies and local communities, this programme includes educational institutions, but also other organisations that provide support to beginners in order to create a more favourable environment for starting new businesses in the Republic of Srpska.

Financial support for self-employment of young people up to 35 years of age is provided through the *Start up Srpska* programme of the Employment Bureau of the Republic of Srpska, which was realised in the period 2018-2019. Through this programme, the Institute supported the self-employment of 229 people, with a total of BAM 7,384,196.27.

### ***Digitalisation of services for SMEs***

The first and key step in the digital transformation of society is the digitalisation and informatisation of public administration. The European Union monitors the development of e-government in the member states through the report "*The European Commission eGovernment Benchmark*", on an annual basis. The results of many years of research show that according to the development of e-government, BiH is ranked 105<sup>th</sup> out of 193 countries<sup>7</sup>. Nevertheless, in Republic of Srpska there is a strong basis for further development of e-government, which is reflected in the existence of a basic legal and regulatory framework governing e-government, established basic ICT infrastructure that supports electronic communications services, and a strong social and political commitment to accelerated information society development.

However, more dynamic development of e-government in the Republic of Srpska is conditioned by further development of basic ICT infrastructure of e-government, i.e. development of horizontal building blocks, such as a single interoperable information system, electronic payment platform, strengthening trust services, i.e. digital identity management, platform for qualified electronic delivery of 'e-mailbox', e-government portal, etc. As recognised by the eGovernment Development Strategy for the period 2019-2022, the key challenge in the development of ICT infrastructure is the provision of financial resources, accompanied by the development of a favorable environment for digital transformation of public administration and human resources development in public and private sectors.

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<sup>7</sup> *Benchmark Global e-Government Development: Gearing e-government to support transformation towards sustainable and resilient societies*, Division for Public Administration and Development Management UN Department of Economic and Social Affairs, 2018.

The Republic of Srpska has already made visible progress by introducing electronic portals that enable SMEs to receive some of the services via the Internet, by introducing a One-stop shop solution (for SME registration), by improving data exchange between entity / local authorities and the like. Improvements have also been made in the area of reducing barriers to starting a business, issuing business licenses / permits (e.g. activated register of permits in the licensing process) and simplifying tax-related activities (tax returns, VAT refunds, etc.), but there is a need to all these areas are further improved through planning activities in the coming period.

MEE regularly updates and maintains the portal Point of Single Contact for Business [www.pscsrpska.vladars.net](http://www.pscsrpska.vladars.net). The portal serves users to easily and quickly get the necessary information on the registration of all forms of companies, as well as entrepreneurs, but also information on the necessary permits, approvals, licenses and other formalities required to perform certain activities. Through the portal, questions from the business community can be sent to institutions at the national level.

The Tax Administration of the Republic of Srpska has continuously worked in the field of digitalisation of services it provides to taxpayers. Digital / electronic services of the Tax Administration can be classified into three groups:

- **submission of tax returns** - it is possible to submit all tax returns electronically
- **submission of acts in electronic form** - the Tax Administration has enabled taxpayers to easily download tax invoices for real estate tax through the website of the Tax Administration
- **access to data and information** for legal entities and entrepreneurs through the E-service portal, as follows:
  - unique taxpayer card
  - review of monthly withholding tax returns
  - review of registered workers
  - review of fiscal cash registers with data on sending daily reports
  - review of tax accounts for real estate tax

Also, most of these functionalities are available through the Android mobile application "ePURS". The Tax Administration of the Republic of Srpska has enabled a total of 17 returns to be submitted electronically (16 of which relate to business: Form 1002 - Monthly withholding tax return, Form PP-GRT - Tax return for special republic tax, Form PP-KT - Tax return for utility tax, Form MP IBT - Monthly return sojourn tax report, Form GP PIBT - Annual declaration of lump sum sojourn tax, Form 1004 - Annual income tax return, Form 1007 - Tax return for small entrepreneur - Form Income Tax Advance, Form 1101 - Annual Income Tax Return, Form 1104 - Income Tax Advance, Annual Controlled Transaction Report, Form PP-ON - Tax Return for Other Fees, Form PD3100 - Registration / Change / Cancellation of Contribution , Form PD3120 - Application / Deregistration of contribution payment, Form PD 3110 - Application / Change / Deregistration of individual contribution payment, Form PD 3210 - Request for deregistration of contributors). In the last 5 years, over 150 seminars / trainings / webinars have been held for taxpayers, including small and medium enterprises.

Also, the Republic Administration for Geodetic and Property-Legal Relations in the previous period worked on the digitalisation of the cadastre, which will significantly facilitate the insight into real estate and land registers for both citizens and SMEs. The Administration is working on the implementation of the Real Estate Registration Project (RERP) with the World Bank's funds, whose goal is to improve the cadastral system and establish a real estate cadastre as a single record of real estate and rights to them, and the sustainability of institutions responsible for keeping records of real estate and rights.

Regulated administrative procedures for obtaining a building permit and exercising the right to build a facility are certainly one of the biggest challenges for investors. Given that the construction sector has a significant impact on the economy as a whole, it is considered that the time required to obtain building permits, i.e. the number of steps and formalities in the process, is the biggest "regulatory obstacle" to doing business in a country. Therefore, this area is the subject of significant reforms that have been implemented in recent years through changes in the legal and regulatory framework in the field of construction. In this regard, in 2019, amendments were made to the Law on Spatial Planning and Construction (*Official Gazette of RS*, No. 84/19), which created key legal preconditions for the beginning of the establishment of the Integrated System for Electronic Licensing in Construction in the Republic of Srpska (e-construction service). The e-construction service for the field of building construction electronically coordinates and informs the competent institutions and investors in real time about the degree of progress in resolving each request. The entire procedure and accompanying documentation, from the moment of submitting the request, to payment, monitoring the status of the case and issuing a construction permit is available online to all participants, who can communicate with each other electronically, send additional inquiries and clarifications, i.e. supplement the subject. By using the ePermission system for building facilities, investors and public institutions achieve significant savings in time and money, increasing the reliability of the procedure and, using modern information technologies, reduce the possibility of human error, and cases and documentation are managed electronically, faster, more efficiently and transparently. For now, the e-construction service is being implemented as a pilot project in the cities of Banja Luka and Gradiška, and it is planned that other local self-government units of the Republic of Srpska will gradually join the Service, after implementing the necessary reforms and fulfilling the necessary technical preconditions for joining the Service.

#### **2.2.5. Access of SMEs to financial services and sources of financing in the Republic of Srpska (SBA dimension 6)**

Access to financial services, and especially sources of financing, is important for SMEs, as it enables the maintenance of regular operations, growth, modernisation of working capital and new business ventures, which significantly contributes to strengthening competitiveness. The SME Policy Index for the Western Balkans and Turkey indicates that during 2019, progress was made in all aspects of access to finance for SMEs, albeit with a visible slowdown in the rate of progress. However, the overall index for BiH is the lowest of all seven observed regional economies.

The Republic of Srpska, otherwise a highly bank-centric area for all market segments, has an adequately defined legal and regulatory framework that regulates the operations of banks and other financial organisations of the banking system, the area of insurance and the securities

market. Banks have a satisfactory capital base and risk resilience. The rights of creditors are legally protected, but the slowness and uncertainty in the court resolution of forced collection make this protection uncertain. SMEs are often at risk of meeting the obligation to repay borrowed funds, which is especially pronounced in SMEs in the early stages of development (start-ups). The problem of SMEs when seeking a loan is the lack of satisfactory business plans, accounting and other information, inadequate assets offered as collateral and insufficient profitability and liquidity.

The range of banking credit products developed for the needs of SMEs is structured so that it can satisfy almost all business needs of SMEs in terms of amount, maturity and manner of use. In order to overcome the problems in loan repayment caused by the reduction of business volume due to the COVID-19 pandemic, the Banking Agency of Republic of Srpska has made decisions on temporary measures for banks and MCOs to mitigate the negative economic consequences caused by the pandemic, which enabled the bank clients and MCOs to use special measures to mitigate the negative consequences of the pandemic, i.e. to agree on a moratorium, period of deferral of loan principal repayment, etc. In September 2020, the Agency made new decisions, which enabled clients to submit by December 31, 2020, a request for approval of special measures with a deadline in the case of a grace period for a period of 12 months, and a moratorium for a period of 6 months. However, given the current deterioration of the epidemiological situation, in March 2021, the Agency enabled clients facing negative economic consequences to submit requests for special measures during 2021, whereby the moratorium measure can be approved until June 30, 2021, and the measure of grace period until December 31, 2021.

The attractiveness of banking products for SMEs, especially in terms of interest rates and repayment terms, is increased by the Investment and Development Bank of Republic of Srpska with its mechanism of refinancing bank loans, through arrangements with banks and MCOs. The IDB product range includes 4 credit lines relevant to SMEs: (i) for start-ups, (ii) for microbusiness in agriculture, (iii) for agriculture and (iv) for entrepreneurs and businesses.

IDBRS continuously monitors the needs of the domestic economy and adjusts its credit products, which certainly applies to users from the SME sector, so in the period from 2016 to 2020, the SME sector was approved 533 loans in the total amount of BAM 303.4 million, while the cumulative amount of placements to the SME sector, at the end of 2020, amounted to about BAM 1.2 billion.

In order to mitigate the negative economic consequences caused by the appearance and spread of the coronavirus on the economy of the Republic of Srpska, IDBRS enabled the users of loans to which funds were approved directly, without financial users, to use a three-month moratorium on principal and interest repayment.

Also, based on the Decision of the Government of the RS, the IDBRS extended the right to a moratorium on loan repayment or the use of a grace period of 3 to 6 months for all legal and natural persons who used credit funds through financial intermediaries. The possibility of using the grace period was also provided for the users of loans for demobilized fighters of the Army of the Republic of Srpska, to whom the funds were approved directly, without financial intermediaries.

In order to further relieve the economy in the new circumstances, with the adoption of the new Rules of placement on credit lines and loans from March 2020, certain reliefs were introduced to users of IDBRS credit funds.:

1. The minimum output interest rates of IDBRS (to 0.5 percentage points) on credit lines for initial business activities, micro-business in agriculture, agriculture and entrepreneurs and companies, and thus interest rates for end users have been reduced.
2. For already approved loans through credit lines for initial business activities, micro-business in agriculture, agriculture, entrepreneurs and enterprises and local self-government units, whose interest rate is higher than 5%, it is planned to reduce IDBRS output interest rates to 0.5%.
3. Interest rates for users who were previously approved funds through loans were reduced, according to the then valid placement rules, as follows: "six-month Euribor" - 2.7 percentage points; minimum 0.5%, maximum 1.9%, which is currently 0.5%.
4. It is possible for existing users of funds on credit lines to use an additional grace period of up to 24 months, or to extend the loan repayment period of up to 60 months.

The IDB's financial framework for credit support to the domestic economy (including the SME sector) is determined on an annual basis, according to estimates of expected demand and availability of funds for these purposes. Through financial arrangements with international financial institutions, the IDB provides additional financial support to domestic companies, with a special focus on SMEs (The *Firm Recovery and Support Project in Bosnia and Herzegovina* intended to support the recovery of micro, small and medium enterprises affected by the economic impact of the COVID-19 pandemic, which is being implemented in cooperation with the World Bank is being prepared for 2021).

In addition to banks, MCOs operate in the Republic of Srpska, as non-deposit financial organisations whose main activity is the provision of microcredit, and which meet the needs of the market niche of micro-entrepreneurs, to whom banking services are inaccessible. These organisations approve microloans for the needs of SMEs with a lower level of security, but with a higher interest rate. Also, the services of business units of lessors based in the Federation of BiH are available, which provide financial and operational leasing services. The Republic of Srpska Guarantee Fund, established by law in 2010, facilitates access to finance for SMEs that meet creditworthiness criteria but do not have sufficient collateral, providing them with the necessary guarantees to secure part of the loan or other financial obligation. GF has signed agreements on business and technical cooperation with 12 banks, 3 microcredit organisations and 2 funds managed by IDBRS.

In order to improve the access of SMEs to financial resources, in 2019 and 2020, amendments to the Law on the Guarantee Fund of the Republic of Srpska were made. The Fund is allowed to provide limited portfolio guarantees, and the percentage of individual guarantees, in exceptional cases, can go up to 70% of the amount of the approved loan or other financial obligation. The restriction on issuing guarantees for financing trade activities has been lifted, and the possibility has been introduced for the Fund to issue guarantees for loans to entrepreneurs for the purpose of refinancing their previously approved loans and financial obligations, provided that the change in the original contract is caused by the entrepreneur's current needs, not their financial difficulties, and only if the subsequently agreed conditions are more favorable for them in relation to the originally agreed. The provision referring to the

manner of guaranteeing financial obligations in the form of issued debt securities has been specified, and legal preconditions have been created for the Fund to manage purposefully established guarantee programmes organised by the Republic of Srpska to facilitate access to finance and mitigate the consequences of special circumstances on the economy of the Republic of Srpska.

In order to overcome the consequences caused by the COVID 19 pandemic, the Government of the Republic of Srpska in July 2020 passed the Decision on the Guarantee Programme of Economic Support for Mitigating the Consequences of the COVID 19 Pandemic caused by SARS-CoV-2 Virus.<sup>8</sup> Beneficiaries of the Guarantee Programme are entrepreneurs, micro, small and medium enterprises, including registered agricultural holdings with their registered office or residence in the Republic of Srpska. The Guarantee Programme is managed by the Republic of Srpska Guarantee Fund in the name and on behalf of the Republic of Srpska. The assets of the Guarantee Programme are completely separated from the assets of the Fund. By issuing guarantees in accordance with the Guarantee Program and the Guarantee Agreement, the Republic of Srpska undertakes to the financial organisation (guarantee beneficiary) that in case the business entity does not fulfill the obligations on maturity, it will settle the obligation if the conditions from the guarantee agreement are met. In accordance with the published public invitation, and after analysing the offer of received applications, the Guarantee Fund of the Republic of Srpska concluded guarantee agreements with 11 financial organisations (nine banks and two microcredit companies).

The guarantee programme is implemented through the issuance of a portfolio guarantee, which consists of a set of individual loan guarantees from the portfolio, and guarantees provide new loans to finance core business, liquidity, working capital and investment costs, with a repayment period of up to four years, including period deferrals of principal repayment for a period of 3 to 12 months. These guarantees provide up to 70% of the principal amount of the loan granted to the economic operator. At the beginning of December 2020, the Government of the Republic of Srpska passed the Decision on Amendments to the Decision Organising the Guarantee Program, with the aim of greater coverage of the target group of clients and better use of the guarantee and credit potential. The deadline for the implementation of the Guarantee Programme has been extended to December 31, 2021, and the largest amounts of loans by individual segments of economic entities were increased, for micro-enterprises to BAM 50,000, small enterprises BAM 200,000 and medium-sized enterprises BAM 400,000. The maximum loan repayment period has been extended from four to seven years, for which guarantees are given, and economic entities that have unpaid tax obligations in the Republic of Srpska are allowed to settle them with the funds approved under the Guarantee Programme and thus meet one of the basic eligibility requirements for the Warranty programme. The precondition for positive business operations of business entities as of December 31, 2019 is no longer necessary, but the condition of regular repayment of credit obligations on the date March 16, 2020 was retained, provided that the loan applicant still cannot be an entity whose loan on the mentioned date was in the status of non-payment of obligations according to the regulations of the Banking Agency of the Republic of Srpska. Refinancing of existing loans is allowed, only under the conditions that the obligations under these loans are duly settled, that the new loan from the Guarantee Programme provides more favorable conditions for the client and that the need for refinancing is caused by the pandemic.

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<sup>8</sup> Official Gazette of Republic of Srpska, No. 64/20.

Restrictions on guaranteeing loans approved for refinancing purposes are regulated by the loan agreement, in order to provide additional security and risk management related to guaranteeing refinancing loans through a contractual relationship with financial intermediaries. Within the Guarantee Programme, a total of 116 guarantees were given in the total value of BAM 8,727,950 on loans in the total value of BAM 12,468,501.<sup>9</sup>

In order to ensure greater financial inclusion of SMEs, the *Law on Factoring* was adopted in early December 2020<sup>10</sup>. Factoring is the legal business of buying and selling an existing outstanding or future short-term receivable<sup>11</sup> arising from a contract for the sale of goods or provision of services in which the assignor, factor and debtor participate. Factoring services, in addition to banks that have been able to provide these services so far, will be able to be provided by factoring companies, IDB RS and other companies that provide financial services, provided that a special law stipulates that they can perform factoring activities. Factoring, as an alternative way of financing, can help SMEs to overcome their low creditworthiness and meet the need for working capital financing, credit risk protection, receivables management and collection.

Their participation in the Unified System for Multilateral Compensations and Cessions also contributes to better liquidity of SMEs, which enables all overdue undisputed financial obligations to other participants to be settled through multilateral compensation or cession and transferred to another creditor through multilateral cession or realized sale of receivables. Also, SMEs in foreign affairs are free to make payments, collection and transfer on current transactions by offsetting debts and receivables, assigning receivables, taking over debt or other forms of payment, while fulfilling the conditions prescribed by law. A source of financing for SMEs can be both a financial loan and a loan from abroad.

In order to improve information on financial services, the Ministry of Finance of the Republic of Srpska has published information and educational brochures on the use of financial services on its website. Also, the Banking Agency of the Republic of Srpska publishes on its website the average weighted effective interest rates of MCOs and the current terms of retail lending.<sup>12</sup>

The capital market is regulated, with functional institutions. In the coming period, we should work on better use of new financial arrangements such as venture capital, business angels and crowdfunding. We should also work on strengthening financial literacy and general awareness of SME financial support arrangements. In the first quarter of 2021, amendments to the Decree on the conditions for opening a foreign currency account abroad were prepared, in order to simplify the procedure for issuing approvals for opening a foreign currency account abroad to companies performing investment work abroad, and companies performing registered business activity through business units established abroad

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<sup>9</sup> Guarantee database from monthly reports - Guarantee program COV-19. Viewed on 24.03.2021. on the website of the Guarantee Fund of Republic of Srpska: <https://garantnifondrs.org/gpcov19/>.

<sup>10</sup> „Official Gazette of Republic of Srpska“ No. 123/20.

<sup>11</sup> Short-term receivable is a monetary receivable that falls due within one year from the day of sale of goods, i.e. provision of services for which the deadline is determined by the contract on sale of goods or provision of services.

<sup>12</sup> Available on the website of the Banking Agency of Republic of Srpska: <https://abrs.ba/sr/korisnici-finansijskih-usluga/c224>

In order to further develop the capital market of the Republic of Srpska, and increase its competitiveness, in 2021 amendments to the Law on Securities Market are planned, which will simplify the procedure for issuing securities, and in the case of issuing money market instruments, the issuer will to be released from the obligation to publish a prospectus.

Planned amendments to the Law on the Securities Market should contribute:

- more efficient access to various sources of capital for economic entities,
- increase in the volume of issues of securities, and thus increase in the market material on the Banja Luka Stock Exchange JSC Banja Luka
- additional opportunities for investors and savers to invest money in order to increase economic growth and create new jobs,
- more efficient and cost-effective liquidity management and mitigating the negative consequences of the coronavirus pandemic on the economy and business of stockbrokers.

SMEs in the Republic of Srpska in the previous period were also available funds from the COSME programme based on the agreement on SME financing, which the European Investment Fund signed with ProCredit Bank from the COSME guarantee line in the total value of EUR 30 million. COSME programme 2014-2020 is intended for SMEs, and the main goal of this programme is to increase the competitiveness of SMEs, and thus reduce unemployment in the country. The programme budget is EUR 2.3 billion. The funds are managed by the European Investment Fund in cooperation with financial institutions in various countries.

Finally, it is known that international financial organisations treat the SME sector as a priority and through a number of projects provide more favorable credit funds for the SME sector, which are realised primarily through commercial banks. The banking sector is thus additionally encouraged to accept SMEs as a priority, and in addition to credit funds, SMEs can occasionally apply for grants intended to support specific priorities, such as investments in energy efficiency and the green economy.

### **2.2.6. Standards and technical regulations <sup>13</sup> (SBA dimension 7)**

The application of European technical legislation (ETL) in BiH is done at the level of BiH and at the level of entity institutions and in the field of SMEs. Quality infrastructure institutions for the implementation of ETL have been established at the level of BiH and at the entity level.

The key institution of quality infrastructure in the Republic of Srpska is the Republic Institute for Standardisation and Metrology, which is an administrative organisation within the Ministry and is responsible for the areas of standardisation, metrology and control of precious metals. The Institute performs professional and administrative tasks in accordance with the legislation of the Republic of Srpska and Bosnia and Herzegovina and good European and international practice in the field of standardisation and metrology.

Technical regulations governing the application of standards, accreditation and conformity assessment activities in the Republic of Srpska are issued by the republic administrative bodies, competent for the areas to which they prepare products and services. The Republic

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<sup>13</sup> Source of information: "Policy study, Needs, modalities and instruments of financial support for SMEs in terms of technical standards", PhD Vid Jovišević, EDA, 2020

Coordinator for Quality Infrastructure and Chapter 1-Free Movement of Goods in the Republic of Srpska is the Ministry of European Integration and International Cooperation.

In May 2019, the Government of the Republic of Srpska appointed 28 members of the Coordination Body for Quality Infrastructure and Services from 15 republic administration bodies and the Chamber. Sessions of the Coordination Body for Quality Infrastructure and Services in the RS and working-consultative meetings on individual issues within the scope of work of this body are held. The coordinating body for the infrastructure of product and service quality in the Republic of Srpska is an advisory body of the Government of the Republic of Srpska. Technical support and coordination of the work of this body of the Government of the Republic of Srpska is performed by the Ministry of European Integration and International Cooperation. The task of the Coordination Body for Quality Infrastructure is to coordinate the activities of the competent republic administrative bodies in order to: build a modern, internationally recognised and efficient quality infrastructure in Republic of Srpska and BiH, enact modern laws and technical regulations, and improve more efficient communication and cooperation with other quality infrastructure institutions, existing certification and control bodies, laboratories, associations, chambers of commerce, etc.

The Chamber of Commerce participates in the work of the Coordination Body for Quality Infrastructure of the RS Government, expert bodies of the RS Institute for Standardisation and Metrology and the BiH Institute for Standardisation and represents the interests of the economy and points out the effects of applying legal solutions in RS.

The Chamber of Commerce of Republic of Srpska organises training programmes, professional seminars and workshops in the field of application of quality standards, and since 2000 more than ten training programs and more than 100 seminars and workshops have been organised regarding product safety requirements and quality management system requirements. More than 2,000 participants participated in the seminars, and over 90 consultants completed the training programmes.

In order to support the economy in meeting the requirements for product placement in the EU market, the Chamber implements international and domestic support programmes, organises seminars, workshops and provides consulting services. In the previous period, 30 workshops and seminars were organised, activities for the introduction and certification of quality standards for more than 100 companies were co-financed, and advisory services were provided for the introduction of quality standards in 80 companies.

Standardisation in BiH and the Republic of Srpska is based on the recognised principles of the WTO Agreement on Technical Barriers to Trade (WTO / TBT), which includes the involvement of all stakeholders, consensus, transparency, coherence, voluntariness, non-discrimination and efficiency.

Insight into BAS standards is done by visiting the Institute for Standardisation of BiH, or through the website of the Institute for Standardisation of BiH. On the website of the Institute for Standardisation of BiH, online purchase of standards and online reading of standards is enabled (with the payment of a certain fee, you can view the content of the standard, without the obligation to purchase). Insight into JUS and SRPS standards available to the Republic

Institute for Standardisation and Metrology is possible in the premises of the Institute (with mandatory prior consultation with the Department for Standardisation).

The initiative for the adoption of standards is sent through the competent technical committees that work within the Institute for Standardisation of BiH. Regarding the translation of standards into one of the languages in use in BiH, the initiator of the initiative may be another interested party (e.g. the Chamber of Commerce of Republic of Srpska, ministry, etc.), while the adoption and publication is done through the Institute for Standardisation of BiH.

Metrology is also an important part of the quality infrastructure that contributes to the success of SMEs and the application of European technical legislation. In BiH, the Institute of Metrology of BiH and the entity metrological institutions are responsible for this area. The metrological system in the Republic of Srpska is largely in line with international and European trends in metrology and the International System of Units. In addition to the Republic Institute for Standardisation and Metrology (RISM), the Council for Metrology of the Republic of Srpska also contributes to legal metrology with its activities, as well as appointed and authorised calibration laboratories and bodies for assessing the conformity of measuring instruments.

When it comes to conformity assessment, currently in BiH and the Republic of Srpska there are not enough bodies for conformity assessment of products (testing and certification), systems or persons, which is why the services of these bodies from the environment or the EU are mainly used. The lack of domestic capacity in this area requires stronger and more organised liaison with regional and / or EU conformity assessment bodies and the establishment of their branches in the Republic of Srpska and BiH, and greater support for the implementation of accreditation procedures for domestic bodies.

Accreditation is legally regulated at the level of BiH and is the responsibility of the BiH Accreditation Institute, and in the field of product conformity assessment in the Republic of Srpska it is prescribed that product conformity assessment bodies must have proof of accreditation before appointment with the BiH Accreditation Institute or some other internationally recognised accreditation body.

If we look at the selected export-oriented sectors (metal processing, wood processing, food industry and plastics) it is evident that the BiH Accreditation Institute has not accredited any certification body that deals with certification of management systems according to ISO standards (such as ISO 9001, ISO 14001, ISO 22000, ISO 27001, ISO 45001 ...). On the other hand, it is an indisputable fact that a relatively large number of companies and institutions from BiH are certified according to these standards by certification bodies accredited in other countries, and practically at the level of BiH the number of issued certificates and their validity is unknown (whether they have been issued by an accredited conformity assessment body or not).

In October 2019, the National Assembly of the Republic of Srpska adopted the "Strategy for the quality infrastructure of products and services in the Republic of Srpska for the period 2019-2023 - Taking over and application of the *acquis communautaire* in the field of free movement of goods and the accompanying Action Plan for the implementation of the strategy. The Strategy describes the current situation in the areas belonging to the quality infrastructure and Chapter 1 of EU law and identifies current needs. Within the nine separate areas of Chapter 1,

a total of 6 general and 32 specific strategic goals and a total of 197 activities within the competence of 12 institutions in the Republic of Srpska have been defined. Specifically, for the area of Horizontal Measures - Conformity Assessment, five specific objectives have been defined, which will be realised through 14 specific activities.

During the preparation of the Strategy for the quality of products and services in the Republic of Srpska for the period 2019 - 2023, business entities and institutions in the Republic of Srpska were surveyed, round tables were held, and then an analysis was made and the needs of the economy in the field of quality infrastructure<sup>14</sup>.

The analysis<sup>15</sup> has determined the following:

- Certified quality management system according to the standards BAS EN ISO 9001: 2008 and BAS EN ISO 9001: 2015, owns 77%, and according to the standard BAS EN ISO 14001: 2015 17% of surveyed companies. More than 50% of entities plan to continue with the introduction of quality systems BAS EN ISO 9001: 2017, BAS EN ISO 14000: 2017 and BAS ISO 45001: 2019, which replaced BAS OHSAS: 2010.
- All surveyed entities from the food industry have introduced systems of food safety standards, such as HACCP and BAS EN ISO 22000: 2010, and from the wood processing industry have systems according to FSC CoC standards, which are mandatory standards when exporting these products.
- Out of the total number of surveyed economic entities, only 36% have certificates for their products, and 35% of entities use product certification services abroad, i.e. they hire a conformity assessment body (hereinafter: CAB) from abroad.
- The survey of the level of knowledge of the requirements of technical regulations, based on the European directives of the 'New Approach', showed that economic entities are convinced that they know the technical legislation, bearing in mind that 100% stated that they know this area very well. However, a more detailed analysis showed that only 50% of economic entities essentially know and apply the requirements of applicable technical regulations and that they have not approached the process of assessing the compliance of products with product safety requirements. In this regard, it is necessary for economic entities in cooperation with the Chamber of Commerce of the Republic of Srpska to prepare and implement a special training program for companies in order to get acquainted with the requirements regarding product safety.
- Products in the food industry, which are covered by special Old Approach directives and EU regulations in the field of food, veterinary and phytosanitary policy (Chapter 12), are observed from the point of view of applying quality infrastructure services (hereinafter: QI) in testing laboratories. The surveyed subjects perform part of the tests in their own laboratories, such as microbiological tests of food and food contact surfaces, and one in foreign laboratories, such as certain microbiological tests and physical and chemical analyses.

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<sup>14</sup> Source of information: Strategy of quality infrastructure of products and services in the Republic of Srpska for the period 2019 - 2023 - - Takeover and application of the *acquis communautaire* in the field of free movement of goods.

<sup>15</sup> Data source: Survey organized by the Chamber of Commerce of Republic of Srpska and the Ministry of European Integration and International Cooperation, in order to collect information on real needs and difficulties, application of technical regulations in practice, standardisation, metrology and accreditation (done within the process of preparing the Quality Infrastructure Strategy ). Detailed analyses included ten representative conformity assessment bodies and 40 economic entities, mostly industrial companies and several faculties and institutes.

- Most of the surveyed entities in the sector of metal and electrical industry dealing with exports, and whose products are covered by the 'New Approach' directives, have implemented conformity assessment procedures for affixing the CE mark to the product.
- The lack of domestic testing bodies and the high costs of product certification, as well as the maintenance of the quality management system, were pointed out, which is why it is necessary to strengthen domestic CAB capacities. The need for support to the strengthening of domestic capacities, such as testing and calibration laboratories of mechanical, electrical, civil engineering and technological faculties in the Republic of Srpska, and companies dealing with testing and calibration, was especially expressed.
- In the wood processing sector, a small number of entities have the 'CE' mark for products covered by the New Approach directives, such as parquets and floors, wooden joinery, etc., which is why it is necessary to strengthen this sector.
- Most entities from the textile and footwear industry have introduced a certified management system according to the BAS EN ISO 9001 standard, bearing in mind that this standard is required by business partners abroad when contracting work and do not have their own testing laboratories. At the Faculty of Technology, University of Banja Luka, a Laboratory for testing textiles and footwear materials has been established, which provides testing services to companies in the area, but the laboratory has not yet been accredited according to the standard BAS EN ISO / IEC 17025.
- In the field of construction industry, most entities have introduced ISO EN 9001 standards, and the 'CE' mark for the product is owned by a number of companies, which are engaged in export (more than 33 entities).
- When it comes to testing and assessing the conformity of construction products, the Faculty of Architecture, Civil Engineering and Geodesy, University of Banja Luka and the Institute of Urbanism, Civil Engineering and Ecology Banja Luka have well-equipped testing laboratories, competent staff and experience in testing and certification of construction products. The Institute of Urbanism, Civil Engineering and Ecology of RS Banja Luka, in cooperation with the Faculty of Architecture, Civil Engineering and Geodesy of the University of Banja Luka, has 56 accredited testing methods for construction products, but accreditation of other key testing methods requires significant funds.
- Also important is the adoption of the remaining modern technical regulations for construction products, based on current EN and ISO standards (instead of the current SFYR regulations and accompanying JUS standards), so that investments in this area CAB has economic justification, and the domestic market has safe products.
- In the field of conformity assessment (testing) and periodic technical inspections (inspections) of gaming machines, in addition to the conditions that must be met from the standpoint of applicable regulations on technical requirements and conformity assessment in the field of electrical equipment intended for use within certain limits in voltage and electromagnetic compatibility, the need to provide available accredited laboratories is expressed, from the point of view of testing and control of compliance with technical requirements for these products, defined by the Law on Games of Chance of the Republic of Srpska and accompanying bylaws.
- Companies point to the need to form a special association of conformity assessment bodies of the Republic of Srpska, at the Chamber of Commerce of the Republic of Srpska, with the aim of active participation of companies and existing CABs in the process of developing conformity assessment systems and quality infrastructure in the Republic of Srpska.

### **2.2.7. Entrepreneurial skills (SBA dimension 8a)**

Entrepreneurial skills are of particular importance to the business sector. According to the OECD SME Policy Index 2019 for the Western Balkans and Turkey, employers lack well-trained workers, especially in growing sectors and export-oriented companies. Given the research of the European Center for the Development of Vocational Training (*Cedefop*), in the future 85% of all European jobs will require at least basic digital skills. The COVID-19 virus pandemic has further affected the even greater use of digital tools in business. Improving skills will be one of the key success factors, especially for small entities and beginners in business. Continuous improvement of skills of both employers and employees is necessary in order to improve business. Trainings are most often of an external nature (outside the business entity), and less often they are in the entity itself. More innovative subjects are most often those subjects whose staff has more developed skills of managers and employees, followed by ICT skills and skills important for development and research. Entrepreneurial skills include business skills (e.g. marketing and finance), entrepreneurial competencies (creativity, innovation and risk management) and professional skills necessary for a sector. Training for beginners is especially important. Human resources, dissemination and transfer of knowledge and support to entrepreneurship are key elements of smart specialisation, and the strategies planned in this area will certainly be dedicated to these areas.

In the Republic of Srpska, trainings are continuously held regarding the strengthening of professional and business skills, where the organisers are most often the Chamber of Commerce of Republic of Srpska, DARS, local development agencies, competent ministries, Innovation Center Banja Luka and others in accordance with available resources and capacities.

The goal is to make lifelong learning - according to the concept of lifelong learning, which is no longer just a form of education and training, a guiding principle in the context of learning and acquiring knowledge, and in that context of adult education.

Participants of the workshop, which was held as part of the development of the SME Development Strategy in the Republic of Srpska *Challenges and priorities of strengthening the systemic competitiveness of SMEs*, defined challenges and priorities related to supporting the development of professional and business skills as one of the priorities of strengthening systemic competitiveness of SMEs. The findings can be summarised as follows: insufficient interaction of the economy, education system and support institutions, underdeveloped human resource management function in SMEs, the importance of improving formal and non-formal education and training programs, motivating children to enroll in deficient occupations.

### **2.2.8. Innovation in SMEs (SBA dimension 8b)**

Innovation is the introduction of new or significantly improved products (goods or services) or processes, new marketing methods or a new organisational method in business practice, workplace organisation or external relations.

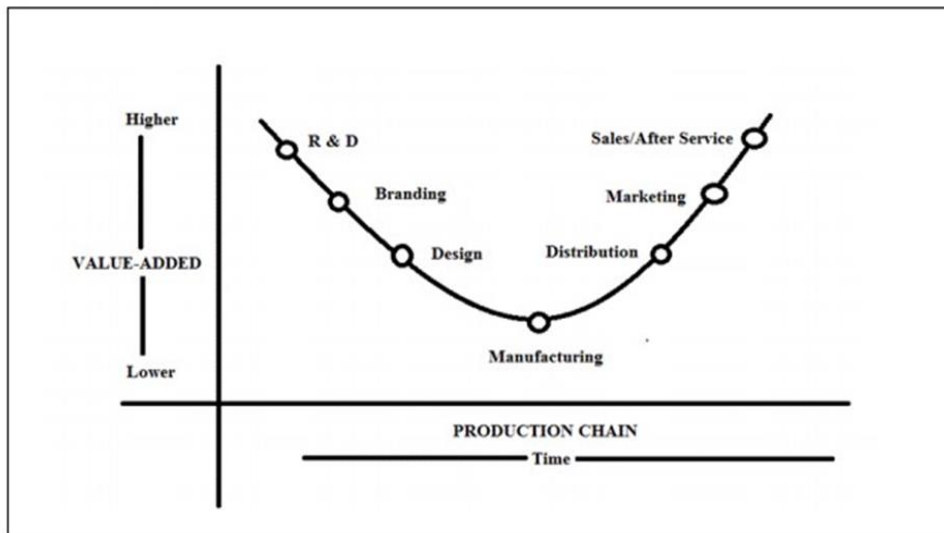
Innovative activities of the company include all development, financial and commercial activities carried out by the company, which are intended for innovation or result in innovation. A business process innovation is a new or improved business process, which is introduced for one or more business functions that is significantly different from previous business functions, and which is implemented in the company. Product innovation is a new or

improved product (goods or services), which is significantly different from previous products or services of the company, and which is implemented in the market<sup>16</sup>.

In addition to encouraging innovative practices in companies, it is also important, in accordance with the possibilities and available support, to expand activities from production to pre-production and post-production, because they achieve much greater added value.

**Picture: The Smile Curve**

Fig 2. The Smile Curve



Source: Mudambi (2008)

The SME Policy Index for the Western Balkans and Turkey 2019<sup>17</sup> in the area of SME policy in the area of innovation gives BiH a score of 1.86 out of a total of 5.

Strategy of scientific and technological development of RS for the period 2017-2021. *Knowledge for Development*, whose holder is the Ministry of Scientific and Technological Development, Higher Education and Information Society, is the main strategic framework for innovation in the Republic of Srpska. This strategy focuses on research and innovation, but does not sufficiently take into account the innovations taking place in SMEs.

Innovative activities in SMEs mainly come as a result of pressure from the foreign partner and the customer and are carried out ad hoc. It is mainly about expanding production and technological capacities (process innovation), while to a lesser extent it is about training people and product improvements. In order to increase the number of innovative activities, companies need professional and financial support. Companies usually seek professional support in the field of production management and certain specific technologies, and they receive it from consultants, high schools, faculties, as well as from machine sellers in cases of buying a new machine. Those who have worked with domestic consultants are satisfied, but their number and areas of activity are limited. Cooperation with high schools and colleges is ongoing, but there is much room for improvement, especially in staff education and product development and testing. Scientific-research capacities are located at universities and

<sup>16</sup> Definitions according to the methodology of the Institute of Statistics of the Republic of Srpska:

<sup>17</sup> SME Policy Index: Western Balkans and Turkey

scientific-research institutes, however, due to insufficient communication with the business community, their work is not relevant for the needs of the same. Cooperation between companies is not frequent and is established mainly while there is a problem and ends when the problem is solved. Innovative business beginners and entrepreneurs can get support from the Development Agency of Republic of Srpska, local development agencies, Innovation Center Banja Luka, Business Incubation Center Prijedor and Business Incubator Trebinje, and private HUBs that have been formed recently. The SBA profile of BiH 2019 points out that in the Republic of Srpska, technology dissemination services are not enough. The financial challenges of the company are solved independently, from loans, with the help of programmes that have grants and to a lesser extent with the support of local authorities. Practice shows that grant funds are mainly used to purchase machinery to innovate the production process. New machines often have other effects, such as training and hiring new workers, quantitative growth in production, growth in exports and improvement of delivered products.

The biggest obstacles in the field of research, development, innovation and higher education in the Republic of Srpska are: low orientation of scientific research towards the economy, insufficient number and unfavorable structure of researchers and research institutions, insufficient harmonisation of enrollment policies with labor market requirements, insufficient student cooperation, insufficient research cooperation. and innovative communities with the economy, modest investments in research and development, the mismatch between the economy's ability to absorb new technological solutions and demand for the same, the economy's lack of interest in investing in research centers that can encourage and promote innovation.

Process optimisation is a prerequisite for the introduction of digital solutions (digitalisation), which will be increasingly presented as a requirement for domestic companies. Institutions and support organisations do not have a sufficient number of professional staff for the digitalisation process that could provide this type of services to companies, while domestic ICT companies that have resources are oriented towards foreign markets.

In the Republic of Srpska, it is necessary to improve policies and instruments to support innovation in SMEs, as well as the work of innovation centers-incubators, and to encourage the establishment of new support instruments. Supporting innovation in SMEs is a challenge for both businesses and support institutions. It is advisable to try and pilot types of support that have effects in this context and with such SMEs and gradually turn them into support policies and instruments, using experiences and lessons learned from relevant international projects in BiH.

On the other hand, the cohesion policy of the European Union requires Member States to identify areas of specialisation that best suit their innovation potential and are based on the means and capabilities to use EU funds in the field of research, technological development and innovation. The aim of cohesion policy is to enable more efficient use of European structural investment funds and increase synergies between EU funds and budget funds. In this sense, "Smart Specialisation (S3)" is an EU innovation policy concept aimed at balanced regional development based on innovation and synergy of diversity, the end result of which is to stimulate innovation and accelerate economic growth. In the second half of 2020, at the initiative of the Ministry of Scientific and Technological Development, Higher Education and Information Society, the Government of Republic of Srpska decided to develop a Smart Specialisation Strategy of Republic of Srpska for the period 2021-2027 and authorised this

Ministry to form an interdepartmental working group to work on drafting the document. Together with the new Strategy of Scientific and Technological Development of the Republic of Srpska 2021-2027, these should be the first planning documents that should regulate the area of innovation in the Republic of Srpska.

In the market of the Republic of Srpska, innovation management consulting services are provided by consultants who are trained and certified within the European Entrepreneurship Network programme. Companies from the ICT sector prepare and implement projects for the development of new services and the application of innovations within the *DeveloPPP* programme. The Republic of Srpska Chamber of Commerce manages these projects in the Republic of Srpska.

The Chamber of Commerce of the Republic of Srpska established the Center for Digital Transformation of the Chamber of Commerce of the Republic of Srpska (CDT CCRS) in May 2020. The Center should enable the breakthrough of the domestic economy in the field of application of digital solutions in business processes, with the aim of increasing the competitiveness of the economy and the application of innovations in the Republic of Srpska. The establishment of the Center was preceded by the signing of the Agreement on Cooperation in Establishing a Network for Digital Transformation of the Economy of Republic of Srpska, concluded between the Ministry of Scientific and Technological Development, Higher Education and Information Society, Ministry of Economy and Entrepreneurship, Innovation Center Banja Luka, German Support and Development Organization (GIZ) and the Chamber of Commerce of the Republic of Srpska, which defines that the Chamber will establish the Center for Digital Transformation of the Republic of Srpska, as a support to companies for the process of digital transformation. The main goal of the Center is to improve the business environment and provide services for optimisation and acceleration of business processes, more efficient and transparent business, automation of processes and work procedures, i.e. process transformation in companies and adaptation to modern technological processes in the economy. The activities and services of the Center will be developed through the implementation of activities under the GIZ Project *Innovation and Digitalisation in Small and Medium Enterprises in Bosnia and Herzegovina*, through which consulting support was provided for the establishment of the Center, as well as through project activities *Center for digitalisation, raising competitiveness and innovation in SMEs - DigIT SME*, which is implemented by the Chamber of Commerce of Republic of Srpska with partners and funded by the EU4Business program. Within this project, it is planned to create professional support through services that will be provided by certified consultants of the Center, whose training is ongoing, and the internationally recognised certificate will be issued by an accredited body of the Austrian Chamber of Commerce. Companies will thus have at their disposal experts who will guide them through the process of digital transformation according to a standardised methodology.

The Association of Innovators of Republic of Srpska is organising an international exhibition of ideas, innovations and creativity of young people called *Youth Inost*, with the aim of involving school youth and members of associations in activities of inventive application of knowledge in solving technical problems locally and globally.

The Ministry of Scientific and Technological Development, Higher Education and Information Society organises the Competition for the Best Technological Innovation every year. The goal of this competition is to encourage innovation and entrepreneurship. The competition promotes an entrepreneurial mindset and behavior by providing participants with educational and financial support.

Projects that directly or indirectly deal with innovations in the Republic of Srpska are: Synergy (MNRVOID), Challenge to Change (DARS), EU4Business (GIZ), European Entrepreneurship Network - EEN (DARS, Universities in Banja Luka and East Sarajevo, CC and ICBL) and NOVALIS (EDA Development Agency).

During 2019, a pilot programme of the Ministry of Scientific and Technological Development, Higher Education and Information Society was realized - "Synergy" - co-financing of joint projects of the economy and the scientific research community in the total amount of BAM 250,000.00. The goal of the Programme is to encourage cooperation between the scientific research and business sectors, increase domestic and international visibility of the scientific research community, improve existing and develop innovative products, services and technologies with commercialisation potential, and introduce innovative business models. Five projects have been co-financed in which scientific research organisations will be engaged in solving specific problems in the economy, with the aim of improving products or services.

DARS in the field of innovation support implements a number of projects in the field of innovation support such as *Challenge to Change*. Thanks to the funds of the Swedish Agency for International Development and Cooperation SIDA Embassy of Sweden in Bosnia and Herzegovina, the *Challenge to Change - C2C* programme was established for the indicative period 2016-2020. The programme in Bosnia and Herzegovina is implemented by DARS and the Sarajevo Regional Development Agency SERDA. The Ostergotland Region from eastern Sweden is also a partner in this project. The main goal of the programme is to contribute to increased competitiveness and sustainable socio-economic development in BiH, as well as cooperation between Sweden and BiH, and the specific goal is to establish a financing mechanism and risk sharing for innovative and / or inclusive business. The C2C fund provides support to businesses that have innovative ideas in the development of products, processes or services. In 5 calls by the end of 2020, over EUR 1.58 million were approved for innovative SMEs from the Republic of Srpska.

In addition to this project, the results of the European Entrepreneurship Network of Republic of Srpska are especially important. Within the activities implemented by EUNORS, it is planned to provide free expert assistance to innovative SMEs in the Republic of Srpska. The goal of expert support is to strengthen innovation management capacity, i.e. to create an innovation management system, which includes an innovative process from idea generation to innovation results, management of managerial skills in the company and other factors influencing the company's innovation, such as willingness to cooperate with partners from the environment in the field of research and development, sales markets, procurement markets, etc. The second set of services is intended for users of funds from the Horizon 2020 program *Instrument for SMEs* during the implementation of the innovation project and involves providing support to the company by identifying needs for specialised professional services and mediation in hiring experts from the relevant EU database. The costs of hiring experts are covered by the EU, and

DARS through *EEN* provides administrative and technical support to this process. After receiving the funds of the *Instrument for SMEs*, companies get the opportunity to use the services of acceleration programs developed by the European Commission. This set of activities also envisages the support of SMEs that will use the funds of venture capital funds to finance the improvement of their innovative capacities.

The Rulebook on the Procedure for the Protection of Intellectual Property at the University of Banja Luka contributes to the development of intellectual property and the awareness of the importance of intellectual property protection in general, and at the University of Banja Luka in particular.

The findings of the workshop *Challenges and priorities of strengthening the systemic competitiveness of SMEs* regarding the support of innovation in SMEs can be summarised in the following:

- less willingness of companies to invest in knowledge and professional staff,
- weak capacity of SMEs to use support programmes,
- insufficient promotion of innovative companies,
- low motivation of SMEs to work on the introduction of innovations,
- modern equipment in companies without new knowledge does not allow a significant development step,
- export activities of IT companies similar to the *LON* way of doing business, insufficient cooperation between companies and educational institutions

### **2.2.9. Energy efficiency and SMEs in the green economy (SBA dimension 9)**

According to the SME Index, environmental policies for the Western Balkans and Turkey 2019 are important for two reasons. The first is that SMEs individually have less environmental impact than large companies, but their cumulative impact is significant and often outweighs large corporations, and according to some data, SMEs are responsible for 64% of industrial pollution in Europe. Second, the contribution of SMEs to economic growth and employment is significant, and SMEs are ready for rapid market changes and flexible enough to develop new products, including green ones. SMEs can produce environmentally friendly products and provide more environmentally friendly services.

According to the definition of the United Nations, a green economy is an economy whose results lead to the improvement of human well-being and social equality, and at the same time significantly reduces risks to the environment. Thus, the green economy should act in three ways in a way that green solutions affect:

- development through "greening" of industry, energy, transport, agriculture, tourism, waste management,
- social equality through poverty reduction and achieving other related social goals,
- addressing environmental issues such as low carbon consumption and resource efficiency.

Energy efficiency is the ratio between the achieved result in services, goods or energy and the energy spent for that<sup>18</sup>. Energy efficiency<sup>19</sup> is the reduction of energy consumption without a

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<sup>18</sup> Law on Energy Efficiency - Official Gazette of Republic of Srpska, No. 59/13

decline in living standards and quality of services in buildings and production quality and quantity in industry, transport and the like. Energy efficiency is not a project that has a defined end, but is a process in which all those interested in the progress of society participate. On the other hand, it represents a legal obligation of every individual who, within the scope of his / her activities and life, is obliged to harmonise his / her activities in the direction of improving energy efficiency. Energy efficiency is achieved on the one hand by improving the devices and plants that produce energy, and on the other hand by introducing measures to increase energy efficiency, as well as by changing the behavior of energy consumers.

A particular challenge for SMEs is the adoption of environmental standards, unlike larger companies. There is often a lack of financial and human resources and a lack of environmental awareness, as well as a lack of incentives for these purposes. Standards that contribute to energy efficiency are especially important. Energy efficiency in the Republic of Srpska is focused on three sectors: construction, industry and transport. Energy consumption in the industry of the Republic of Srpska in the past period accounted for 12% to 25% of total energy consumption in RS. The manufacturing industry has 4 to 5 times the share of agriculture, construction and mining in consumption. Measures to increase energy efficiency should concentrate on the rational use of thermal energy. Appropriate organisational measures, such as energy audits, sector analyses and feasibility studies to increase energy efficiency, are indispensable in a proper energy policy for industry<sup>20</sup>. Measures to increase energy efficiency can be divided into the following measures:

- fundamental rationalisations of energy consumption (behavioral changes, load management, etc.),
- revitalisation of electrical and thermal infrastructure, reactive energy compensation,
- interventions on consumers (replacement, repair, etc.),
- interventions on energy generators (repair, upgrades, etc.),
- construction of a new energy system (new energy and energy infrastructure),
- introduction and improvement of complete regulation and automation.

Conducting energy audits in industrial plants has proven to be an extremely effective measure to increase energy efficiency. Elements of the implementation of energy audits of production plants, which are based on monitoring and analysis of the use of heat and electricity for various categories of consumers, most often relate to these areas of energy use:

- lighting,
- electric motor drives,
- fans and pumps,
- compressed air systems,
- steam systems,
- other production processes characteristic of individual industrial plants (cooling, drying, specific thermal processes, other separate industrial processes).

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<sup>19</sup> Law on Energy - Official Gazette of Republic of Srpska, No. 49/09

<sup>20</sup> <https://ers.ba/energetska-efikasnost/>

Previous analyses show that among industrial enterprises in the Republic of Srpska, in most cases, there is no need for efforts to increase the rational use of energy. Especially with thermal energy, in over 90% of situations it is considered that there is no such need, while in the case of electricity in just over 15% of situations it is considered that improvements are needed<sup>21</sup>. During 2019, the Fund for Environmental Protection and Energy Efficiency of the Republic of Srpska, on behalf of direct and indirect support of SMEs, approved and contracted the use of funds in the amount of BAM 6,816,313.95 for 206 projects in the field of environmental protection and energy efficiency. The beneficiaries of these projects are natural persons and legal entities of SMEs with the status of public companies, utility companies, companies dealing with waste disposal (direct support) and cities, municipalities, schools and hospitals (indirect support).

In the period from October 2018 to June 2019, a training entitled *Support to the capacity development of private and public actors in the construction sector in the implementation of energy efficiency in buildings in the RS* was realised. The training was conducted within the programme *New buildings of the Republic of Srpska - pro savings*, organised by the Ministry of Spatial Planning, Construction and Ecology, and under the auspices of the German Society for International Cooperation (GIZ) and the project *Promoting Energy Efficiency in Bosnia and Herzegovina*. The training was intended for parties who are directly involved in the application of the principles of energy efficiency in buildings, so in addition to part of the training for representatives of local governments, special trainings were organised for representatives of economic entities. The aim of the entire training was to train subjects in performing tasks and work related to the application of requirements and principles of energy efficiency in buildings. The requests primarily referred to the application of current legislation on energy efficiency in the field of buildings - the Law on Energy Efficiency of the RS, the Law on Spatial Planning and Construction of the RS, including a set of regulations governing the area. The training was free, and it was attended by a total of 171 participants, of which 106 participants from the ranks of business entities.

Within the project "European Small Business Act as a framework of strategies and policies for SMEs in BiH" (funded by the Kingdom of Sweden), implemented by the Agency for Enterprise Development EDA, in 2019 and 2020 supported the implementation of the project *Implementation of energy management standards ISO 50001: 2018 in small and medium enterprises* (implementer TÜV Adria doo). The aim of the project is to raise awareness of the importance of energy efficiency and the application of energy management systems in SMEs. Within the project, the energy management standard ISO 50001: 2018 has been implemented in 5 companies from the Republic of Srpska and 11 internal auditors and 6 leading auditors have been certified for this standard.

#### **2.2.10. Internationalisation of SMEs (SBA dimension 10)**

An important segment of the company's business is the internationalisation of business and placement of products in new markets, with the aim of strengthening the company's international competitiveness. Professional presentation of products and services to the

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<sup>21</sup> Data source: website of Elektroprivreda Republike Srpske <https://ers.ba/energetska-efikasnost/>

international business community results in better contacts and more successful cooperation with foreign partners.

The European Entrepreneurship Network of Republic of Srpska and the organisations that are part of this consortium certainly make a special contribution to this area. DARS is at the head of the consortium of the European Entrepreneurship Network of Republic of Srpska (EUNORS), which, in addition to RDARS as a coordinator, consists of the Chamber of Commerce of Republic of Srpska, the University of Banja Luka, the University of East Sarajevo and the Innovation Center Banja Luka. The Enterprise Europe Network (EEN) is the largest network to support business and entrepreneurship development in the world. It was launched three decades ago by the European Commission with the idea of creating a standardised set business support instruments in Europe. Given the success achieved in Europe, the concept was later extended to the rest of the world. All countries that mean something in the world in economic terms today are members of the EEN. Analyses of research on the needs of companies in the Republic of Srpska show that the main challenge they face is related to difficult access to markets, finances, then lack of quality workforce and increasingly the need to improve innovative capacity. EEN was created to support companies to overcome these obstacles more easily.

The most significant activities carried out within the EEN are:

- Организација и коорганизација пословних сусрета и привредних мисија, односно посредничких догађаја;
- Organisation and co-organisation of business meetings and business missions, i.e. intermediary events;
- Organisation of workshops, seminars and trainings related to business internationalisation;
- Development of business and technological profiles for the base of international business cooperation;
- Technology transfer services;
- Advisory support in the field of internationalisation of business on standardisation, EU legislation, tax policies;
- Advisory support in the field of intellectual property protection;
- Advisory support in order to increase the competitiveness of SMEs and their export capacities;
- Support to SMEs and clusters in accessing EU programmes, applying for calls, completing project proposals;
- Support SMEs in strengthening innovation management capacity

DARS regarding the support of SMEs in the field of business internationalisation, maintains and updates the databases of suppliers of the Republic of Srpska and the database of consultants of the Republic of Srpska.

The Chamber of Commerce, through the implementation of various support programmes such as: EEN, USAID, SIPPO programme, provides support to companies in the field of internationalisation and increasing exports.

Participants of the previously mentioned workshop *Challenges and priorities of strengthening the systemic competitiveness of SMEs* defined the findings and recommendations regarding the support of SME exports, which can be summarised in the following:

- establish systemic support for export SMEs, including financial,
- simplify and reduce the cost of export procedures,
- improve customs policies towards non-EU countries,
- facilitate re-export business,
- use the potential for the establishment and use of free zones,
- provide export insurance for export SMEs,
- provide support for the export of IT services,
- support the establishment of a technology park

#### **2.2.11. Development of entrepreneurial infrastructure**

In the previous period, the Republic of Srpska implemented a number of relevant activities to support the establishment of business zones: potential locations for business zones were mapped and basic training was provided to local administrations for their establishment, an appropriate manual was prepared, and funds from various sources were approved to selected local governments for co-financing the preparation of project documentation in business zones. The basic legal framework has been established by adopting the Rulebook on the conditions and manner of establishing business zones, which, among other things, envisages the categorisation of zones into strategic, regional and local. A significant number of local self-government units (hereinafter: LGUs) have already initiated, and a number have implemented, activities related to the establishment of business zones, realising the importance of zones in the process of attracting investments and new employment. In most cases, there are problems of unfinished works on infrastructure (roads, water supply and sewerage network, electricity supply system, etc.) and unresolved property-legal relations, which to some extent requires changes to the existing regulatory framework. The Main Audit Office of the Public Sector of the Republic of Srpska conducted an audit of the effects of the establishment of business zones in the Republic of Srpska, covering the period 2009-2019, and gave recommendations for the future period. Based on the recommendations, a new mapping and categorisation of zones will be done, on the basis of which future directions of development of this area will be proposed and support will be provided, both financial and for education and promotion and establish a portal available to investors in order to inform them about vacant plots in certain zones.

In accordance with the Law on Amendments to the Law on SME Development (*Official Gazette of the Republic of Srpska*, No. 84/19), new competencies of the DARS are defined, which relate to providing support in attracting and realising investments, supporting the establishment of entrepreneurial infrastructure and management portal on business zones of the Republic of Srpska. In this context, in 2020, DARS developed and put into use an information system that contains a database of locations and a database of suppliers. The location database is a key tool for standardised investment attraction and realisation, and the supplier database will enable the promotion of domestic SMEs to connect in the value chains of current investors,

and also help in the internationalisation of their business. The database of locations is regularly and standardised updated in cooperation with the local self-government. DARS trains LGU representatives to prepare and update data on local promising locations for investment promotion and provides technical support in the development and promotion of investment potential and development of entrepreneurial infrastructure.

In accordance with item 5 of the Action Plan for the implementation of the recommendations of the MEE performance audit from 2020, a complete, reliable and up-to-date database will be established as a public register of business zones of the Republic of Srpska, in accordance with the available funds. MEE as the holder of the activity will be supported by DRARS. This database can serve both in attracting and realising investments in the Republic of Srpska, as well as in planning technical and other support in the development of business zones.

Incubators are an increasingly important form of entrepreneurial infrastructure in the Republic of Srpska. There are 6 incubators <sup>22</sup> in Republic of Srpska (Innovation Center Banja Luka, Entrepreneurship Incubator Prijedor, BIC Center Prijedor, Development and Entrepreneurship Incubator Modrica and incubators in Trebinje and East Sarajevo) which by their form belong to classic or niche incubators and most of them are financed from budget funds at the national or local level. In addition to strengthening the existing and forming new spaces for incubators as spaces that are suitable for start-up entrepreneurs, in the coming period it is necessary to work on the formation of HUBs and co-working spaces. These are physical or virtual places that bring together enterprising people working in the creative and cultural industry.

The Innovation Center Banja Luka was established through the initiative of the Government of the Republic of Srpska (Ministry of Scientific and Technological Development, Information Society and Higher Education), Development Agency of RS (DARS), City of Banja Luka, University of Banja Luka, University of East Sarajevo. Funding for the Center is provided from the funds of the Government of the Republic of Srpska (Ministry of Scientific and Technological Development, Information Society and Higher Education), the City of Banja Luka, as well as grants from donors. The center was established with the aim of providing support to entrepreneurs in creating successful business stories based on knowledge and technology, and providing assistance to entrepreneurs in creating successful companies. Users of the Center have the opportunity to choose one of the support programs and that:

- pre-incubation programme - intended for teams and individuals who want to realise their business idea (work space, education services, mentoring services, business consulting services, investor search mediation services),
- incubation programme - intended for companies that aim to develop an existing or new product based on innovation and knowledge (office space on preferential terms, business consulting services, connection services with partners in the country and abroad),

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<sup>22</sup> Source of information: Analysis made by the Agency for Economic Development Preda, within the project "Acceleration of socio-economic reforms through greater involvement in the EU integration process" (implementer "Link" Mostar)

- virtual incubation programme - intended for existing companies that aim to develop an existing or new product based on innovation and with the intention of placing products and services on foreign markets (business consulting services, connection services with partners in the country and abroad, investor mediation)

The Center for Entrepreneurship and Technology Transfer of the University of Banja Luka has been active since 2017 and was created by the transformation of the University Entrepreneurship Center. The Center coordinates research projects in the field of entrepreneurship, mediates in cooperation and knowledge transfer between the education sector and the economy, provides support to innovators and enterprising young people in developing and developing business ideas, provides consulting services, organises and coordinates patenting, licensing, analytics and forms relevant databases.

In the last few years, *coworking* has become increasingly popular around the world, including in our country, and this concept has proven to be a great solution for individuals and teams who have previously done business from a cafe or from home. *Coworking hubs* have become modernly equipped business premises that, in addition to the most modern environment and quality tools, allow you to connect with a network of mentors and IT professionals - everything you need to start a successful IT business or *freelance* career.

*Prijedor Circle HUB* is a kind of innovative business concept for incubation that focuses on connecting the creative industry, technology and young people. HUB aims to enable the creation and implementation of quality ideas, new business models and the development of innovative businesses that are ready for the future, and understand the challenges and rapid changes that characterise the present. It was founded by the Agency for Economic Development of the City of Prijedor "PREDA-PD" by merging several sources of donor grants, and thanks to the special structural model it is still very interesting to upgrade and improve, and HUB funding continued through various donor programmes. The structure of HUB consists of a business incubation center, coworking space HUB PLAYGROUND: FUTURE PRIJEDOR space intended for young people.

In February 2021, the National Assembly of the Republic of Srpska adopted the Law on Free Zones of the Republic of Srpska. In relation to the valid legal solution, this law specifies the procedure for establishing and starting work of a free zone, since this procedure requires the involvement of several competent bodies and institutions of different levels of government, as well as parallel application of the Law on Free Zones of Republic of Srpska and the Law on Free Zones in BiH. In this way, the interested parties have a much clearer procedure and the necessary documentation during the procedure of establishing a free zone. Some procedures have been simplified in such a way that institutions obtain documentation *ex officio*. Furthermore, the competence and role of all institutions of the Republic of Srpska in establishing and monitoring the work of free zones is more clearly prescribed, and MEE is determined as a competent body that participates in the procedure of establishing free zones and keeps records on the number of free zones in the Republic of Srpska and their business results. Also, one of the important novelties in this law is the prescribing of the obligation to report to the Government of the Republic of Srpska on the operations of free zones located on its territory as a precondition for monitoring the work of zones and improving this area. Provisions on changing the boundaries of the free zone have also been standardised. The draft law also regulates other important issues: tax and customs reliefs, establishment, duration and

termination of employment in the free zone, establishment and operation of banks in the free zone, etc.

The RS Chamber of Commerce implements the BFC CEE certification program for cities and municipalities with a favorable business environment in the Republic of Srpska. For the realisation of this programme, the Network for Favorable Business Environment of RS was established, which consists of the Ministry of Economy and Entrepreneurship of RS, the Ministry of Administration and Local Self-Government of RS, the Association of Municipalities and Cities of RS and the Chamber of Commerce of RS. BFC CEE programme is a unique regional programme for improving the competitiveness of local governments, which is implemented in the Republic of Serbia, Croatia, Macedonia and Bosnia and Herzegovina. This programme is intended for cities and municipalities, which have the appropriate capacity, are strategically committed to improve the economic environment, attract investment and encourage the development of the local economy. Certification of cities and municipalities implies meeting, very demanding, 10 criteria and more than 80 sub-criteria for improving the quality of services and information that local governments provide to businessmen and foreign investors. Meeting these requirements is another challenge that local governments face in the field of improving work and increasing competitiveness. In the Republic of Srpska, 10 cities and municipalities (Banja Luka, Bijeljina, Prijedor, Doboj, Gradiška, Laktaši, Teslić, Prnjavor, Brod, Novi Grad) are certified according to the BFC CEE standard. During 2020, Prijedor, Teslić, Prnjavor, Gradiška and Laktaši were recertified, and Zvornik, Trebinje and Kotor Varoš are also in the programme.

### 2.3. Presentation of results through the system competitiveness framework

For the transition from the analytical to the strategic part, it is useful to look at the results of the analysis and through the obtained qualitative information through the framework of systemic competitiveness<sup>23</sup>. This conceptual framework starts from the multi-proven assumption that the market alone cannot solve some of the problems faced by SMEs involved in global value chains by introducing four levels of observation and action:

<b>micro level</b>	in which market competition takes place, with companies and their networks
<b>meso level</b>	on which targeted policies, instruments and structures are created and operate in order to overcome problems that the market cannot solve with its mechanisms, i.e. companies with their networks
<b>macro level</b>	which creates and conducts generic (general) policies and instruments that apply to all sectors
<b>meta level</b>	on which invisible patterns of behavior are created that significantly affect the effectiveness of the other three levels.

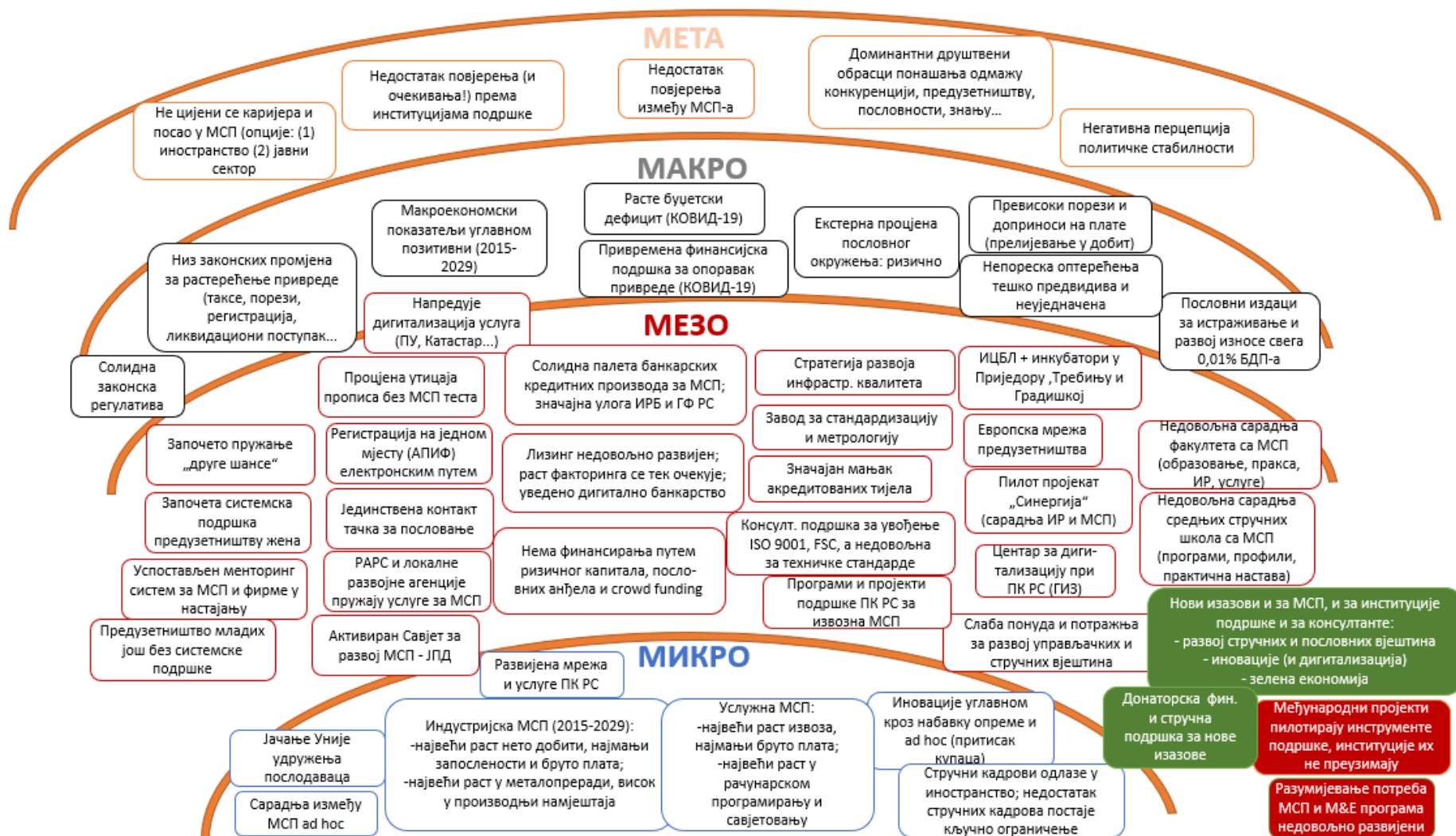
These levels should not be confused and equated with the levels of territorial organisation (e.g. local, national ...), because these levels of observation and action can be applied at any level of territorial organisation of the country, i.e. at the level of local governments and at the level of Republic of Srpska and at the level of BiH. The framework of systemic competitiveness is of a conceptual, methodological nature.

<sup>23</sup> The Systemic Competitiveness framework, Jörg Meyer-Stamer

Coordinated interactions between these levels address three types of key shortcomings: market shortcomings, shortcomings in cooperation between SMEs, and weaknesses in government services and policies.

The following figure shows the systemic competitiveness framework for entrepreneurship and SMEs in the Republic of Srpska. The micro level presents a concise situation, problems and effects of SME operations, the meso level an overview of the support provided to them with the main weaknesses and opportunities, at the macro level the basic characteristics of the business environment and financial capacity, and at the meta level some factors indepthly affect events on the other three levels.

## Overview of the systemic competitiveness framework for SMEs in RS



This conceptual framework and presentation suggests that systemic competitiveness is built by coordinated action at all four levels. At the same time, the situation at the micro level (concerning the business of SMEs and relevant business associations) can be improved primarily by acting at the meso level through targeted policies and instruments that improve the competitiveness of SMEs, but also more general measures to improve the business environment at the macro level. Changes at the meta level, which concern deeper factors of culture, social capital and patterns of behavior, usually do not occur directly, but indirectly, by creating a "critical mass" of changes at other levels.

According to the exposed framework of systemic competitiveness, the focus of this development strategy should be priorities and measures at the meso level, in the form of strengthening already established structures, better targeting existing and creating new policies and instruments of support, and establishing and strengthening communication and cooperation with SMEs and their associations. These measures should be accompanied by appropriate more general measures at the macro level, aimed at creating a favorable business environment, business-friendly, new entrepreneurial ventures and investments. This creates key preconditions for strengthening the competitiveness of SMEs (micro level) in the medium and long term, and for changing the dominant patterns of behavior (meta level) in the long run.

#### **2.4. Synthesis of analysis through SWOT analysis**

A synthesis of the findings of quantitative and qualitative analysis is also presented in the following review of strengths, weaknesses, opportunities and threats <sup>24</sup>. It enables the transition to defining goals, priorities and measures for development in the next strategic period, which should further develop support for entrepreneurship and SMEs and use the opportunities that are created and appear in the environment, on the one hand, and neutralise and overcome weaknesses, with the acquisition of resistance to environmental threats.

##### **Strengths:**

- Continuous growth of key macroeconomic indicators (nominal GDP, GDP per capita, exports, employment) in the period 2015-2019;
- Increased participation of SMEs in the structure of enterprises and employment and changes in the structure in favor of industrial sectors;
- Steady growth of total SME income, with income growth and increase in income per employee in the period 2015-2019;
- Steady growth of SME productivity in the form of a continuous increase in total gross value added, GVA per employee and a stable profit rate in the period 2015-2019;
- Growth of SMEs in the manufacturing industry by all key indicators (number of employees, realised income and export revenues, GVA and average gross salary) in the period 2015-2019;

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<sup>24</sup> SWOT analysis: Strengths, Weaknesses, Opportunities, Threats

- Entrepreneurship is studied in all secondary schools, except medical schools and grammar schools, at most faculties of economics and at some faculties of other fields;
- Successfully started system support for women's entrepreneurship;
- Successfully started developing policies and practical solutions to provide a "second chance" to entrepreneurs who failed in the first attempt as well as entrepreneurs who have problems in business;
- A series of new laws on fees, taxes, registration and liquidation proceedings in 2019 and 2020 in order to relieve the economy and improve the overall business environment and environment;
- Activated the Council for SME Development as a form of permanent public-private dialogue;
- Established mentoring system for SMEs and emerging companies;
- Progress in digitalisation of public services important for SMEs (RS Tax Administration, Republic Administration for Geodetic and Property-Legal Relations, local governments ...);
- Solid range of banking credit products developed for the needs of SMEs in terms of amount, maturity and method of use, supported by the IDB product range;
- The Law on Factoring was adopted;
- Participation of SMEs in the Unified System for Multilateral Compensation and Assignments;
- Established temporary Guarantee Program to support the economy in overcoming difficult business conditions due to COVID-19;
- Established strategic and institutional bases for the development of quality infrastructure (Strategy, Institute, IKV Coordination Body);
- Seminars, workshops, advisory services and financial support for the introduction of standards (RS Chamber of Commerce, IQ Coordination Body and other organisations);
- Establishment of the Center and Network for Digital Transformation of the RS Economy;
- More and more projects that directly or indirectly deal with innovations in RS, building infrastructure for emerging companies and supporting innovative SMEs;
- Continuity of project support to export-oriented SMEs.
- Support of the Fund for Energy Efficiency and Environment of the Republic of Srpska

#### **Weaknesses:**

- Reduction of the volume of total industrial production in 2019 and 2020 after growth in the period 2015-2018;
- Uneven territorial representation of SMEs in the economic areas of the Republic of Srpska (dominated by Banja Luka with 44.55%);
- Insufficient participation of women in business ownership and employment;
- High sensitivity of SMEs to crises (COVID-19 caused significant disruptions in the operations of 2/3 of surveyed companies);
- Low interest of high school students (especially craft occupations) in entrepreneurial learning;
- Youth entrepreneurship without stronger systemic support;
- Absence of newer financial arrangements such as venture capital, business angels and crowdfunding, with a relatively low level of financial literacy and low general information on SME financial support arrangements;
- Insufficient monitoring and evaluation of services provided by the public sector to SMEs;
- Significant lack of accredited bodies for conformity assessment of products;
- Insufficient consulting and financial support for the introduction of technical standards;
- Insufficient knowledge, professional and financial capacities of SMEs for the introduction and

- application of relevant standards and technical regulations;
- Insufficient communication and interactions between the economy (SMEs), the education system and support institutions;
- Underdeveloped human resource management function in SMEs;
- Innovations in SMEs occur mainly through the procurement of equipment and ad hoc (under pressure from customers), low level of engagement of professional staff and investment in knowledge;
- Low orientation of scientific research towards the economy; insufficient number and unfavorable structure of researchers and research institutions; small investments in research and development;
- Insufficient information (promotion) and capacities of SMEs to use available support programs (grants, CC support, VTK, development agencies and support institutions ...);
- Low awareness of the importance and opportunities offered by the green economy;
- Unresolved problem of export insurance (credit insurance - collection insurance after the export);
- Negative perception of career and work in SMEs (preference is given to going abroad and working in the public sector).

#### **Opportunities:**

- *Пројекат за опоравак и подршку фирми у Босни и Херцеговини* намијењен пружању подршке опоравку ММСП која су погођена економским утицајем пандемије *COVID-19*, који се реализује у сарадњи са Свјетском банком;
- Fitting into global trends of digitalisation and the transition to a green economy;
- Establishment of a single regional market within the Western Balkans and opening of green corridors to the EU;
- Proactive approach to European and regional (Western Balkans) funds and programmes of the EU and the European Commission (Economic and Investment Program, Green Agenda, etc.), with strengthening cooperation with scientific research institutions;
- Proactive approach to international projects and bilateral donors in BiH in areas of interest for the development of SMEs and entrepreneurship;
- Introduction of dual education enabled by the Law on Secondary Education;
- Greater synergy between the economy and higher education institutions enabled by the new Law on Higher Education;
- *Project for recovery and support of companies in Bosnia and Herzegovina* intended to support the recovery of MSMEs affected by the economic impact of the COVID-19 pandemic, which is being implemented in cooperation with the World Bank;
- EU4SME new GIZ and EBRD project that will provide financial support for SMEs and the establishment of new forms of infrastructure for SMEs (HUBs)
- Further development of the capital market of the Republic of Srpska and increase of its competitiveness, through amendments to the Law on Securities Market;
- Promotion of the Guarantee Program to support the economy in overcoming difficult business conditions due to COVID-19, as a mechanism to support the economy and adapt the programme to the needs of the economy
- International financial organisations treat the SME sector as a priority and through a number of projects provide more favorable credit funds for the SME sector and grants for energy

efficiency and the green economy;

- Adaptation and introduction of new types of financing and investments, more suitable for emerging companies and innovative companies;
- Development and implementation of the Smart Specialisation Strategy;
- Implementation of the Quality Infrastructure Strategy and harmonisation with EU regulations;
- Gradual change of the business model of SMEs towards the creation of additional value in business activities before and after production;
- Takeover and implementation of support instruments for export-oriented SMEs and innovation, which have been introduced and confirmed through international support projects;
- Taking over and adapting good practices and instruments to support innovation from Serbia;
- Facilitating and strengthening interactions between industrial and service SMEs (innovation, digitalisation, design, design, etc.);
- Systemic support for the inclusion of the diaspora and returnees from abroad in the formation of new SMEs and the improvement of the business of existing SMEs.

### **Threats:**

- Различита виђења надлежности у неким областима
- Negative consequences of diseases (example COVID-19 virus) and climate change (floods, fires, droughts) on the business of SMEs;
- Negative perception of political stability in BiH and the Western Balkans region;
- External assessment of the business environment as risky and insufficiently predictable;
- Accelerated departure of professional staff abroad (lack of professional staff is a key limitation, easier access to the German labor market for workers from non-EU countries);
- Small domestic market, with a large impact of global developments on the business of SMEs (global economic crisis, the introduction of taxes, natural disasters ...);
- Dependence of SME business on foreign buyers and export intermediaries (so-called "trading standards");
- Different views of competencies in some areas

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Based on this overview of key internal strengths and weaknesses and external opportunities and threats, a basic strategic orientation for the period 2021-2027 can be outlined. In short, it would refer to the continuation and intensification of already started and established forms of direct and indirect support for the development of SMEs and entrepreneurship, with a gradual transition to innovation, digitalisation and the green economy. At the same time, we need to work on neutralising and overcoming the identified weaknesses, especially in the direction of improving communication and strengthening cooperation between educational, scientific-research and other support institutions with small and medium enterprises. Both strengthening strengths and overcoming weaknesses, require a proactive approach to using a range of opportunities that arise in the environment, in order to reduce the sensitivity and strengthen the resilience of SMEs to threats that threaten their business in the short and long term.

### **3. Strategic part**

In accordance with the standardised methodology of strategic planning of SME development, the strategic part represents the long-term orientation of SME development in the Republic of Srpska and covers a time frame of 7-10 years. It contains a vision of SME development and strategic goals with indicators for monitoring their realisation, as well as key assumptions and risks that enable or threaten such realisation. The vision of development is set for a period of 10 years (until 2030), and strategic goals for a period of 7 years (until 2027).

The vision and strategic goals for the development of SMEs and entrepreneurship in the Republic of Srpska are largely based on the findings of the analysis, synthesized within the framework of systemic competitiveness and in the SWOT analysis.

The strategic orientation of SME and entrepreneurship development follows the logic of building systemic competitiveness in the long run, accepting the confirmed assumption that most time is needed for changes at the meta level, because these are changes in dominant patterns of behavior and treatment of entrepreneurship and SMEs in the socio-economic system. Such changes cannot be directly managed and are characterised by the lowest degree of predictability, because they are complex and depend on a large number of interactions in which the cause-and-effect relationship cannot be determined in advance. Therefore, the vision of long-term development of SMEs and entrepreneurship in the Republic of Srpska is set predominantly at the meta level.

Following the confirmed assumption that somewhat less time is needed to achieve systemic changes in SME business and that these changes are characterised by a somewhat lower degree of unpredictability, strategic goals are set at the micro level, so as to indicate desirable directions of SME business development and expected business results.

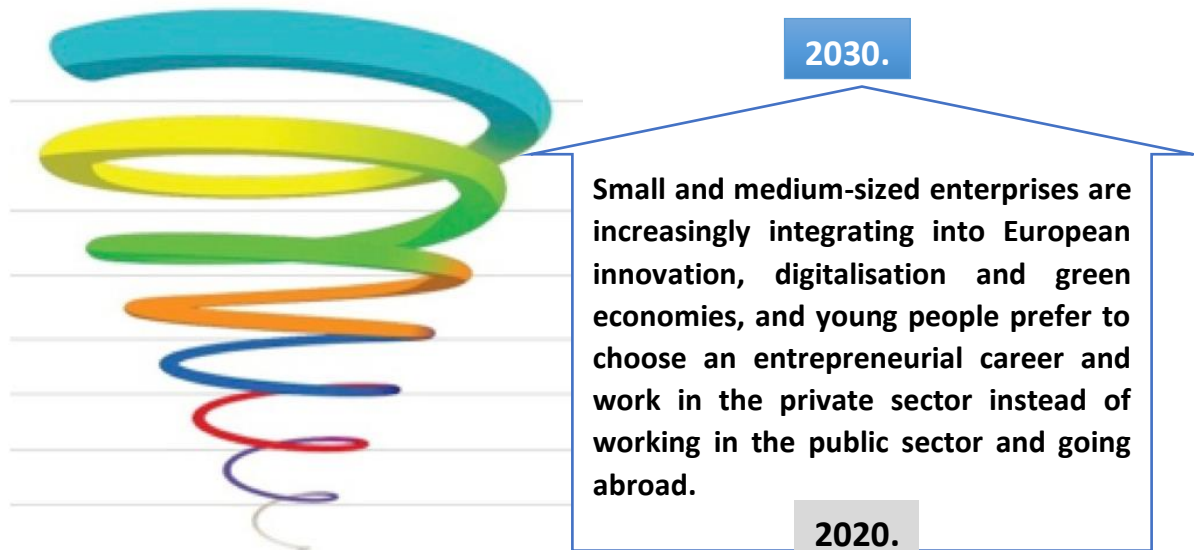
#### **2.5. Vision of SME and entrepreneurship development**

The vision is a long-term desirable direction for the development of SMEs and entrepreneurship, clear and attractive to all stakeholders, so that everyone can adjust their goals and activities according to this orientation. Also, the realisation of a long-term vision of development, in addition to the Strategy for the Development of SMEs and Entrepreneurship, is influenced by other sectoral strategies, as well as other internal and external changes that occur in a targeted or unplanned manner.

The analysis of the current situation shows that neither entrepreneurial career nor employment in SMEs is still a desirable pattern of thinking and behavior in the Republic of Srpska, as well as in other parts of BiH. On the contrary, a preference was expressed for going abroad to work and for employment in the public sector. This long-term value orientation affects the development of entrepreneurship and SMEs, which cannot be changed quickly or directly, but in a longer period of time and through a series of mutually harmonised actions and interactions. Therefore, a vision is proposed here that outlines the desirable direction of changing the social and

economic status of entrepreneurship and SMEs, as well as the integration of the main trends of SME development in the Republic of Srpska into the appropriate global and European trends and perspectives.

Such a desirable direction of changing the role and treatment of entrepreneurship and SMEs in the Republic of Srpska, with simultaneous changes in the business of SMEs, is expressed as follows:



As the picture suggests, its realisation does not flow linearly and in a completely predictable way, but more spirally, gradually, with a series of smaller deviations, but always remaining in the main flow, in the main direction, with an increasing volume of desired changes.

The vision set in this way is at the same time attractive and understandable for all interested participants in the Republic of Srpska and abroad, so that they can direct their resources and activities towards its realisation, supporting the development of SMEs and entrepreneurship. It also provides key guidance for entrepreneurs and company management structures in terms of long-term investment, both in quality workforce and an environment in which expertise and quality are valued and rewarded, and in continuous product, process and business innovation, in line with development. technologies, market requirements and global environmental imperatives.

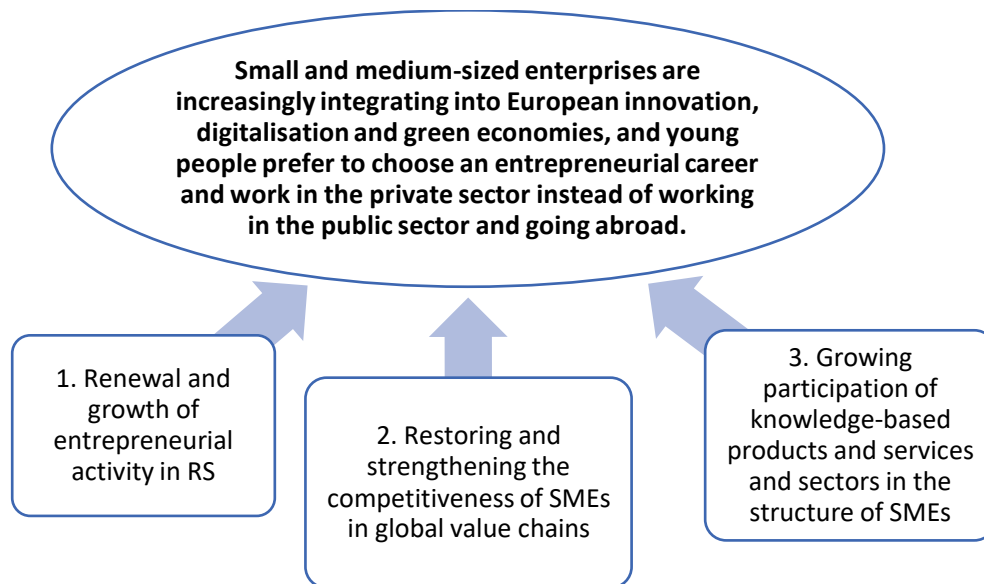
## 2.5. Strategic goals

In accordance with this long-term development orientation and with the logic of building systemic competitiveness, the following strategic goals for the development of SMEs and entrepreneurship in the Republic of Srpska are set.:

- Renewal and growth of entrepreneurial activity in the Republic of Srpska, with a focus on youth entrepreneurship and women's entrepreneurship;
- Restoring and strengthening the competitiveness of SMEs in global value chains;

- Growth of participation of knowledge-based products and services and sectors in the structure of SMEs.

The relationship between the vision and development goals of SMEs and entrepreneurship in the Republic of Srpska can be visually presented as follows:



The first goal is aimed at recovering entrepreneurial activity from the negative consequences of the crisis caused by the COVID-19 virus, on the one hand, and the development of new entrepreneurs, i.e. new micro and small enterprises, which are an important pillar of local economic development and local employment generator. Its double realisation, apart from the recovery and affirmation of entrepreneurship as a desirable life and business option, would also contribute to a more even territorial development of the Republic of Srpska. In addition, it would reduce the gap between European countries in terms of the number of companies and the population, and increase resilience to unpredictable shocks in global markets (as is the case with the economic consequences of the COVID-19 crisis) and to possible regional economic and political crisis.

The second goal is aimed at export-oriented companies and sectors, as engines of development of the domestic economy, including local economic development and employment. Their position in global value chains is threatened both in the short and long term. In the short term, due to a number of undesirable consequences of the crisis caused by the spread of COVID-19 in the form of reduction and cancellation of orders by customers and intermediaries in foreign markets, as well as inability to procure raw materials and production materials due to temporary supply disruptions. In the long run, it is an insufficiently flexible business model that most of our exporters have, with a dominant focus on production, without the development of other functions (development and design of products and processes, marketing, quality, etc.), so they largely depend on intermediaries, they must use the so-called trading standards, must

work fully according to pre-set designs, etc. These companies must be systematically supported in constant competition to maintain and improve their competitive position in value chains in which only the chosen ones survive, those who are able to meet the increasingly strict imperatives of quality, deadline and price. In the short term, support should focus on recovery from the effects of the crisis and recession, through all available forms of tax relief, and the provision of financial and non-financial support. In the long run, it is particularly important that they be supported in their efforts to improve their business model and that, instead of price competitiveness, they compete more and more with innovation and quality, achieving greater added value and reducing their over-exposure to consequences of global and / or regional crises. Creating greater added value would enable them to take a leading role in ensuring better employment and positive changes in the image of SMEs as a sector, and thus the Republic of Srpska as an environment attractive for business investment and entrepreneurship.

The third goal is related to the previous goal. It focuses the development of SMEs on a gradual transition from competitiveness based on low costs and prices (primarily in the form of cheap labor) to competitiveness based on knowledge and innovative orientation. In such an orientation, the emphasis is on the constant introduction of new and improvement of existing products, services and processes, with a more favorable impact on the environment, and technologies and organisations that include a greater degree of flexibility, digitalisation of a number of business functions and significant reduction of energy consumption. Also, the emphasis is on stronger development of the service sector and information and communication technologies, research and development, design, marketing and the so-called 'creative industries' as a whole. These are changes that imply hiring and retaining a more professional, better and better motivated workforce, so that achieving this goal also leads to the development of new, much more stimulating models and methods of human resource management, with the gradual expansion of these models and methods to other sectors. It is expected that the consequences of the global crisis and recession will increasingly impose taking into account and achieving this goal with a growing number of SMEs and in our country as well.

For all purposes, it is necessary to ensure horizontal and vertical harmonisation of instruments and measures to support the development of SMEs with other levels of government in BiH regarding the implementation of the European Framework Act on Small Business as a relevant European framework for the Western Balkans and Turkey. At the same time, this orientation will increasingly lead to the effective harmonisation of the business environment, legal framework and policies and instruments to support the development of SMEs and entrepreneurship, which gradually removes the arguments for centralisation and implementation of unique solutions in BiH.

Progress in achieving the strategic goals defined in this way can be measured through the following indicators:

Strategic goals	Indicators	Base value (2019)	Target value (2024)	Target value (2027)
1. Renewal and growth of entrepreneurial activity in RS, with a focus on youth entrepreneurship and women's entrepreneurship	- number of SMEs in relation to population - more even territorial representation of MSMEs by economic areas	- 29.65 MSMEs per 1000 inhabitants - BL 45% of the total number of MSMEs, other economic areas 55%	- 31 MMSP per 1000 st. - Other economic areas 58% of the total number of MSMEs	- 35 MMSP per 1000 st. - Other economic areas 62% of the total number of MSMEs
2. Restoring and strengthening the competitiveness of SMEs in global value chains	- share of export revenues in the total income of SMEs	11,6%	14%	18%
	- coverage of imports by exports	75,3%	77%	82%
3. Growing participation of knowledge-based products and services and sectors in the structure of SMEs	- growth of gross value added <sup>25</sup> in SMEs	BAM 3,4 billion	+ 15%	+ 35%

Measurement of progress in terms of renewal and growth of entrepreneurial activity is done primarily by monitoring the growth of the number of micro, small and medium enterprises (including independent entrepreneurs) in relation to the number of inhabitants in the Republic of Srpska as an indicator of entrepreneurial orientation and support measures for both independent entrepreneurs and micro-companies, as well as for entrepreneurs whose jobs are in the initial and early phase. This indicator is supplemented by an indicator that indicates a gradual transition to a more equal participation of other economic areas in relation to Banja Luka.

The overall effectiveness of support measures for export-oriented companies and sectors, which are the focus of the second strategic goal, is measured through two indicators, which show the strengthening of export orientation of SMEs as a key part of the economy of the Republic of Srpska.

An indicator of the growth of the share of products, services and sectors based on knowledge and innovation is a significant increase in profit and gross wages in SMEs, because a more skilled and better paid workforce, with higher profitability and productivity, is both a precondition and a result of such long-term orientation.

<sup>25</sup> Gross value added = net profit + amount of paid wages + depreciation

## **2.6. European Small Business Act as a reference framework for defining policies and measures to support SME development**

The European framework The Small Business Act (SBA) was adopted in 2008. It provides a comprehensive framework for creating, implementing and monitoring SME-oriented policies. The concept is based on the constant improvement of companies and the incorporation of the principle of "think small first" in laws and policies that should strengthen the competitiveness of SMEs in European Union countries. It consists of ten principles and a number of additional concrete activities undertaken in order to put these principles into practice.

It is a framework act, the essence of which is not to be legally binding, but to serve as the best guide for the adoption of measures that, on the one hand, respect the specifics of each member state, and on the other hand, allow gradual harmonisation of legislation and support policies in entire EU.

The implementation of the SBA in the Western Balkans is done through the SME Policy Index<sup>26</sup>. It is a tool by which this framework law has been operationalised, in order to enable monitoring and evaluation of the progress of countries whose economies are in the phase of emergence or transformation, in terms of bringing their support to good practices achieved in EU countries. The index was jointly developed by the Organisation for Economic Co-operation and Development (OECD), the European Commission (EC), the European Bank for Reconstruction and Development (EBRD) and the European Training Foundation (ETF).

So far, five rounds of assessments have been conducted in the Western Balkans (including Turkey): 2006, 2009, 2012, 2015 and 2019. The process takes place in two ways: through a process of self-assessment by governments and their bodies and, in parallel, through an independent assessment by the OECD and its partner organisations, based on interviews with key actors and the private sector.

The assessment is based on the ten principles of the SBA, which have been translated into twelve main dimensions of the SME Policy Index. Almost all dimensions are further broken down into a series of sub-dimensions, and each sub-dimension is assessed from three angles: how a particular policy is designed, how it is implemented, and how its effectiveness is monitored and evaluated.

In addition to these ten main dimensions, the SBA also includes a whole set of legislative proposals based on the "think small first" principle.

Progress in achieving the defined strategic goals can be measured through indicators of assessment of progress in the implementation of the SBA.

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<sup>26</sup> [http://www.oecd-ilibrary.org/development/sme-policy-index\\_24136883](http://www.oecd-ilibrary.org/development/sme-policy-index_24136883)

### **Indicators for assessing progress in the implementation of the SBA**

<b>Strategic goals</b>	<b>Indicators - assessment of progress in implementing SBA in dimensions</b>	<b>Base value (SBA 2019)</b>	<b>Target value(SBA 2024)</b>	<b>Target value (SBA 2027)</b>
1. Renewal and growth of entrepreneurial activity in all parts of RS, with a focus on youth entrepreneurship and women's entrepreneurship	dimension 1.1. (Entrepreneurial learning)	1.1: 3,23	1.1: 3,6	1.1: 4,0
		1.2: 3,26	1.2: 3,6	1.2: 4,0
	dimension 1.2. (Women's Entrepreneurship)	2,55	3,0	3,5
		3,41	3,7	4,2
2. Restoring and strengthening the competitiveness of SMEs in global value chains	dimension 2. (Bankruptcy and second chance)	2,62	3,2	3,8
	dimension 5a. (SME Support Services)	2,34	3,0	3,6
	dimension 3 (Institutional and regulatory framework)	3,26	3,6	4,0
	dimension 4 (Operational environment for SMEs)	2,78	3,2	3,6
	dimension 6. (Access to finance)	2,57	3,0	3,6
3. Growth of participation of knowledge-based products and services and sectors in the structure of SMEs	dimension 7. (Standards and technical regulations)	2,70	3,2	3,8
	dimension 10 (Internationalization of SMEs)	1,86	3,2	3,8
	dimension 8a. (Skills for SMEs),	2,40	3,3	3,8

We consider the indicators of progress in the implementation of the SBA as additional indicators to the indicators defined for each strategic goal, bearing in mind that the evaluation of progress in the implementation of the SBA for BiH is the value of weighted evaluations for the Republic of Srpska, Federation of BiH and Brčko District of BiH. Therefore, the assessment of progress for BiH does not necessarily show the assessment of progress for the Republic of Srpska, which may be higher (less improvement is needed compared to the assessment for BiH or no need for improvement) or lower than the assessment for BiH (more improvement is needed in relation to on the grade for BiH).

## 2.7. Priorities and measures with indicators

Priorities represent key fields and directions of action for the realisation of the vision and strategic goals and as such have the greatest impact on the development, i.e. the realisation of strategic indicators. The defined priorities are grouped according to the relevant strategic goals.

Strategic goal	Priorities
Strategic goal 1:	Priority 1.1: Economic recovery and creating resilience to crises Priority 1.2: Development of youth entrepreneurship and women's entrepreneurship Priority 1.3: Improving the environment for the development of entrepreneurial activity Priority 1.4: Development of social and other types of entrepreneurship
Renewal and growth of entrepreneurial activity in RS, with a focus on youth entrepreneurship and women's entrepreneurship	Priority 2.1: Improving the business environment and access to finance for SMEs Priority 2.2: Standardisation, technical regulation and internationalisation
Strategic goal 2:	Priority 3.1: Business skills development for SMEs Priority 3.2: Innovation and digitalisation of business Priority 3.3: The transition of SMEs towards a green economy

### 2.7.1. Overview of priorities and related measures with indicators

The priorities for Strategic Objective 1, including the accompanying measures, are shown in the following table. Within each priority, indicators of the (final) result with initial and target values are defined.

STRATEGIC GOAL 1 Renewal and growth of entrepreneurial activity in RS, with a focus on youth entrepreneurship and women's entrepreneurship			
Priorities and measures	Result indicators	Base value	Target value (2027)
Priority 1.1. ECONOMIC RECOVERY AND CREATION OF CRISIS RESISTANCE	Number of active entrepreneurs and SMEs	33.870 (2019.) <sup>27</sup>	By 2023, reach the level of 2019.
	Number of entrepreneurs and SMEs that have	0 (2020.)	At least 50% (2025.)

<sup>27</sup> Data source: Annual Report 2019, Ministry of Economy and Entrepreneurship

	introduced preventive measures		
<b>Measure 1.1.1. Mitigating and preventing the negative consequences of the crisis on the economy</b>			
<b>Measure 1.1.2. Promoting a second chance and a quick restart for entrepreneurs who have failed in their first attempts</b>			
<b>Priority 1.2. ENTREPRENEURSHIP DEVELOPMENT, WITH A FOCUS ON YOUTH ENTREPRENEURSHIP AND WOMEN'S ENTREPRENEURSHIP</b>	Growth in the number of newly established SMEs	4.149 (2019.)	+ 40% (2027.)
	Growth of youth participation in the structure of SME owners	Youth share in the ownership structure (2019)	+ 30% (2027.)
	Growth of women's participation in the structure of owners (and management positions) of SMEs	Share of women in the ownership structure 26.85% (2019)	+ 30% (2027.)
<b>Measure 1.2.1. Support for the development of start-up companies (beginners in business)</b>			
<b>Measure 1.2.2. Support the development and integration of entrepreneurial learning programmes<sup>28</sup> into formal and non-formal education and career planning</b>			
<b>Measure 1.2.3. Systematic support for the development and promotion of women's entrepreneurship</b>			
<b>Priority 1.3. IMPROVING THE ENVIRONMENT FOR THE DEVELOPMENT OF ENTREPRENEURSHIP</b>	Reduction of tax and non-tax burdens for entrepreneurial activities	(2020)	At least by 15% (2027.)
	Increasing the number of registered entrepreneurs with decreasing the number of closed entrepreneurs	Number of registered 3324 (2019), number of closed 3572 (2019)	Number of registered + 40% (2027), number of closed -30% (2027)
	Growth of incentives for the development of entrepreneurial activities	(2020)	At least by 20% (2027)
<b>Measure 1.3.1. Support for entrepreneurial initiatives to improve the business environment</b>			
<b>Measure 1.3.2. Development of entrepreneurial business support services by the public and private sector (management, finance, business innovation)</b>			
<b>Measure 1.3.3. Incentives for (self) employment in entrepreneurial activity</b>			
<b>Priority 1.4. DEVELOPMENT OF SOCIAL AND OTHER TYPES OF ENTREPRENEURSHIP</b>	Growth of (self) employment in social and other types of entrepreneurship	Number of (self) employed (2020)	At least +20% (2027)
<b>Measure 1.4.1. Support for the preservation of old crafts and homecrafts</b>			
<b>Measure 1.4.2. Support for the development of social entrepreneurship</b>			

<sup>28</sup> Including financial literacy and digital competencies

The priorities for Strategic Objective 2, including the accompanying measures, are shown in the following table. Within each priority, indicators of the (final) result with initial and target values are defined.

<b>STRATEGIC OBJECTIVE 2 Restoring and strengthening the competitiveness of SMEs in global value chains</b>			
<b>Priorities and measures</b>	<b>Result indicator</b>	<b>Base value</b>	<b>Target value (2027)</b>
<b>Priority 2.1. IMPROVING THE BUSINESS ENVIRONMENT AND ACCESS TO FINANCE FOR SMEs</b>	Digitalisation and interoperability of services for SMEs	Partial(2020)	Complete (2027)
	Growth of incentives for enterprise development	4,4 million (2020) 29	+100% (2027)
<b>Measure 2.1.1. Facilitating access to finance for growing and new SMEs</b>			
<b>Measure 2.1.2. Continuous improvement of the availability of digital services for SMEs</b>			
<b>Measure 2.1.3. Strengthening the administrative capacity and legislative framework in the field of entrepreneurship at the national level</b>			
<b>Measure 2.1.4. Capacity building to support entrepreneurship at the local level</b>			
<b>Measure 2.1.5. Support to the establishment and development of entrepreneurial infrastructure (business zones, incubators, accelerators, innovation centers, co-working spaces)</b>			
<b>Measure 2.1.6. Incentives for employment in companies</b>			
<b>Priority 2.2. STANDARDISATION, TECHNICAL REGULATIONS AND INTERNATIONALISATION</b>	Export revenue growth	2,1 billion(2019)	At least by 25% (2027)
<b>Measure 2.2.1. Facilitating access to standards and technical regulations for SMEs</b>			
<b>Measure 2.2.2. Support to the accreditation of conformity assessment bodies</b>			
<b>Measure 2.2.3. Support for the export and integration of SMEs into global value chains</b>			

The priorities for Strategic Objective 3, including the accompanying measures, are shown in the following table. Within each priority, indicators of the (final) result with initial and target values are defined

<b>STRATEGIC OBJECTIVE 3 Increase the participation of knowledge-based products and services and sectors in the structure of SMEs</b>				
<b>Priorities and measures</b>	<b>Result indicator</b>	<b>Base value</b>	<b>Target value(2024)</b>	<b>Target value(2027)</b>
<b>Priority 3.1. DEVELOPMENT OF BUSINESS SKILLS FOR</b>	Growth of share of employees with professional	79,6% (2019) <sup>30</sup>	82%	90,0%

<sup>29</sup> Data source: Annual Report 2019, Ministry of Economy and Entrepreneurship

<sup>30</sup> Data source: Workforce survey, assessment for all companies

<b>SMEs</b>	qualifications (secondary education and higher) in companies			
<b>Measure 3.1.1. Incorporating business skills development for SMEs into the framework for education development, smart specialisation and local development</b>				
<b>Measure 3.1.2. Continuous analysis of skills and training needs in key sectors</b>				
<b>Measure 3.1.3. Organising mentoring support and priority trainings with the transition to e-learning</b>				
<b>Priority 3.2. INNOVATION AND DIGITALISATION OF BUSINESS</b>	Growth in the number of SMEs that have introduced innovations	23% SMEs (2018) <sup>31</sup>	35% (2024)	50% SMEs (2027)
	The focus of digitalization in SMEs	Dominant at the stages of production and finance	Noticeable expansion to other phases of business	All phases of business
<b>Measure 3.2.1. Providing financial support for innovation in SMEs</b>				
<b>Measure 3.2.2. Networking and cooperation to promote innovation in SMEs</b>				
<b>Measure 3.2.3. Building infrastructure to support innovation and digitalisation in SMEs</b>				
<b>Measure 3.2.4. Proactive participation in regional and EU programmes to support innovation and the green economy</b>				
<b>Priority 3.3. THE TRANSITION OF SMEs TOWARDS A GREEN ECONOMY</b>	Growth in the number of companies introducing more energy-efficient solutions	(2020)	+ 100% (2024)	+ 300% (2027)
<b>Measure 3.3.1. Promotion of energy efficiency and renewable sources with available sources of financing for companies</b>				
<b>Measure 3.3.2. Providing financial support for "green" innovations in SMEs</b>				
<b>Measure 3.3.3. Creating and expanding energy efficiency networks</b>				

### 3. Programme part

The program part includes policies, instruments and structures that enable the achievement of defined strategic goals. Policies and instruments for their implementation are contained in the framework of the SME Policy Index, which monitors the progress in the implementation of the SBA as a European framework for SME development. The structures consist of organisations and institutions through which these policies and instruments are implemented.

<sup>31</sup> Statistical Yearbook 2019, Institute of Statistics of RS

It starts from dimensions and policies based on SBA principles and developed through the SME Policy Index:

<b>Dimension:</b>	<b>It includes policies and instruments that contribute to:</b>
1. 1. Entrepreneurial learning and women's entrepreneurship	the formation of entrepreneurially oriented human capital and more equal treatment of women entrepreneurs;
2. 2. Bankruptcy and providing a second chance to SMEs	effective bankruptcy, greater risk-taking for entrepreneurs and easier start-ups through learning from mistakes;
3. 3. Institutional and regulatory framework for SME policy making	taking into account the interests of SMEs at an early stage of policy-making, as well as in simplifying the business framework;
4. 4. Business environment for SMEs	ensuring a functional, non-bureaucratic environment that supports the formation and more competitive operation of enterprises;
5a. Support services for SMEs and emerging businesses	developing an efficient market for financial and non-financial business services for developing and emerging enterprises;
5b. Public procurement	easier access to public procurement for SMEs;
6. 6. Access to finance for SMEs	easier access to finance for SMEs and more efficient use of financial services by SMEs;
7. 7. Standards and technical regulations	compliance of SME business and products with the standards and technical regulations of international trading partners;
8a. Entrepreneurial skills	better management and work skills of management and employees in developing and emerging companies;
8b. Innovation policy for SMEs	encouraging the growth of innovation in SMEs, a better strategic framework, institutional services and financial support for innovation;
9. 9. SMEs in the “green” economy	growth of eco-investments and improvements, and greater responsibility of SMEs towards the environment;
10. 10. Internationalisation of SMEs	easier and faster integration of SMEs into global value chains.

These are targeted policies, instruments and structures that address perceived shortcomings and challenges, commonly referred to as market failures (constraints that SMEs cannot address on their own) and networking failures (constraints that hinder networking and cooperation between SMEs).

Target policies, instruments and structures in the programme part of these guidelines will be uniquely marked as measures, which are classified by priorities, and priorities by strategic goals.

## 4.2. Overview of measures with indicators

<b>Name of the measure</b>	<b>1.1.1. Mitigating and preventing the negative consequences of the crisis on the economy</b>		
<b>Brief description of the measure</b>	This measure envisages the continuation of support to economic entities for recovery from the negative consequences of the pandemic crisis, as well as the development of preventive measures for responding to similar crises in the future. It is necessary to continue financial support, implementation of the Guarantee Program, support for digital transformation, support for innovation, education and all other activities that are planned for the period after the pandemic by the Program of Economic Reforms of the Republic of Srpska. It is necessary to do a quality analysis and assessment of the effects of the application of reliefs and measures from 2020. In addition, it is necessary to provide professional support to SMEs to introduce preventive measures that significantly reduce the risk of infection and possible business interruption, and to incorporate such measures into their business (development of a guide on introducing preventive measures in SMEs, workshops, consulting).		
<b>Indicators for monitoring the results of the measure</b>	<b>Indicators (of output result)</b>	<b>Base values (2020)</b>	<b>Target values</b>
	<ul style="list-style-type: none"> <li>Percentage of SMEs that mitigated the negative effects of the crisis in the economy by using reliefs and incentives</li> <li>Number of SMEs provided with professional support for the introduction of preventive measures</li> </ul>	<ul style="list-style-type: none"> <li>2020</li> <li>2020</li> </ul>	<ul style="list-style-type: none"> <li>At least 50% (2022)</li> <li>At least 300 (2023)</li> </ul>
<b>Assessment of funds</b>	Amount: to be determined according to available funds Source: RS budget and donor funds		
<b>Implementation period</b>	2021 – 2023		
<b>Holders of the measure</b>	RS Ministry of Economy and Entrepreneurship, RS Ministry of Finance, other relevant ministries and organisations, RS Chamber of Commerce, RS Development Agency		

<b>Name of the measure</b>	<b>1.1.2. Promoting a second chance and a quick restart for entrepreneurs who have failed in their first attempts</b>			
<b>Brief description of the measure</b>	In the coming period, it is necessary to speed up and facilitate the procedures for closing companies in bankruptcy and to support a faster restart for entrepreneurs who, for objective reasons, failed in the first attempt. The need to provide a second chance and appropriate support is especially evident after a pandemic. The first group of activities aims to continuously improve bankruptcy legislation, while the second group of activities refers to strengthening consulting support to entrepreneurs who want to start a business again through training and exchange of experiences, mentoring services, and appropriate financial incentives for a fresh start. The third group is early warning support for those entrepreneurs who have business problems in order to reduce the number of SMEs that go bankrupt.			
<b>Indicators for</b>	<b>Indicators (of output result)</b>	<b>Base values</b>	<b>Target values</b>	<b>Target values</b>

<b>monitoring the results of the measure</b>			<b>(2024)</b>	<b>(2027)</b>
	Number of entrepreneurs who successfully used the second chance by applying this measure	0 (2020)	At least 40	At least 100
<b>Assessment of funds</b>	Amount: BAM 100,000.00 per year; Source: RS budget and donor funds			
<b>Implementation period</b>	2021 – 2027			
<b>Holders of the measure</b>	<u>RS Ministry of Economy and Entrepreneurship</u> , RS Ministry of Justice, RS Development Agency, local development agencies			

<b>Name of the measure</b>	<b>1.2.1. Support for the development of start-up companies (beginners in business)</b>			
<b>Brief description of the measure</b>	The measure refers to systemic continuous support to potential entrepreneurs for establishing a business, through support programmes. Acquired experiences and good practices, as well as existing programmes and projects for beginners will be used for the implementation of the measure. The measure includes the implementation of the following activities: promotion of support for business start-ups, support for future entrepreneurs in the form of education, workshops and other forms of consulting and mentoring support, financial incentives for future entrepreneurs, and support through mentoring programme, accelerator programme, and incubation and establishing mechanisms for the development of startup companies (beginners in business), as well as their services and products.			
<b>Indicators for monitoring the results of the measure</b>	<b>Indicators (of output result)</b>	<b>Base values</b>	<b>Target values (2024)</b>	<b>Target values (2027)</b>
	Number of new entrepreneurs who have received support for business development	873 (2019) 405 (2018)	At least 700 annually	At least 900 annually
<b>Assessment of funds</b>	Amount: BAM 40,000,000.00 (depending on available funds from the budget and projects) Source: RS Budget, donors			
<b>Implementation period</b>	2021 – 2027			
<b>Holders of the measure</b>	<u>RS Ministry of Economy and Entrepreneurship</u> , RS Ministry of Scientific and Technological Development, Higher Education and Information Society, RS Development Agency, RS Employment Bureau, local development agencies, Business Development Service Providers			

<b>Name of the measure</b>	<b>1.2.2. Support the development and integration of entrepreneurial learning programmes into formal and non-formal education and career planning</b>
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<b>Brief description of the measure</b>	In the coming period, it is necessary to continue the integration of entrepreneurial learning in all types of formal education, improve the subject and knowledge of teachers, promotion of entrepreneurs in educational institutions in order to increase the interest and competencies of students for entrepreneurial careers. In addition, it is necessary to develop key entrepreneurial competencies while improving financial literacy and digital competencies in education.			
<b>Indicators for monitoring the results of the measure</b>	<b>Indicators (of output results)</b>	<b>Base values (2020)</b>	<b>Target values (2024)</b>	<b>Target values (2027)</b>
	Number of high schools that have introduced / adapted the subject of entrepreneurial learning	(2020)	55	70
	Number of faculties that have introduced / adapted the subject of entrepreneurial learning	(2020)	20	30
<b>Assessment of funds</b>	Amount: regular budget funds, projects Source: RS Budget, donors			
<b>Implementation period</b>	2021 – 2027			
<b>Holders of the measure</b>	<u>RS Ministry of Education and Culture in cooperation with the RS Republic Pedagogical Institute</u> , RS Ministry of Scientific and Technological Development, Higher Education and Information Society, secondary schools and higher education institutions, RS Ministry of Economy and Entrepreneurship, Union of Employers' Associations of RS, RS Chamber of Commerce, Chamber of Crafts and Entrepreneurship RS			

<b>Name of the measure</b>	<b>1.2.3. Systematic support for the development and promotion of women's entrepreneurship</b>			
<b>Brief description of the measure</b>	During the implementation of the Strategy, it is necessary to work on the improvement of women's entrepreneurship, which is defined in more detail by the Strategy for the Development of Women's Entrepreneurship of the Republic of Srpska for the period 2019-2023. Support would include improving financial support for women entrepreneurs (such as the Fund for Women Entrepreneurs), training and workshops for women entrepreneurs, support for networking and association of women entrepreneurs through strengthening the capacity of women's entrepreneurship councils and women's associations, special forms of support for homecraft women's associations, organisation of events, fairs and other events for women entrepreneurs, promotion of women's entrepreneurship, adjustment of the regulatory framework for women entrepreneurs and improvement of statistical monitoring of women entrepreneurs.			
<b>Indicators for monitoring the results of the measure</b>	<b>Indicators (of output results)</b>	<b>Base values (2019)</b>	<b>Target values (2024)</b>	<b>Target values (2027)</b>
	Increased number of women owners of SMEs	10.590	+ 20%	+ 30%
<b>Assessment of funds</b>	Amount: BAM 200,000.00 per year Source: RS Budget, donors			

<b>Implementation period</b>	2021 – 2027
<b>Holders of the measure</b>	RS Ministry of Economy and Entrepreneurship, RS Chamber of Commerce, RS Development Agency, local development agencies, RS Gender Center, RS Union of Employers' Associations, women's associations

<b>Name of the measure</b>	<b>1.3.1. Support for entrepreneurial initiatives to improve the business environment</b>			
<b>Brief description of the measure</b>	<p>The measure refers to the support of entrepreneurial initiatives of micro and small entities in order to promote entrepreneurial activity as a desirable option for employment or starting a business in this area.</p> <p>The first group of activities refers to strengthening the capacity of entrepreneurial associations and the Chamber of Crafts and Entrepreneurship of the Republic of Srpska, which will lead to strengthening the participation and influence of SMEs in public-private dialogue.</p> <p>The second group of activities relates to the consideration and launch of initiatives to amend regulations that will facilitate and improve business conditions and opportunities to obtain support for sole proprietors. The third group of activities refers to the organisation of trainings, workshops and mentorships for business improvement.</p>			
<b>Indicators for monitoring the results of the measure</b>	<b>Indicators (of output results)</b>	<b>Base values (2020)</b>	<b>Target values (2024)</b>	<b>Target values (2027)</b>
	Number of LSGUs that have improved or adjusted business conditions for micro and small enterprises by applying this measure	0	20	40
	Number of implemented entrepreneurial initiatives at the entity level by applying this measure	0	5	10
<b>Assessment of funds</b>	Amount: 100.000,00 annually Source: RS Budget, donors			
<b>Implementation period.</b>	2021 – 2027			
<b>Holders of the measure</b>	RS Chamber of Crafts and Entrepreneurship in cooperation with the RS Chamber of Commerce, the RS Ministry of Economy and Entrepreneurship, local development agencies, the Union of Employers' Associations of the RS			

<b>Name of the measure</b>	<b>1.3.2. Development of entrepreneurial business support services by the public and private sector (management, finance, business innovation)</b>			
<b>Description of the measure with indicative areas of action</b>	<p>The measure will improve the use of business support services by conducting an intensive targeted information campaign on the importance, availability and types of support services for business development, strengthen the capacity of the RS Chamber of Crafts and Entrepreneurship to collect and update information on business support services and intensive communication and information of entrepreneurs, strengthening the capacity of local governments to improve support services, establishing funding instruments and</p>			

	organizing joint trainings and mentoring programs for entrepreneurs (voucher programs, domestic and international projects). During the implementation of the measure, the experiences and capacities developed within the projects implemented so far (DARS, CCRS and others) will be used.			
<b>Indicators for monitoring the results of the measure</b>	<b>Indicators (of output results)</b>	<b>Base values (2020)</b>	<b>Target values (2024)</b>	<b>Target values(2027)</b>
	- Increasing the number of small and micro enterprises participating in organised business development support programs by applying this measure - Number of entrepreneurs who have improved their business by using entrepreneurial business support services by applying this measure	2020  2020	40%  200	60%  400
<b>Assessment of funds</b>	Amount: BAM 50.000,00 annually Source: republic and local budgets, donor funds			
<b>Implementation period</b>	2021 – 2027			
<b>Holders of the measure</b>	RS Ministry of Economy and Entrepreneurship, RS Chamber of Crafts and Entrepreneurship, RS Development Agency, local development agencies, non-governmental organisations			

<b>Name of the measure</b>	<b>1.3.3. Incentives for (self) employment in entrepreneurial activity</b>			
<b>Brief description of the measure</b>	The measure refers to financial and professional support for (self) employment in entrepreneurial activity. The implementation of the measure is envisaged within the employment program of the RS Employment Service and the cooperation of the Office with local communities. The RS Employment Strategy and Action Plans provide a framework for implementing this measure. In recent years, the RS Employment Bureau has implemented employment and self-employment incentive programs for which there was great interest from both employers and unemployed persons who will continue with these activities. Other stakeholders will also continue with their programs in accordance with the available funds (DARS, LRA, LSGUs ...)			
<b>Indicators for monitoring the results of the measure</b>	<b>Indicators (of output results )</b>	<b>Base values (2019)</b>	<b>Target values (2024.)</b>	<b>Target values (2027)</b>
	Contracted funds under employment programmes for entrepreneurial activities (self-employment)	10.8 million 2019.	Retaining the amount of funds at the level of 2019	+ 30%
<b>Assessment of funds</b>	Amount: In accordance with the annual Employment Action Plans Source: RS Employment Bureau, local communities from funds for incentives for (self) employment			
<b>Implementation</b>	2021 – 2027			

<b>period</b>	
<b>Holders of the measure</b>	<u>RS Employment Service</u> , local self-government units, RS Chamber of Crafts and Entrepreneurship, RS Chamber of Commerce, RS Development Agency, local development agencies

<b>Name of the measure</b>	<b>1.4.1. Support for the preservation of old crafts and homecraft</b>			
<b>Brief description of the measure</b>	In the Republic of Srpska, currently 33 independent entrepreneurs have a certificate of old and artistic craft or homecraft. Certification is performed by local self-government units on the basis of the Rulebook on activities that are considered old and artistic crafts and domestic handicrafts ("SG RS", No. 70/12). There is practically no support for this area and a large number of old crafts disappear after the retirement of craftsmen, because there is no interest in continuing the business of a certain activity. In this regard, it is necessary to provide support for the preservation of this area through financial support for the procurement of materials and tools, education of young people who would be interested in this area, as well as the costs of promoting products in this area as specific to a particular area, and the Republic of Srpska as a whole (exhibitions, fairs, web sales ...). More work should also be done to encourage the certification of new entities and the mapping of homecrafts and connections in the Republic of Srpska in order to support entrepreneurs and associations working to preserve this area.			
<b>Indicators for monitoring the results of the measure</b>	<b>Indicators (of output results)</b>	<b>Base values (2020)</b>	<b>Target values (2024)</b>	<b>Target values (2027)</b>
	Increasing the number of certified crafts	33	At least 70	At least 100
<b>Assessment of funds</b>	Amount: regular budget funds and donors Source: RS Budget and LGU Budgets			
<b>Implementation period</b>	Continuously			
<b>Holders of the measure</b>	<u>RS Ministry of Economy and Entrepreneurship</u> , local self-government units, RS Chamber of Crafts and Entrepreneurship			

<b>Name of the measure</b>	<b>1.4.2. Support for the development of social entrepreneurship</b>			
<b>Brief description of the measure</b>	In the Republic of Srpska, work is being done to establish a legal basis for the development of social entrepreneurship. This area would be defined for the first time in the legal system, which enables vulnerable groups to get involved in business processes and thus strengthen their status and position in society. The Ministry of Economy and Entrepreneurship will monitor the implementation of regulations in this area, keep a register of socially-owned enterprises and provide support to this area in accordance with the available resources. By regulating this area, these entities and vulnerable groups will be provided with support from EU and other international funds.			
<b>Indicators for</b>	<b>Indicators</b>	<b>Base values</b>	<b>Target</b>	<b>Target</b>

monitoring the results of the measure	(of output results)	(2020)	values (2024)	values (2027)
	Number of entities that have received the status of social enterprises	0	At least 50	At least 80
	Number of social enterprises that received support	0	At least 60%	At least 80%
Assessment of funds	Amount: 100,000.00 per year Source: RS Budget, donors			
Implementation period	Continuously			
Holders of the measure	<u>RS Ministry of Economy and Entrepreneurship</u> , other competent ministries, Council for Social Entrepreneurship (when formed)			

Name of the measure	<b>2.1.1. Facilitating access to finance for growing and new SMEs</b>			
Brief description of the measure	The measure to facilitate access to finance is particularly important for SMEs. The first group of activities would focus on improving financial literacy in SMEs, promotion of financial services and products adapted to SMEs (banks, MCOs, lessors, guarantee and credit guarantee funds, factoring, etc.). It is necessary to organise trainings focused on improving financial literacy in SMEs (owners, managers). The second group of activities would focus on the analysis of the need to introduce new financing models, focused on SMEs in the initial stages of development (business angels, crowdfunding financing and platforms, venture capital funds, tax and other benefits and incentives, diaspora activation and other new support instruments )... The third group of activities would focus on improving existing and creating new support schemes for SMEs as users of financial services, primarily banks, but also microcredit organisations, then to financial and operational leasing, lessors and banks, and factoring companies and banks. The products of the RS IDB and the Guarantee Fund need to be continuously adjusted and made even more efficient and acceptable for SMEs, primarily through simplification of procedures, reduction of total placement costs and guarantees, introduction of special lines for realisation of basic SME development goals.			
Indicators for monitoring the results of the measure	Indicators (of output results)	Base values	Target values (2024)	Target values (2027) <sup>32</sup>
	Number of new finance models. Growth of loans for economic activities <sup>33</sup>	0 (2020.) -	1 Constant growth	3 Constant growth
Assessment of funds	Amount: <b>available funds of financial institutions</b> Source: RS Guarantee Fund, banks, donors			
Implementation	2021 – 2027			

<sup>32</sup> assessment

<sup>33</sup> Sum of loans of banks based in RS placed with legal entities (except government-public administration and other categories) and households for performing activities, and loans of MCOs based in RS placed with legal entities for all purposes and individuals for all purposes except for housing needs and "Other" - source ABRS Annual Report on the state of the banking sector of the Republic of Srpska

<b>period</b>	
<b>Holders of the measure</b>	RS Ministry of Economy and Entrepreneurship, RS Ministry of Finance, RS Development Agency, RS Investment and Development Bank, RS Guarantee Fund, RS Chamber of Commerce, RS Union of Employers' Association, RS Chamber of Crafts and Entrepreneurs, local development agencies

<b>Name of the measure</b>	<b>2.1.2. Стално унапређење доступности дигиталних услуга за МСП</b>			
<b>Brief description of the measure</b>	<p>The measure is aimed at maximizing the degree of availability and quality of public services intended for SMEs.</p> <p>Particularly important is the level of digital public sector services for SMEs, observed through the interaction of SMEs with the public sector through digital technologies in the process of registration and business licensing, as well as the execution of tax obligations.</p> <p>The first group of activities to improve digital processes relates to the online registration of business entities. Electronic registration of business entities will be established during 2021. This service will be enabled by putting into use the portal for electronic registration of business entities and independent entrepreneurs. In addition, the implementation of this project will contribute to the improvement of the existing register of business entities. The goal is to enable the first "complete" electronic service for business entities - a digitised process of registration of companies and entrepreneurs, to the level of "click to register". It is also planned to establish the first qualified certification body within the Ministry of Scientific and Technological Development, Higher Education and Information Society, which will enable all business entities to issue qualified electronic certificates for electronic signatures and electronic seals, which should provide a good basis for faster digital transformation of business entities in the Republic of Srpska.</p> <p>The second group of activities under the measure relates to the digitalisation of statistical surveys and reports and the introduction of new regular surveys on SMEs.</p> <p>The third group of activities will focus on putting into full operation the already established Point of Single Contact (PSC) and digital services related to cadastre and tax enforcement.</p>			
<b>Indicators for monitoring the results of the measure</b>	<b>Indicators (of output results)</b>	<b>Base values (2020)</b>	<b>Target values (2024)</b>	<b>Target values (2027)</b>
	Number of new digital public services for SMEs	0	10	20
<b>Assessment of funds</b>	<p>Amount: in accordance with the project activities from which the digitalisation is financed</p> <p>Source: donors, projects, RS Tax Administration, cadastre</p>			
<b>Implementation period</b>	2021 – 2025			
<b>Holders of the measure</b>	RS Ministry of Economy and Entrepreneurship, RS Ministry of Scientific and Technological Development, Higher Education and Information Society, RS Ministry of Finance, RS Tax Administration, RS Republic Institute of Statistics, Republic of Srpska Chamber of Commerce, RS Development Agency, Agency for Intermediary, Information and Financial Services			

<b>Name of the measure</b>	<b>2.1.3. Strengthening the administrative capacity and legislative framework in the field of entrepreneurship at the national level</b>		
<b>Brief description of the measure</b>	In the previous period, an administrative framework was established in this area, which consists of: the Ministry of Economy and Entrepreneurship, the Development Agency of Republic of Srpska, local development agencies, the Council for SME Development and Entrepreneurship of Republic of Srpska together with partner institutions and organisations. In the coming period, it is necessary to strengthen the capacities of these institutions and bodies. In addition to the administrative part, it is necessary to continuously strengthen the legislative framework in the field of SMEs and entrepreneurship, but also in areas such as conducting regulatory impact assessments, regulatory guillotines, reducing barriers to doing business and other areas related to the business environment.		
<b>Indicators for monitoring the results of the measure</b>	<b>Indicators (of output results)</b>	<b>Vase values (2020)</b>	<b>Target values (2027)</b>
	Number of trainings held Number of implemented Council recommendations Number of reduced fees for the private sector		At least 5 per year At least 3 per year At least 5 per year
<b>Assessment of funds</b>	Amount: regular Budget funds Source: Republic of Srpska Budget and LSGU Budgets		
<b>Implementation period</b>	Continuously		
<b>Holders of the measure</b>	RS Ministry of Economy and Entrepreneurship, RS Development Agency, RS SME Development Council		

<b>Name of the measure</b>	<b>2.1.4. Capacity building to support entrepreneurship at the local level</b>		
<b>Brief description of the measure</b>	The new local development direction is committed to encouraging local initiatives, which certainly requires the cooperation of institutions at the national and local levels with understanding and cooperation. This is especially important because development problems in the global economy must be determined according to the requirements of the local community ("bottom-up" approach), which is best acquainted with the problems of entrepreneurs operating in its area. In this regard, there is a need for constant exchange of information and joint work and consultations on the development of key strategic documents and regulations. In the current Strategy of Local Self-Government of the Republic of Srpska for the period 2017-2021, special attention is paid to local economic development, which is very important from the point of view of creating a framework for support at the local level. The main activities for the implementation of the measure are the following: Development and support for the implementation of the new Local Government Development Strategy in the Republic of Srpska; Continuation of certification activities in a favorable business environment; Strengthening the capacity of local development agencies and municipal departments of economy through the organisation of trainings for the preparation and implementation		

	of development projects and improvement of services for SMEs; Strengthening cooperation between DARS and local development agencies through the preparation and implementation of joint projects; Establishing and supporting models of inter-municipal cooperation.			
<b>Indicators for monitoring the results of the measure</b>	<b>Indicators (of putput results)</b>	<b>Base values (2020)</b>	<b>Target values (2024)</b>	<b>Target values (2027)</b>
	Growth% of local self-governments that realised financial support for SMEs	66% <sup>34</sup> (2019)	75,%	90%
	Number of municipalities that have gone through the certification process	12	20	30
	Number of joint projects implemented by applying this measure	0	5	10
<b>Assessment of funds</b>	Amount: regular Budget funds Source: RS Budget and LGU Budgets			
<b>Implementation period</b>	Continuously			
<b>Holders of the measure</b>	RS Ministry of Economy and Entrepreneurship, RS Ministry of Administration and Local Self-Government, RS Development Agency, Republic of Srpska Chamber of Commerce, local development agencies, RS SME Development Council			

<b>Name of the measure</b>	<b>2.1.5. Support to the establishment and development of entrepreneurial infrastructure (business zones, incubators, innovation centers, co-working spaces)</b>			
<b>Brief description of the measure</b>	This measure implies further development of entrepreneurial infrastructure in the form of improvement and expansion of existing ones, as well as construction and putting into operation of new capacities, at new locations. The first group of activities has an analytical-planning character, which includes new mapping and categorisation of locations and preparation of portals for zones and other forms. Also, it is necessary to establish support institutions such as: laboratories, accreditation and certification organisations, centers for product design and development, incubators, co-working spaces, HUBs and other new forms. The construction of the first Science and Technology Park in the Republic of Srpska is also planned, which will be realised by the Ministry of Scientific and Technological Development, Higher Education and Information Society of the RS together with the City of Banja Luka. The second group of activities refers to the improvement of the regulatory framework which would, among other things, enable more efficient resolution of property-legal relations (Law on Real Rights, Law on Construction Land and other laws). The third group of activities will focus on providing the funds needed for the development of entrepreneurial infrastructure and their successful implementation.			
<b>Indicators for monitoring the</b>	<b>Indicators (of putput results)</b>	<b>Base values</b>	<b>Target values (2024)</b>	<b>Target values (2027)</b>

<sup>34</sup> Извор инфомрација: Годишњи извјештај (% ЈЛС од ЈЛС које су доставиле податке)

<b>results of the measure</b>	Number of new users of entrepreneurial infrastructure	2020	By 20% more	By 50% more
<b>Assessment of funds</b>	Amount: BAM 7,000,000.00 Source: RS budget, LSGU budgets			
<b>Implementation period</b>	2021 – 2027			
<b> Holders of the measure</b>	RS Ministry of Economy and Entrepreneurship, RS Ministry of Scientific and Technological Development, Higher Education and Information Society, RS Ministry of Spatial Planning, Construction and Ecology, RS Ministry of Finance, RS Development Agency, local self-government units, RS Chamber of Commerce, RS Union of Employers' Association, local development agencies			

<b>Name of the measure</b>	<b>2.1.6. Incentives for employment in companies</b>		
<b>Brief description of the measure</b>	The measure is focused on increasing employment in SMEs through incentives. Having in mind the importance of increasing the level of employment in the real sector, the Republic of Srpska has been developing and adjusting employment incentives for many years, mainly within the activities of the RS Ministry of Labor and Veterans' Affairs and the Republic of Srpska Employment Bureau. Activities within this measure include analysis and evaluation of the effects of previous employment incentives, planning of new incentives, harmonised with the strategic commitments and needs of unemployed persons and employers, which will be provided by annual employment action plans adopted by the RS Government to support employment and self-employment, support to special groups of unemployed, support to special types of business ventures that enable employment of a larger number of unemployed persons, especially young people, in a technologically advanced environment, as most often occurs when performing separate business processes from companies with developed market economy (BPO - Business Process Outsourcing <sup>35</sup> ), employment harder to employ categories and the like.		
<b>Indicators for monitoring the results of the measure</b>	<b>Indicators (of output result)</b>	<b>Base values (2019)</b>	<b>Target values (2027)</b>
	Number of employees within the employment program with employers	4.802	Growth of 5% per year
<b>Assessment of funds</b>	Amount: BAM 70,000,000.00 (2021-2027) (depending on available funds from the budget and projects) Source: RS Employment Bureau and donors		
<b>Implementation period</b>	2021 – 2027		
<b> Holders of the measure</b>	RS Ministry of Labor and Veterans 'and Disabled Protection and RS Employment Bureau, RS Ministry of Finance, RS Chamber of Commerce, RS Union of Employers' Associations,		

<sup>35</sup> Export-oriented business services, initially mostly call centers and help-desk services, but today more and more digital (ICT) services (web design, advertising, application development, etc.) and data processing jobs, finance / accounting, marketing, design, sales, etc.

	local development agencies
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<b>Name of the measure</b>	<b>2.2.1. Facilitating access to standards and technical regulations for SMEs</b>			
<b>Brief description of the measure</b>	The application of this measure will facilitate the export of SMEs to demanding foreign markets, in accordance with EU regulations (new and old approach), as meeting technical and other requirements for products or services is a necessary prerequisite for exporting products to the EU single market or surrounding countries. It is necessary to provide support for SMEs in the application of technical standards and regulations, primarily through instruments of continuous financial support. A new framework for this type of support is the Strategy for the quality of products and services of RS 2019 - 2023, which <i>inter alia</i> focuses on taking over the <i>acquis communautaire</i> in the field of free movement of goods and services. As part of the measure, it is necessary to plan activities for adequate information of SMEs and education of SME employees on the application of standards, EU regulations and regulations of neighboring countries, engagement of consultants, defining and obtaining standards and initiating their adoption as BAS standards (with Serbian translation attached), provision of services of necessary bodies (laboratories, authorised bodies for audit, laboratory tests, certification, inspection, etc.), because SMEs must know the relevant standards and regulations, know how to prepare technical documentation for the product, accompanying documents of conformity, mark products, etc.			
<b>Indicators for monitoring the results of the measure</b>	<b>Indicators (of output results)</b>	<b>Base values (2020)</b>	<b>Target values (2024)</b>	<b>Target values (2027)</b>
	Number of applied / introduced technical standards and regulations in SMEs by applying this measure	0	At least 150	At least 300
<b>Assessment of funds</b>	Amount: BAM 2,000,000.00 (2021 - 2027) Source: 600,000.00 RS Budget; 400,000.00 local government budgets in RS; 1,000,000.00 business entities			
<b>Implementation period</b>	2021 – 2027			
<b>Holders of the measure</b>	RS Ministry of Economy and Entrepreneurship, Ministry of European Integration and International Cooperation, RS Ministry of Finance, local self-government units, Republic Institute for Standardisation and Metrology, RS Development Agency, RS Chamber of Commerce, Consultants and standards implementation agencies			

<b>Name of the measure</b>	<b>2.2.2. Support to the accreditation of conformity assessment bodies</b>			
<b>Brief description of the measure</b>	When the technical and other requirements for a product / service are met, SMEs must obtain adequate evidence for this. Conformity attestation activity (fulfillment of specific requirements) of products, services, processes, systems, etc. with the requirements defined by the relevant standard or regulation, are carried out by the competent conformity assessment bodies (CABs), which prove their competence by an accreditation document issued by the national accreditation body, which confirms that			

	<p>the body meets the requirements of relevant national and international standards and sectoral accreditation schemes. If it is defined by the relevant regulation, the bodies, after accreditation, go through the authorisation procedure with the competent institution.</p> <p>Activities under this measure include an analysis of the current situation with a focus on missing CAB, especially for key export industries such as metal processing, wood processing and the like. The analysis would also include the identification of entities with the potential and willingness to be accredited as CABs<sup>36</sup>.</p> <p>Also, it is necessary to analyse the existing domestic regulatory framework and harmonise a number of regulations that would enable the intensification of the process of activating new CABs.</p> <p>Key activities would relate to the selection of institutions and organisations (public and private), existing and / or potential CABs that could be supported in further development, further support in their equipment, staffing and institutional strengthening, and the accreditation process, especially for certification bodies, but also for inspection bodies and necessary laboratories.</p>			
<b>Indicators for monitoring the results of the measure</b>	<b>Indicators (of output results)</b>	<b>Base values (2019)</b>	<b>Target values (2024)</b>	<b>Target values (2027)</b>
	Number of accredited CABs in export sectors	13	17	20
<b>Assessment of funds</b>	Amount: BAM 600,000.00; Source: BAM 250,000.00 RS Budget; BAM 250,000.00 Donors; BAM 100,000.00 business entities			
<b>Implementation period</b>	2021 – 2027			
<b>Holders of the measure</b>	RS Ministry of Economy and Entrepreneurship, RS Ministry of Finance, RS Quality Infrastructure Coordination Body, BiH Accreditation Institute, RS Institute for Standardization and Metrology, RS Development Agency, Universities in Banja Luka and East Sarajevo, large business entities with potential for accreditation of conformity assessment, RS Chamber of Commerce, Union of Employers' Associations of RS, local development agencies			

<b>Name of the measure</b>	<b>2.2.3. Support for the export and integration of SMEs into global value chains</b>
<b>Brief description of the measure</b>	The measure to support the export and integration of SMEs should rely on more intensive use of tools of the European Entrepreneurship Network, the largest European business support network, with a set of instruments to support companies in the EU and partner countries, in order to strengthen SME competitiveness and better access to information and the international market, while encouraging innovation. In addition, financial support is needed for appearances at international fairs, support for stronger integration of SMEs into global value chains through: joint appearances in foreign markets, support for clustering and networking of SMEs to achieve a more favorable

<sup>36</sup> Relevant guidelines can be used from the study: <https://edabl.org/wp-content/uploads/2020/05/Mapiranje-institucija-za-ocjenu-usagla%C5%A1nosti-proizvoda.pdf>

	negotiating position, organising business meetings (B2B), involving domestic SMEs in the supply chains of foreign investors in BiH, promotion of the capacity of domestic SMEs through embassies and missions of BiH and RS abroad, support for connecting BiH SMEs with SMEs from the region within CEFTA, organising "buying missions" in cooperation with foreign associations in BiH, organising trainings in the field of export marketing and other measures.		
<b>Indicators for monitoring the results of the measure</b>	<b>Indicators (of output results)</b>	<b>Base values (2019)</b>	<b>Target values</b>
	Growth of SME share in realised exports	59,68%	Constant growth (2021-2027)
<b>Assessment of funds</b>	Amount: BAM 1,000,000.00; Source: BAM 200,000.00 RS Budget; BAM 350,000.00 budgets of local self-government units in RS; BAM 250,000.00 companies; BAM 200,000.00 donor funds		
<b>Implementation period</b>	2021 – 2027		
<b>Holders of the measure</b>	Ministry of Economy and Entrepreneurship; RS European Entrepreneurship Network, RS Development Agency, RS Chamber of Commerce, Ministry of European Integration and International Cooperation, competent institutions at the BiH level, BiH embassies and missions abroad, BiH Foreign Investors Council, EBRD, GIZ and other holders of international projects		

<b>Name of the measure</b>	<b>3.1.1. Укључивање развоја пословних вјештина за МСП у оквир за развој образовања, паметну специјализацију и локални развој</b>			
<b>Brief Description</b>	<p>The measure includes:</p> <ul style="list-style-type: none"> <li>- positioning the development of business skills according to the current and future needs of SMEs as one of the key orientations of the development of secondary and higher education, including the possibility of introducing short study programs (120 ETCS) according to specific needs of employers, in the process of gradual introduction of dual education and smart specialisation, adult education, for the period 2021-2027;</li> <li>- elaboration of instruments (profiles, programs) for the realisation of such orientation, while ensuring continuous public-private dialogue for constant improvements in this area;</li> <li>- Incorporating the development of business skills for SMEs into local development strategies, as well as the formation of local partnerships for education and employment. Also, the measure envisages the improvement of practical classes, with a more active role of the RS Chamber of Commerce, which by the Law on Amendments to the Law on Secondary Education (Official Gazette of Republic of Srpska "92/2020) received new competencies related to: checking fulfillment of conditions for education of students with employers, organisation of trainings for mentors (persons responsible for conducting practical classes in companies), keeping a register of contracts on education of students with employers.</li> </ul>			
<b>Indicators for monitoring the</b>	<b>Indicators (of output results)</b>	<b>Base values</b>	<b>Target values (2024)</b>	<b>Target values (2027)</b>

<b>results of the measure</b>	- Number of introduced new occupations with accompanying programs according to the needs of SMEs - Number of employers with practical classes - Number of functional local partnerships for education and employment	(2020) (2020) (2020)	25% more 50% more At least 10	50% more 100% more At least 25
<b>Assessment of funds</b>	Budget funds planned for the development of strategies for the development of secondary and higher education, adult education, smart specialisation (RS budget, donor funds) and local development (Municipal and city budgets, donor funds)			
<b>Implementation period</b>	2021 – 2027			
<b>Holders of the measure</b>	<u>Ministry of Economy and Entrepreneurship</u> , Ministry of Education and Culture, Ministry of Scientific and Technological Development, Higher Education and Information Society, RS Adult Education Institute, RS Employment Bureau (local employment bureaus), DARS, Republic of Srpska Chamber of Commerce, local self-government units, high schools and universities, business councils, local development agencies			

<b>Name of the measure</b>	<b>3.1.2. Continuous analysis of skills and training needs in key sectors</b>			
<b>Brief description of the measure</b>	This measure should ensure regular (usually annual) analysis of skills and training needs in key sectors, adapting and applying the instruments (surveys) used so far. The survey should prioritise growing sectors, as well as sectors where stagnation occurs. Also, priority should be given to cities, and gradually include interested municipalities in which a local partnership for education and employment operates.			
<b>Indicators for monitoring the results of the measure</b>	<b>Indicators (of output results)</b>	<b>Base values (2020)</b>	<b>Target values (2024)</b>	<b>Target values (2027)</b>
	Skills and training needs analysis	Ad hoc access	Functional instrument with application in all cities of RS	A regular instrument with more than 20 local self-governments involved
<b>Assessment of funds</b>	BAM 420,000.00, of which the RS Budget BAM 140,000.00			
<b>Implementation period</b>	2021 – 2027			
<b>Holders of the measure</b>	<u>RS Ministry of Economy and Entrepreneurship</u> , <u>RS Institute for Adult Education</u> , <u>RS Chamber of Commerce</u> , Republic of Srpska Development Agency, local business councils, local development agencies			

<b>Name of the measure</b>	<b>3.1.3. Organising mentoring support and priority trainings with the transition to e-learning</b>
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<b>Brief description of the measure</b>	<p>The measure envisages the continuous provision of mentoring and training services according to the priorities determined by the annual needs analysis for skills and training in key sectors (measure 3.1.2). It contains three basic groups of activities: (1) organising mentoring support for SMEs (continuation of DARS activities); organisation of priority business trainings for SMEs in the form of workshops and seminars adapted to the time of target groups; (3) Transition to e-learning for the business community (based on new experiences gained during the pandemic crisis).</p> <p>The measure also envisages strengthening the cooperation of the scientific-research community and higher education institutions with the economy in terms of the transfer of knowledge and skills important for the business and development of SMEs.</p>			
<b>Indicators for monitoring the results of the measure</b>	<b>Indicators (of output results)</b>	<b>Base values</b>	<b>Target values (2024)</b>	<b>Target values (2027)</b>
	- Number of SMEs covered by mentoring support services	- 54 (2017-2020)	- At least 70 (2021-2024)	- At least 90 (2024-2027)
	- Growth in the number of SMEs covered by training and e-learning	- (2020)	+50% (2024)	+ 100% (2027)
<b>Assessment of funds</b>	BAM 1,700,000.00, of which the RS Budget BAM 350,000.00			
<b>Implementation period.</b>	2021-2027			
<b>Holders of the measure:</b>	Ministry of Economy and Entrepreneurship of Republic of Srpska, Ministry of Scientific and Technological Development, Higher Education and Information Society of RS, <u>RS Development Agency</u> , <u>RS Chamber of Commerce</u> , other providers of training services for SMEs (faculties, centers, agencies)			

<b>Name of the measure</b>	<b>3.2.1. Providing financial support for innovation in SMEs</b>			
<b>Brief description of the measure</b>	<p>The measure implies the introduction of targeted financial support for the introduction of innovation in SMEs, using the experience of relevant projects and pilot programs, as well as good practices developed in Serbia. It consists of the following groups of activities:</p> <ul style="list-style-type: none"> <li>- piloting voucher programs for the introduction of innovation in SMEs (including energy innovation);</li> <li>- analysis of experiences and lessons learned of EU4Business and C2C projects (Challenge to Change);</li> <li>- encouraging SMEs to participate in EU innovation programs, especially in HORIZON Europe;</li> <li>- formation of the Fund for Science and Innovation, by adapting the solutions and practices of the Fund for Innovation Activity of Serbia.</li> </ul> <p>It is planned that the Fund as a key financial mechanism will be functional and effective by 2024.</p> <p>The measure is elaborated in more detail in the Action Plan for Innovation in SMEs of the Republic of Srpska for the period 2021-2023.</p>			
<b>Indicators for</b>	<b>Indicators (of output results)</b>	<b>Base values</b>	<b>Target values</b>	<b>Target values</b>

<b>monitoring the results of the measure</b>		<b>(2020)</b>	<b>(2024)</b>	<b>(2027)</b>
	- Financial instrument to support innovation	Support through international projects	Functional instrument of the RS Government	At least 70 innovative projects supported
<b>Assessment of funds</b>	BAM 20,200,000.00, of which the RS Budget BAM 15,000,000.00			
<b>Implementation period</b>	2021-2027			
<b>Holders of the measure</b>	<u>RS Ministry of Economy and Entrepreneurship, RS Ministry of Science and Technology Development, Higher Education and Information Society; RS Development Agency, Project implementers (GIZ, World Bank, development agencies, etc.)</u>			

<b>Name of the measure</b>	<b>3.2.2. Networking and cooperation to promote innovation in SMEs</b>			
<b>Brief description of the measure</b>	<p>During the situation analysis, weak connections and cooperation were noted, not only between SMEs, but also between scientific research and educational institutions, support service providers, administrative bodies, as well as development and non-governmental organisations.</p> <p>The basis of the concept of this measure is the tendency to adapt and apply the so-called <i>Quadruple-helix model</i> (aimed at strengthening interactions between academia, business, government institutions and civil society) in a specific context in the RS. The measure aims to significantly strengthen the connection and cooperation between all these actors in the function of promoting innovation in SMEs, primarily by creating and strengthening (inter) sectoral and thematic networks.</p> <p>It consists of the following groups of activities:</p> <ul style="list-style-type: none"> <li>- mapping actors and exploring opportunities for mutual coordination and cooperation on innovation in SMEs;</li> <li>- piloting and expanding (inter) sectoral networks oriented to innovation in SMEs;</li> <li>- piloting and expanding thematic networks for specific types of innovation in SMEs (e.g. for the development of specific skills, for energy innovation, etc.);</li> <li>- Inclusion of training for new knowledge necessary for innovative SMEs (e.g. intellectual property protection, <i>Agile</i> project management).</li> </ul> <p>The elaboration of the measure should take into account the experiences and lessons learned within the <i>EU ProLocal and EU4Business projects</i> (for partnerships in export-oriented sectors), as well as the <i>Challenge to Change</i> project.</p> <p>In addition to improving the programs and services of the actors involved and creating new patterns of behavior based on mutual cooperation and support, these networks are expected to contribute to the creation of new policies and instruments to support innovation in SMEs after 2023.</p> <p>The measure is elaborated in more detail in the Action Plan for Innovation in SMEs of the Republic of Srpska for the period 2021-2023.</p>			
<b>Indicators for monitoring the results of the measure</b>	<b>Indicators (of output results)</b>	<b>Base values (2020)</b>	<b>Target values (2024)</b>	<b>Target values (2027)</b>
	- Number of functional innovation networks	- 0	- At least 3	- At least 5
	- Number of active actors in innovation networks	- 0	- At least 60	- At least 100
<b>Assessment of funds</b>	BAM 1.500.000,00, of which RS Budget BAM 500.000,00			

<b>Implementation period</b>	2021-2027
<b>Holders of the measure</b>	<u>RS Ministry of Economy and Entrepreneurship, RS Ministry of Science and Technology Development, Higher Education and Information Society</u> ; local self-government units, scientific research and development institutes and centers, academic community, RS Development Agency, RS Union of Employers' Association and RS Chamber of Commerce, innovative SMEs, BL Innovation Center and innovation-oriented incubators / centers, development agencies and NGOs

<b>Name of the measure</b>	<b>3.2.3. Building infrastructure to support innovation and digitalisation in SMEs</b>			
<b>Brief description of the measure</b>	<p>This measure envisages the gradual construction of the infrastructure necessary to support innovation in SMEs. The following main groups of activities are included:</p> <ul style="list-style-type: none"> <li>- project piloting of functional centers for product development in RS cities and their networking;</li> <li>- project piloting, strengthening and expansion of the business digitalisation center (in cooperation with GIZ, initial phase through the project <i>Innovation and digitalisation of SMEs</i>);</li> <li>- piloting, strengthening and expanding innovation laboratories / centers at faculties;</li> <li>- design and construction of the first Science and Technology Park in RS, as a key part of the infrastructure to support innovation.</li> </ul> <p>The measure is elaborated in more detail in the Action Plan for Innovation in SMEs of the Republic of Srpska for the period 2021-2023.</p>			
<b>Indicators for monitoring the results of the measure</b>	<b>Indicators (of output results)</b>	<b>Base values (2020)</b>	<b>Target values (2024)</b>	<b>Target values (2027)</b>
	- Number of product development centers	0	3	6
	- Number of innovation centers / laboratories at faculties	0	3	6
	- Number of science and technology parks	0	1 (establishment)	1 (in function)
	- Percentage of SMEs covered by digitalisation	(2020)	At least 30%	At least 80%
<b>Assessment of funds</b>	BAM 12,000,000.00, of which the Budget of RS and the budgets of local self-government units BAM 4,000,000.00 (excluding the Science and Technology Park); long-term favorable credit funds for the construction of the first Science and Technology Park			
<b>Implementation period</b>	2021-2027			
<b>Holders of the measure</b>	<u>RS Ministry of Economy and Entrepreneurship, RS Ministry of Scientific and Technological Development, Higher Education and Information Society</u> ; local self-government units, RS Chamber of Commerce and RS Employers' Association, RS Development Agency, local development agencies, international projects (donors)			

<b>Name of the measure</b>	<b>3.2.4. Proactive participation in regional and EU programs to support innovation and the green economy</b>			
<b>Brief description of the measure</b>	<p>The European Commission and the European Union announce significantly larger funds and more extensive programmes to support innovation and the transition of SMEs to a green economy, especially in the Western Balkans and Southeast Europe, with other EU funds and programmes being more accessible to our SMEs and R&amp;D organisations. Taking advantage of these opportunities also requires a significant change of approach, which includes:</p> <ul style="list-style-type: none"> <li>- more intensive implementation and improvement of the effects of the European Entrepreneurship Network (EEN) in the Republic of Srpska (EUNORS);</li> <li>- exploring barriers and opportunities for greater participation in WBIF instruments (Investment Framework for the Western Balkans);</li> <li>- more active participation in relevant programmes and initiatives initiated by the EU, EBRD and OECD;</li> <li>- exploring and using opportunities for joint research and development projects and activities with Serbia;</li> <li>- active commitment to support innovation and the green economy in IPA 3 programming (use of opportunities provided by the European Commission's Economic and Investment Plan for the Western Balkans, as well as the Green Agenda for the Western Balkans).</li> </ul> <p>The measure is elaborated in more detail in the Action Plan for Innovation in SMEs of the Republic of Srpska for the period 2021-2023.</p>			
<b>Indicators for monitoring the results of the measure</b>	<b>Indicators (of output results)</b>	<b>Base values(2020)</b>	<b>Target values (2024)</b>	<b>Target values (2027)</b>
	- Number of SMEs benefiting from EU / EC innovation programmes - Number of R&D organizations benefiting from EU / EC innovation programmes	(2020) (2020)	2 times more 2 times more	5 times more 5 times more
<b>Assessment of funds</b>	<p>Amount: BAM 200,000.00</p> <p>Regular funds for the work of institutions; donor and credit funds of the European Union, the European Commission, the EBRD and others; funds of SMEs and research and development institutions (establishment of the Fund for participation in projects)</p>			
<b>Implementation period</b>	2021-2027			
<b>Holders of the measure</b>	<p><u>Ministry of Economy and Entrepreneurship, Ministry of Scientific and Technological Development, Higher Education and Information Society</u>; local self-government units, RS Chamber of Commerce and RS Employers' Association, RS Development Agency, local development agencies, international projects (donors)</p>			

<b>Name of the</b>	<b>3.3.1. Promotion of energy efficiency and renewable sources with available</b>
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<b>measure</b>	<b>sources of financing for companies</b>			
<b>Brief description of the measure</b>	The measure encompasses interconnected groups of activities, which encourage the reorientation of decisions, primarily of medium-sized enterprises participating in global value chains, to invest in more energy-efficient solutions, in line with the global decarbonisation trend. Includes: promotion of EnE and RES; organizing professional and business events on the transition to a "green economy"; organizing larger strategic forecasting workshops, with scenario planning (if-then) and public-private dialogue to create a sense of urgency and importance of the transition to more energy efficient solutions among all stakeholders; organizing promotional campaigns for the presentation of available funding sources (guarantee and credit schemes, currently mostly supported by donors).			
<b>Indicators for monitoring the results of the measure</b>	<b>Indicators (of output results)</b>	<b>Base values (2020)</b>	<b>Target values (2024)</b>	<b>Target values (2027)</b>
	- Number of SMEs that actively participate in the promotion of EnE and RES	2020	At least 3 times more	At least 10 times more
<b>Assessment of funds</b>	Amount: BAM 100,000.00 Source: donor funds			
<b>Implementation period</b>	2021-2027			
<b> Holders of the measure</b>	<u>Ministry of Economy and Entrepreneurship</u> , Ministry of Energy and Mining, Fund for Environmental Protection and Energy Efficiency, implementers of international support projects			

<b>Name of the measure</b>	<b>3.3.2. Providing financial support for "green" innovations in SMEs</b>			
<b>Brief description of the measure</b>	It is an integral part of measure 3.2.1. Providing financial support for innovation in SMEs in this strategic period, in such a way that SME innovations that facilitate the transition to a green economy, from energy efficiency, renewable energy sources and other "green innovations", are an integral part of voucher programme support, and later the RS Science and Innovation Fund (as one of the programmes within the Fund, with the possibility to grow into a special fund).			
<b>Indicators for monitoring the results of the measure</b>	<b>Indicators (of output results)</b>	<b>Base values (2020)</b>	<b>Target values (2024)</b>	<b>Target values (2027)</b>
	Percentage of "green" innovations supported through the voucher programme and the Fund	(2020)	10%	20%
<b>Assessment of funds</b>	Funds provided for measure 3.2.1. Providing financial support for innovation in SMEs			
<b>Implementation period</b>	2021-2027			

<b>Holders of the measure</b>	<u>Ministry of Economy and Entrepreneurship, Ministry of Scientific and Technological Development, Higher Education and Information Society; Fund for Environmental Protection and Energy Efficiency, Investment and Development Bank of RS, research and development institutes and centers, the Union of Employers' Associations of RS and the RS Chamber of Commerce, innovative SMEs, implementers of international projects</u>
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<b>Name of the measure</b>	<b>3.3.3. Creating and expanding energy efficiency networks</b>			
<b>Brief description of the measure</b>	This measure is based on the <i>LEEN (Learning Energy Efficiency Networks) model</i> , which is successfully applied and developed in EU countries. It includes support for the creation of cross-sectoral SME networks, conducting energy audits to assess the effects of improvement, identifying and implementing targeted interventions, with mutual information exchange and mutual learning. It is recommended that the <i>Industrial Assessment Centers (IAC) model</i> ( <a href="https://www.energy.gov/eere/amo/industrial-assessment-centers-iacs">https://www.energy.gov/eere/amo/industrial-assessment-centers-iacs</a> ), developed in the United States, be included. It refers to the involvement of technical faculties in the provision of services to SMEs in conducting (free) energy audits. Students from relevant faculties are also involved in the examination. In this way, future engineers are trained who are aware of the importance of EnE and the use of SES for their own needs.			
<b>Indicators for monitoring the results of the measure</b>	<b>Indicators (of output results)</b>	<b>Base values (2020)</b>	<b>Target values (2024)</b>	<b>Target values (2027)</b>
	- Number of SMEs included in EnE networks - Number of students involved in performing energy audits	0 0	At least 30 At least 10	At least 90 At least 50
<b>Assessment of funds</b>	BAM 1,500,000, of which the Environmental Protection Fund BAM 500,000			
<b>Implementation period</b>	2021-2027			
<b>Holders of the measure</b>	<u>Ministry of Economy and Entrepreneurship, Ministry of Scientific and Technological Development, Higher Education and Information Society, Fund for Environmental Protection and Energy Efficiency, Universities and Faculties, Small and Medium Enterprises, implementers of international support projects.</u>			

### 3. Compliance with relevant strategic documents

The goals and priorities are in line with the Framework for Sustainable Development Goals in Bosnia and Herzegovina, through which BiH, as a member of the UN, implements the 2030 Agenda. They are in line with the relevant goals of **Smart growth** within the Accelerator 1: **Strengthening the favourable environment for entrepreneurship and innovation for**

**production of goods of high value-added for export.** In this way, they are harmonised with the working version of the Strategic Guidelines for harmonisation of support to the development of SMEs and entrepreneurship in BiH 2021-2027, taking full account of the competencies of the Republic of Srpska in all areas of support to the development of SMEs and entrepreneurship.

Programme part, in terms of priorities 1.2. Development of youth entrepreneurship and women's entrepreneurship and Measures 1.2.1. Support for the development and integration of entrepreneurial learning programs in formal and non-formal education and career planning is harmonised with the **Education Development Strategy of the Republic of Srpska for the period 2016 - 2021** in the part of permeating strategic goals in education levels in the part related to strategic goal 5.2. Entrepreneurial learning and related measures.

Priority 1.2. Development of youth entrepreneurship and women's entrepreneurship and Measure 1.2.2. Systematic support for the development and promotion of women's entrepreneurship is harmonised with the **Strategy for the Development of Women's Entrepreneurship of the Republic of Srpska for the period 2019-2023.**

Priority 2.2. *Standardisation and internationalisation* and measures within priorities 2.2.1. *Facilitating access to standards for SMEs* and 2.2.2. *Support to the accreditation of conformity assessment bodies* is in line with the **Strategy for the infrastructure of product and service quality in the Republic of Srpska for the period 2019-2023 - Taking over and application of the acquis communautaire in the field of free movement of goods** in the part of special strategic goals of the Republic of Srpska in the field of standardisation, accreditation and conformity assessment.

The priorities are largely in line with the Republic of Srpska Economic Reform Programme.

## Indicative financial framework for the implementation of the Strategy

The indicative financial framework presents the indicative financial resources required for the implementation of the defined measures, giving an overview of potential sources of funds.

A total of BAM 161,930,000.00 is planned for the implementation of the Strategy for the Development of Small and Medium Enterprises of the Republic of Srpska for the period 2021-2027, of which BAM 119,200,000.00 from the Budget of the Republic of Srpska and BAM 42,730,000.00 from other sources.

For the implementation of the first strategic goal "Renewal and growth of entrepreneurial activity in RS, with a focus on youth entrepreneurship and women's entrepreneurship" 27.08% of total funds are planned, the second strategic goal "Renewal and strengthening the competitiveness of SMEs in global value chains" 49.77% and the third strategic goal "Growth of participation of products, services and sectors based on knowledge and innovation in the structure of SMEs" 23.15% of total funds.

During further elaboration of annual action plans, taking into account the three-year cycle of budget planning of the Republic of Srpska, MEE will take care that the mentioned plans are harmonised with the Budget of the Republic of Srpska for each year during the duration of the Strategy.

INDICATIVE FINANCIAL FRAMEWORK					
FOR THE VALIDITY PERIOD OF THE STRATEGIC DOCUMENT					
Number and designation	Financ. structure (%)	Total (BAM)	Budget (BAM)	Other sources	
				(BAM)	Name of the potential source
Strategic goal 1: Renewal and growth of entrepreneurial activity in RS with a focus on youth entrepreneurship and women's entrepreneurship	27.08%	43,850,000	36,560,000	7,290,000	
Priority 1.1. Economic recovery and creating resilience to crises					
Measure 1.1.1. Mitigating and preventing the negative consequences of the crisis on the economy					will be determined in accordance with the available funds

Measure 1.1.2. Promoting a second chance and a quick restart for entrepreneurs who have failed in their first attempts		700,000	100,000	600,000	Donor funds
<b>Priority 1.2: Development of youth entrepreneurship and women's entrepreneurship</b>					
Measure 1.2.1. Support for the development of start-up companies (beginners in business) (financing from the RS Employment Bureau)		40,000,000	35,000,000	5,000,000	Donor funds
Measure 1.2.2. Support the development and integration of entrepreneurial learning programs into formal and non-formal education and career planning		0			Regular budget funds, projects
Measure 1.2.3. Systemic support for the development and promotion of women's entrepreneurship (part of funding from the RS Employment Bureau)		1,400,000	700,000	700,000	Donor funds
<b>Priority 1.3: Improving the environment for the development of entrepreneurial activity</b>					
Measure 1.3.1. Support for entrepreneurial initiatives to improve the business environment		700,000	210,000	490,000	Donor funds
Measure 1.3.2. Development of entrepreneurial business support services by the public and private sector (management, finance, business innovation)		350,000	200,000	150,000	Donor funds and local budgets
Measure 1.3.3. Incentives for (self) employment in entrepreneurial activity (financing from the funds of the RS Employment Bureau)		0			In accordance with the annual Employment Action Plans (from the funds for the implementation of measure 1.2.1.)

<b>Priority 1.4: Development of social and other types of entrepreneurship</b>					
Measure 1.4.1. Support for the preservation of old crafts and homecraft		0			Regular budget funds and donors
Measure 1.4.2. Support for the development of social entrepreneurship		700,000	350,000	350,000	Donor funds
<b>Strategic goal 2: Restoring and strengthening the competitiveness of SMEs in global value chains</b>	<b>49.77%</b>	<b>80,600,000</b>	<b>64,050,000</b>	<b>16,550,000</b>	
<b>Priority 2.1: Improving the business environment and access to finance for SMEs</b>					
Measure 2.1.1. Facilitating access to finance for growing and new SMEs		0			Available funds of financial institutions
Measure 2.1.2. Continuous improvement of the availability of digital services for SMEs		0			in accordance with the project activities from which the digitalisation is financed
Measure 2.1.3. Strengthening the administrative capacity and legislative framework in the field of entrepreneurship at the national level		0			regular Budget funds
Measure 2.1.4. Capacity building to support entrepreneurship at the local level		0			regular Budget funds
Measure 2.1.5. Support to the establishment and development of entrepreneurial infrastructure (business zones, incubators, accelerators, innovation centers, co-working spaces)		7,000,000	7,000,000	0	Republic of Srpska budget, LGU budgets
Measure 2.1.6. Incentives for employment in companies (financing from the RS Employment Service)		70,000,000	56,000,000	14,000,000	depending on available funds from budgets and projects
<b>Priority 2.2: Standardisation, technical</b>					

<b>regulation and internationalisation</b>					
Measure 2.2.1. Facilitating access to standards and technical regulations for SMEs		2,000,000	600,000	1,400,000	BAM 400,000 budgets of local self-government units, BAM 1,000,000 of business entities
Measure 2.2.2. Support to the accreditation of conformity assessment bodies		600,000	250,000	350,000	BAM 250,000 donors, BAM 100,000 business entities
Measure 2.2.3. Support for the export and integration of SMEs into global value chains		1,000,000	200,000	800,000	BAM 350,000 budgets of local self-government in RS; BAM 250,000 of the company; BAM 200,000 Donor funds
<b>Strategic goal 3: Growth of participation of knowledge-based products and services and sectors in the structure of SMEs</b>	<b>23.15%</b>	<b>37,480,000</b>	<b>18,590,000</b>	<b>18,890,000</b>	
<b>Priority 3.1: Business skills development for SMEs</b>					
Measure 3.1.1. Incorporating business skills development for SMEs into the framework for education development, smart specialisation and local development		0			Budget funds planned for the development of strategies for the development of secondary and higher education, adult education, smart specialisation (RS budget, donor funds) and local development (Municipal and city budgets, donor funds)
Measure 3.1.2. Continuous analysis of skills and training needs in key sectors		280,000	140,000	140,000	
Measure 3.1.3. Organizing mentoring support and priority trainings with the transition to e-learning		1,700,000	350,000	1,350,000	
<b>Priority 3.2: Innovation and digitalisation of business</b>					
Measure 3.2.1. Providing financial support for innovation in SMEs		20,200,000	15,000,000	5,200,000	Donor funds

Measure 3.2.2. Networking and cooperation to promote innovation in SMEs		1,500,000	500,000	1,000,000	Donor funds
Measure 3.2.3. Building infrastructure to support innovation and digitalisation in SMEs		12,000,000	2,000,000	10,000,000	LSGU budgets, long-term favorable credit funds for the construction of the first Science and Technology Park
Measure 3.2.4. Proactive participation in regional and EU programs to support innovation and the green economy		200,000	100,000	100,000	Regular funds for the work of institutions; donor and credit funds of the European Union, the European Commission, the EBRD and others; funds of SMEs and research and development institutions (establishment of the Fund for participation in projects)
<b>Priority 3.3: The transition of SMEs towards a green economy</b>					
Measure 3.3.1. Promotion of energy efficiency and renewable sources with available sources of financing for companies		100,000		100,000	Donor funds
Measure 3.3.2. Providing financial support for "green" innovations in SMEs		0			Funds provided for measure 3.2.1. Providing financial support for innovation in SMEs
Measure 3.3.3. Creating and expanding energy efficiency networks		1,500,000	500,000	1,000,000	Donor funds
<b>TOTAL FROM THE STRATEGIC DOCUMENT</b>	<b>100.00%</b>	<b>161,930,000</b>	<b>119,200,000</b>	<b>42,730,000</b>	

<b>OVERVIEW BY SOURCES</b>		
<b>Total (BAM)</b>	<b>RS Budget (BAM)</b>	<b>Other sources (BAM)</b>
<b>161,930,000</b>	<b>119,200,000</b>	<b>42,730,000</b>
<b>100,00%</b>	<b>73,61%</b>	<b>26,39%д</b>

## **7. Implementation part**

### **7.1. Implementation coordination**

The Ministry of Economy and Entrepreneurship of the Republic of Srpska is responsible for coordination the implementation of the RS SME Development Strategy for the period 2021-2027. Coordination of the implementation of the Strategy includes the following activities:

- development and regular updating of a three-year plan for the implementation of measures, with the participation of the holders of the implementation of measures and participants in the implementation of measures;
- development of an annual plan for the implementation of measures;
- inclusion of costs for the implementation of planned measures in the Document of the Framework Budget of the Republic of Srpska and the annual budget of the Republic of Srpska;
- communication with representatives of international projects, institutions of the Republic of Srpska, banks and other organisations and institutions in connection with the coordination of financial and technical support for the implementation of appropriate measures;
- preparation and implementation of systems and instruments for monitoring and reporting on the Strategy, in coordination with the holders of measures;
- preparation and inclusion of the part related to the implementation of the Strategy in the Annual Report for the field of SMEs;
- preparation of the Report on the implementation of the Strategy (three-year);
- initiating the process of medium-term and final evaluation of the implementation of the Strategy;
- revision of the Strategy in accordance with the results of the mid-term evaluation;
- initiating and leading the process of drafting the Strategy for the period after 2027

In addition to the MEE, the role of other institutions of the Republic of Srpska in the implementation of the Strategy was also emphasized. The Ministry of Scientific and Technological Development, Higher Education and Information Society is, in addition to the MEE, the holder of the implementation of measures defined within priority 3.2.2. Innovation and digitalisation of business, as well as measures related to digitalisation and innovation within other priorities.

Also, it is necessary to emphasize the role of DARS and the Chamber of Commerce of the Republic of Srpska, which are key participants in the implementation of most measures.

The RS SME Development Council, which includes representatives of almost all Republic of Srpska institutions that are the holders of measures and / or the main participants in the implementation of measures and representatives of SMEs, also has a significant role in the

implementation of the Strategy. The RS SME Development Council is an advisory body of the Government that monitors the situation in the field of SMEs in order to improve their development. It is important that the RS SME Development Council has an active participation in the preparation of plans and reports on the Strategy, as well as monitoring and evaluation of the implementation of the Strategy.

## **7.2. Implementation financing**

In addition to regular funds from the budget of the Republic of Srpska and the budget of local communities, funding for the implementation of measures from the Strategy will be provided from the following sources:

- funds from international projects, donor programs and various forms of financial and technical support,
- funds of economic entities and research and development institutions,
- foreign direct investment, and
- other available sources of funds.

It should be emphasized that the implementation of certain activities does not require additional financial resources, because they are carried out within the regular activities of the competent institutions of the Republic of Srpska.

Funds for the implementation of certain measures are not precisely defined, given that the values depend on the available funds from the budget of Republic of Srpska and / or the value and form of support (technical and financial support) that will be provided through the implementation of domestic and international projects.

## **7.3. Monitoring, evaluation and reporting on the progress and implementation of the SME Development Strategy of the Republic of Srpska**

Monitoring is used for systematic and continuous collection, analysis and use of data and indicators to measure the progress of the implementation of measures, priorities and objectives, for the purpose of reporting on the implementation of the Strategy and taking appropriate measures for possible corrections..

### **Monitoring plan**

<b>Activity</b>	<b>Timeframe</b>	<b>Activity holder</b>	<b>Activity result</b>
Specifying the initial value of the indicator for 2020	2021 and the first half of 2022	Ministry of Economy and Entrepreneurship	Certain initial values of indicators for 2020 and possible redefinition of target values
Monitoring the implementation and	Semi-annually and within the meetings	Holders of implementation of	Reports on the implementation of

impact of individual projects within measures and priorities	of the implementers of the implementation of measures with the implementers of the projects	measures with project holders	individual projects (in a pre-agreed form)
Monitoring the implementation of priorities and measures	Annually	Holders of the implementation of measures and the Ministry of Economy and Entrepreneurship	Prepared input elements for the report on the implementation of the Strategy
Monitoring the implementation of strategic goals	Annually	Ministry of Economy and Entrepreneurship	Report on the implementation of the Strategy prepared

Information on the implementation of projects financed from various sources and implemented by organisations that are not directly engaged in the implementation of the Strategy, but whose activities affect the strategic objectives, can be a particular challenge. Therefore, it is necessary to regularly exchange information on the implementation of projects with a wider range of entities.

The evaluation is done in order to determine the degree of implementation of the Strategy, and the effectiveness and efficiency of planned measures and priorities according to defined goals and indicators, as well as summarising the results and providing input elements for the strategic document for the next planning period.

It is recommended that the mid-term and final evaluation of the Strategy be linked to the SBA implementation evaluation and reporting process, which takes place in three-year cycles.

Систем мониторинга и евалуације који ће обухватити све циљеве, приоритете и мјере ће се постепено изградити, на основу чега ће бити извршена средњорочна и коначна евалуација.

Систем ће обухватити следеће инструменте и алате који олакшавају и убрзавају процес мониторинга и евалуације:

- Drafting and developing an interactive database for monitoring and evaluation of the Strategy;
- Drafting and developing a database for monitoring and evaluation and reporting on the implementation of the SBA;
- Developing the instruments for monitoring and evaluation for selected measures;
- Capacity building of the Ministry of Economy and Entrepreneurship and of holders of measures for the implementation of systems and instruments for monitoring and evaluation and preparation of reports on the implementation of the Strategy.

## Evaluation plan

<b>Activities</b>	<b>Timeframe</b>
Mid-term evaluation	2nd half of 2024 and / or 1st half of 2025
Final evaluation	2027/2028

## **EXPLANATORY STATEMENT OF THE PROPOSAL**

### **DEVELOPMENT STRATEGIES OF SMALL AND MEDIUM ENTERPRISES OF THE REPUBLIC OF SRPSKA FOR THE PERIOD 2021–2027**

#### **I CONSTITUTIONAL BASIS**

Constitutional basis for the adoption of the Strategy for the Development of Small and Medium-Sized Enterprises of the Republic of Srpska for the period 2021–2027 is contained in Amendment XXXII to Article 68, item 8 of the Constitution of the Republic of Srpska, according to which, *inter alia*, the Republic of Srpska regulates and provides the basic goals and directions of economic development, as well as Article 70, paragraph 2 of the Constitution of the Republic of Srpska, which stipulates that the National Assembly of the Republic of Srpska enacts laws, other regulations and general acts.

The sector of small and medium enterprises and thus the development of strategies and policies for the development of small and medium enterprises is under the jurisdiction of the Ministry of Economy and Entrepreneurship, according to Article 115 of the Law on Republic Administration (*Official Gazette of the Republic of Srpska, No. 108/18*).

Article 12 of the Law on Development of Small and Medium Enterprises (*Official Gazette of the Republic of Srpska, No. 50/13 and 84/19*) provides for the adoption of the Strategy for the Development of Small and Medium Enterprises of the Republic of Srpska.

#### **II COMPLIANCE WITH THE CONSTITUTION, LEGAL SYSTEM AND RULES OF NORMATIVE LEGAL TECHNIQUE**

#### **III COMPLIANCE WITH THE LEGAL ORDER OF THE EUROPEAN UNION**

#### **IV REASONS FOR ADOPTING THE STRATEGY**

Strategy for the development of small and medium enterprises in the Republic of Srpska for the period 2016-2020 expired in 2020, and a new strategic document for the field of small and medium enterprises was made called the Strategy for the Development of Small and Medium Enterprises of the Republic of Srpska for the period 2021-2027.

The strategy defines strategic goals, priorities and measures related to the development of small and medium enterprises for the period from 2021 to 2027, which are based on qualitative and quantitative analysis of the situation, current development activities of this sector, EU requirements and needs of small and medium enterprises and independent entrepreneurs.

Review of the Strategy for the Development of Small and Medium Enterprises of the Republic of Srpska for the period 2021-2027, is planned by the Action Plan of the Government of Republic of Srpska for 2021.

## **V EXPLANATORY STATEMENT OF THE PROPOSED SOLUTIONS**

Having in mind the results of the conducted analyses, research and the workshop held within the development of this strategy, the vision, mission, strategic goals and priorities for the development of small and medium enterprises for the period 2021-2027 have been defined as follows:

**Strategic goal 1: Renewal and growth of entrepreneurial activity in the Republic of Srpska, with a focus on youth entrepreneurship**, which will be realised through the implementation of priorities of economic recovery and creating resilience to crises, development of entrepreneurship with a focus on youth entrepreneurship and women's entrepreneurship and improving the environment for entrepreneurship activities, development of social entrepreneurship and other types of entrepreneurship.

**Strategic goal 2: Restoring and strengthening the competitiveness of SMEs in global value chains** will be realised by improving the environment and access to finance for SMEs, standardisation and internationalisation and development of business skills of SMEs.

**Strategic goal 3: Growth of participation of products, services and sectors based on knowledge and innovation in the structure of SMEs** will be realised through the implementation of priorities of business skills development for SMEs, innovation and digitalisation of business, transition of SMEs to green economy.

The programme part is further elaborated by measures and the Strategy includes compliance with relevant strategic documents, indicative financial framework and implementation part which includes coordination and financing of implementation and monitoring and evaluation of the Strategy. Monitoring and implementation of the Strategy is the task of the Ministry of Economy and Entrepreneurship and all other responsible institutions and organisations of the Republic of Srpska, which will once a year make a report on the implementation of the Strategy. As a result of the implementation of the Strategy in the coming period, positive effects are expected in the field of SMEs, such as an increase in the number of newly opened SMEs, employment, participation in GDP and an increase in exports.

## **VI FINANCIAL RESOURCES AND ECONOMIC JUSTIFICATION OF STRATEGY ADOPTION**

Necessary financial resources for the implementation of the Strategy for the Development of Small and Medium Enterprises of the Republic of Srpska for the period 2021-2027, approximately amount to BAM 161,930,000, and relate to support from the Budget of Republic of Srpska and international funds.

Most of the incentives are already planned in the budget of Republic of Srpska through incentives for economy, innovation, technology, tourism, agriculture and other incentives.