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**Economic Governance for Growth (EGG) 2**

**Project Document**

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**November 2021**

**PROJECT DOCUMENT**

**Country: Bosnia and Herzegovina**

**Project Title**: Economic Governance for Growth 2

**Project (Award) Number:** BIH10/00138136**;** Output ID:00128280

**Implementing Partner:** United Nations Development Programme (UNDP)

**Start Date:** 1 December 2021 **End Date**: 30 November 2025

**LPAC Meeting date:** 24 November 2021

**Implementation modality:** Direct Implementation (DIM)

**Brief Description**

The Economic Governance for Growth seeks to contribute to economic growth and entrepreneurship development, improving economic governance and fostering the growth of market-oriented capabilities for a knowledge-based economy.

**Linkage with SDGs:** SDG 4; SDG 5; SDG 8 and SDG 9

**Linkage with EU accession agenda:** Compliance with the economic criteria for accession; inclusive and quality education; research and innovation policy.

**Linkage with UNDP Strategic Plan 2022-2025:** A.Advance poverty eradication in all its forms and dimensions, foresees concrete actions to assist marginalized groups, particularly the poor, women, people with disabilities and displaced are empowered to gain universal access to basic services and financial and non-financial assets to build productive capacities and benefit from sustainable livelihoods and jobs. B. Accelerate structural transformations for sustainable development

**Contributing Outcome (UNSDCF/CPD):** (i) reduction of regional, economic and social disparities; and (ii) access to services and employment opportunities for the most vulnerable.

**Contributing Output (with gender marker)**: 00128280 (GEN2)

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| **Total resources required:** | **2,169,263.19 USD** |
| **Total resources allocated:** | **UNDP:** | **300,000.00** |
| **Government of Norway:** | **1,698,062.92** |
| **Government of BiH:** | **103,000.00** |
| **In-Kind:** |  |
| **Unfunded:** |  |

*Agreed by:*

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| Print Name: Stephen Kinloch Pichat Deputy Resident Representative, UNDP |
| Date:  |

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**LIST OF ABBREVIATIONS**

|  |  |
| --- | --- |
| BIH | Bosnia and Herzegovina |
| FBiH | Federation of Bosnia and Herzegovina Entity |
| RS | Republika Srpska Entity |
| CPD | Country Programme Document |
| EU | European Union |
| GDP | Gross Domestic Product |
| GIM | Growing Inclusive Markets |
| MSMEs | Micro, small and medium enterprises  |
| SDGs | Sustainable Development Goals |
| STEM | Science, technology, engineering and mathematics |
| UNDAF | United Nations Development Assistance Framework |
| UNDP | United Nations Development Programme |

# 1. DEVELOPMENT CHALLENGE

### 1.1 Wider Country context

Following strong and stable growth of around 5% annually between 2000 and 2008, the economy of Bosnia and Herzegovina deteriorated as a consequence of the global economic crisis between 2009 and 2012, posting very low and negative growth. Despite the global recovery since 2012, the country has been unable to reach pre-crisis growth rates[[1]](#footnote-1). BiH economy was growing slightly above 3% per annum 2016-2018, but the rate of growth slowed down to 2.7% in 2019. The COVID-related shock disrupted BiH’s economic growth. Economic activity is estimated to have contracted by 5½ percent in 2020, versus a pre-crisis average growth of 3 percent. This sharp contraction was caused by a slump in domestic demand (depressing hospitality services) and a weak external environment where exports were hit hard by the EU recession. In line with the Euro Area, inflationary pressures have been contained, given the economic slack and will remain so for some time[[2]](#footnote-2). The causes of economic laggardness include slow pace of transitional reforms, an unfriendly business and investment climate (the country ranked 90th in the 2019 Doing Business Report among 190 economies[[3]](#footnote-3)), inefficient government spending, low investments (gross fixed capital formation was 18.9% of GDP in 2014, down from a high of 27.1% in 2005[[4]](#footnote-4)), and perhaps most importantly, a painfully high level of unemployment. In 2019 the rate of unemployment was 15.7%, reaching up to 62.2 % among youth (aged 15-24), and the rate of inactivity was very high at 55.8%.[[5]](#footnote-5) Even after social transfers, 27% of the population is at risk of poverty.[[6]](#footnote-6) Although the unemployment level records declining trend, it was mostly due to declining labour force participations, while the level of unemployed youth still remained very high (approximately 50%).[[7]](#footnote-7) Also, the participation of women in the labour force is notably lower than that of men.

Furthermore, 26 years after the war, this multi-ethnic country, home to three constituent ethnic groups (Bosniaks, Bosnian Croats and Bosnian Serbs) still suffers from ethnic divide and political instability, which hamper the prospects of successful reconciliation. Political tensions and economic development of the country are obviously interlinked, as most important political progress in terms of building state institutions and advancing towards the EU integrations was accomplished in the years when the BiH economy was showing a stable growth. The lack of job opportunities and economic vision provides space for political actors who are eager to bank on fuelling tensions, while the number of people who leave the country, particularly youth is constantly growing.

The complex governance structure stemming from the Dayton Peace Agreement is highly cumbersome. The country of 3.5 million people[[8]](#footnote-8) has 13 constitutions, 14 legal systems (state, two entities, one autonomous district and 10 cantons) and more than 150 ministries. Ineffective governance and an over-sized public sector reduce the effectiveness of public policy and slow down reforms. The political climate is tense and dominated by nationalistic tendencies, concerted political obstruction of reforms and frequent political gridlocks which, in turn, have impeded the country development. According to the [Fragile States Index 2017](http://fundforpeace.org/fsi/2017/05/14/fsi-2017-factionalization-and-group-grievance-fuel-rise-in-instability/), Bosnia and Herzegovina features as a fragile state, ranked 93rd among 178 countries.

BiH’s [Human Development Index](http://hdr.undp.org/en/countries/profiles/BIH) value for 2019 is 0.780, which positions the country in the 73rd spot out of 188 countries,[[9]](#footnote-9) which is still below the average for Europe and Central Asia. Nearly 17% of the population or more than 500,000 people live below the poverty line.[[10]](#footnote-10)

### 1.2. Sector Specific Analysis

Despite the prevailing unfavourable environment in the country, positive initiatives from private sector and investors, both foreign and domestic, are taking place in specific leading and export-oriented industries such as metal and automotive, wood processing, textile and leather. Manufacturing sector accounted for the largest share of FDI in Bosnia and Herzegovina, 35% in 2019.[[11]](#footnote-11) The metal processing sector (along with the automotive industry), is the fastest-growing industry, making up approximately 37% of the total country exports and ensuring 4.7% of the employed. These industries are growing steadily but are still far from reaching their full potential.



Figure 1. Overview of industries represented in exports[[12]](#footnote-12)

One of the major obstacles reported by the private businesses, especially those that are expanding and adopting innovative technologies prerequisite for access to high value and demanding markets, is lack of skilled labour relevant to their industries despite the availability of formally registered unemployed labour across the country. These businesses in many cases must invest substantial resources and time to train and retrain the newly recruited employees, which represents a real burden to their performance and causes significant financial losses due to delays in delivery of goods to buyers, low quality of products, waste of raw materials etc. All of this has a negative impact on their competitiveness in the market. The abundance of unemployed labour, especially youth, represents an important potential to meet the labour demand of the growing industries, but this is only possible if their skills are aligned with the needs of growing industries.

The results, and the topical analytical studies produced in Phase 1 of the EGG intervention, suggest a chronic and well-documented shortage of digital skills, knowledge and abilities that is not only hampering the further growth and development of the IT industry and the overall economy itself, but is also preventing the development of a knowledge society as whole ("Survey of ICT Skills in Bosnia and Herzegovina", produced in cooperation with the BIT Industry Alliance and the Economic Institute, University of Sarajevo, 2019).

In addition, entrepreneurship, as one of the key drivers of economic and societal growth, is actively constrained by a lack of formal and informal education and development opportunities for prospective business owners and operators in the country ("Barriers to Entrepreneurship Study", produced by the EGG Project, 2020).

Finally, with a level of investment in research and development that is less than of tenth of the EU average, Bosnia and Herzegovina is suffering from a lack of innovation which is having a detrimental impact on the competitiveness of its economy and the prosperity of its society as a whole.

The thematic areas covered by the project proposal (education, entrepreneurship and innovation) also feature prominently in the State Economic Reform Program 2021-2023, where urgent reform of the education sector, especially in the related project areas, is cited as a priority. Furthermore, and according to the Global Innovation Index 2019, Bosnia and Herzegovina is ranked 76th out of 130 countries, and its position remains unchanged in comparison to previous years. This is alarming statics that indicates an area in need of urgent attention. According to the Economic Reform Program, insufficient financing is the most common reason for a lack of innovative activities by enterprises in BiH and a huge contributor to the country's poor ranking when it comes to competitiveness; according to the Global Competitiveness Index 2019, Bosnia and Herzegovina is ranked 91st out of 140 states.

Furthermore, the most recent EU Progress Report for the country notes that "the legislative framework regulating science and research development remains fragmented and still needs to be improved throughout the country." The report likewise notes the low estimated total allocations for research as one of the reasons why the country’s research capacities remain very limited, alongside the trend of "brain drain", most notably in the health, medical, and IT sectors. Finally, the report also calls for systemic collaboration and interaction between ‘triple helix’ actors – academia, industry and governments, which is one of the key areas of interest for the Project under component 3.

### 1.3 Programmatic Background

The promotion of inclusive and sustainable development, at heart of which lies generation of employment and skills development, has been an important item of both the UNDP’s Global Programme 2014 – 2017 and UNDP Strategic Plan 2022 – 2025, concretely its directions of change: structural transformation (including green, inclusive and digital transitions: working with countries to effect change in systems and structures that shape a country’s sustainable development), leaving no-one behind (a rights-based approach centered on empowerment, inclusion, equity, human agency and human development), building resilience (strengthening countries and institutions to prevent, mitigate and respond to crisis, conflict, natural disasters, climate and social and economic shocks). At its core, the Programme aims to advance poverty eradication in all its forms and dimensions, foresees concrete actions to assist marginalized groups, particularly the poor, women, people with disabilities and displaced are empowered to gain universal access to basic services and financial and non-financial assets to build productive capacities and benefit from sustainable livelihoods and jobs. To that end, the Programme foresees drawing on the broader experiences of UNDP, to establish a collaborative network that identifies, develops, tests, assesses and promotes innovative ways of tackling issues of employment, particularly among young people as a means to reconciliation and conflict prevention. In the context of Bosnia and Herzegovina, the efforts in this area are mostly structured around support to private sector through active employment measures, upgrading value chains and facilitating access to markets, leading to the creation of sustainable and equitable employment opportunities. A great part of these efforts also regards cooperation with the private sector to raise capacities of local labour force, with focus on youth and women. In addition to this this, sustainable development requires structural transformations in order to create and sustain progress. This is primarily envisioned through building more effective governance systems that can respond to trends such as technological and demographic changes. Inclusive and accountable governance is a key driver of structural transformations.

Since 1996, UNDP has delivered more than USD 521 million in development assistance to BiH. While UNDP finances some initiatives with own resources, the majority of its funding comes from partnerships with multilateral funds and bilateral donors that recognise UNDP as a reliable and strategic development partner. Since 2014, UNDP in BiH has implemented USD 10 million in partnership with the Government of Norway.

At present, UNDP works in more than 70% of local governments, with a wide portfolio of assistance, including local governance and service delivery; energy efficiency; local economic development; private sector development; agriculture and rural development; community development; diaspora engagement; and disaster risk management.

Since 2010, UNDP has stepped up its involvement in private sector development and employment, partnering with over 300 businesses and generating more than 5,000 new jobs. With job skills routinely cited as barriers to further economic growth, the organisation has been actively working on the establishment of professional training facilities, in partnership with local authorities and the resident private sector. In 2017, UNDP launched a new project to engage private sector actors in Sustainable Development Goals (SDGs) roll out in the country, while also working on restructuring business incentive grants to make them more impact-oriented and aligned with private sector needs.

UNDP has a long and successful track record in training and development, with more than 8,000 public officials trained under the auspices of the Sida-sponsored Municipal Training System. Since 2016, UNDP has been working with local governments to optimize government operational costs and reinvest savings into development projects with a vast array of methodological tools and resources already developed. Under the same initiative, extensive value chain analysis has been performed and six value chains have been created or strengthened across the country.

### 1.4. Target groups and their specific needs

The Project addresses specific needs of diverse range of target groups:

* **Local, regional and entity governments** have an important role in education, economic development and provision of business-friendly environment which is conducive to fostering of entrepreneurship endeavours and private sector development. However, they suffer from chronical administrative and financial inefficiencies to effectively manage delivery of such services.
* **Private sector actors** with an interest in innovation.
* **Citizens** who are increasingly dissatisfied with lack of meaningful job opportunities and students who are robbed of opportunities to gain relevant education corresponding to market needs.
* **Educational institutions** whose activities are hampered by the lack of know-how as well as resources to upgrade service delivery, improve and introduce new curricula etc.
* **Entrepreneurship and innovation hubs**, which need conducive business environment in order to operate smoothly thus becoming or remaining drivers of economic development at the local level.

# 2. STRATEGY

## 2.1 Impact Hypothesis and Theory of Change

To ensure maximum effect, the Project will work simultaneously across different sectors and with multiple stakeholders in both private and public spheres, focusing on the three key inputs in the development of a knowledge-based society: 1) education; 2) entrepreneurship and 3) innovation.

The Project will work to systematically and sustainably address the structural gaps in both capacities and policies governing those three thematic areas in Bosnia and Herzegovina. With an increase in demand for future skills - namely digital - the Project aims to exploit interest by domestic institutions to create a scalable model, with proof of concept, that can be taken up by other partners, both international and domestic, in the country.
Under the entrepreneurship umbrella, barriers for emerging entrepreneurs will be removed through immediate and quality business support services while future entrepreneurs will be nurtured with skills, knowledge and abilities acquired through formal and informal education.

Under the education umbrella, access to new digital learning will be made possible through both formal and informal opportunities across all three layers of the education system.

Finally, under the innovation umbrella, policy and strategy documents will be developed to regulate and guide investment in innovation while additional resources will be allocated to fund immediate research and development priorities.

The charts below present the problem tree analysis and the Project theory of change:



Figure 2. Theory of change.

## 2.2 Relevance to and coherence with Policy Frameworks

The thematic areas covered by the Project (education, entrepreneurship and innovation) are listed as topical priorities in the State Economic Reform Program 2021-2023. Furthermore, entity and cantonal strategy documents call for greater investment in education reform while innovation and entrepreneurship also feature prominently. Finally, the EU accession agenda for the country prioritizes curriculum reform and greater commitment to economic development through investments in innovation and the entrepreneurship ecosystem.

The Project is in line with the European Union’s Western Balkan Strategy [“A credible enlargement perspective for and enhanced EU engagement with the Western Balkans](https://ec.europa.eu/info/sites/info/files/communication-credible-enlargement-perspective-western-balkans_en.pdf)”, or more specifically with its priority “Supporting socio-economic development”.

The project originates from the Outcome 1 related to Sustainable, resilient and inclusive growth and the Outcome 2 related to Quality, accessible and inclusive education of the United Nations Sustainable Development Cooperation Framework (UN SDCF) for Bosnia and Herzegovina 2021-2025 and the UNDP Country Programme Document (CPD).

The project intends to support institutional partners in providing better access to digital learning opportunities, strengthen applied research and development and improve environment for entrepreneurship development. As such, the project will work with local actors to promote development-oriented policies that support productive activities, quality education, decent job creation, entrepreneurship, creativity and innovation.

In parallel, the project will continue to work with the private sector to increase its competitiveness by achieving higher levels of economic productivity through technological upgrading and innovation. The Project will directly contribute to the implementation of four sustainable development goals: SDG 4 Quality education, through sustained investment in education at all of its three levels; SDG 5 Gender equality, through promoting greater access to education and entrepreneurship opportunities for women and girls; SDG 8 Decent work and economic growth, through building the institutional foundations for a knowledge-based economy; and SDG 9 Industry, innovation and infrastructure, through increasing financial allocations for research and development by relevant government institutions.

## 2.3 Hierarchy of Objectives

As previously explained, the Project will support economic governance and growth, through enabling investments in education, entrepreneurship and innovation., through focus on improving economic governance and fostering the growth of market-oriented capabilities for a knowledge-based economy.

This will be achieved through the following Output:

**Economic governance frameworks capacitated and education capabilities strengthened to support entrepreneurship**

Below is a visual snapshot of the hierarchy of objectives for the Economic Governance for Growth 2 Project, including its output and activities which are closely interrelated and grouped into three interlinked pillars – education, entrepreneurship and innovation.

Figure 3. Hierarchy of objectives.

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# 3. RESULTS, APPROACH AND PARTNERSHIPS

## 3.1 Detailed description of Project Output and Activities

Output: Economic governance frameworks capacitated and education capabilities strengthened to support entrepreneurship

The Project will pursue an integrated approach to generating economic growth opportunities in target localities through activities grouped into three inter-related and closely connected pillars. It will help address gaps in the entrepreneurial environment, delivering short, medium and long-term measures aimed at boosting the ranks and improving the competitiveness of entrepreneurs pursuing a market-share in future-facing industries through the activities in the Entrepreneurship pillar, while it will simultaneously work at improving learning opportunities in order to support entrepreneurship development through the Education pillar. The Innovation pillar will focus on supporting research and development projects aimed to tackle prevalent industrial problems and challenges and support development of market-ready products and solutions.

The Project’s output will be achieved through following activities, interrelated and interconnected through the mentioned pillars, as defined below in more detail:

*Education pillar*

Through this pillar, the Project will create a network of workshops focused on STEM topics across selected primary and secondary schools in target local governments, which is expected to cultivate interest in technological disciplines. Overall, it is expected that 1500 elementary, high-school and university students will benefit from learning opportunities provided through the Project. The Project will also continue to implement entrepreneurship curricula in selected high schools, which was developed through the EGG1 intervention. Finally, the Project will also pursue the development and adoption of sustainable and EU-harmonized policies in the field of IT learning, entrepreneurship support and innovation. All these activities will in long-term lead to upgrade of entrepreneurship and innovation ecosystem and establishment of local networking and partnership opportunities for emerging entrepreneurs.

Activities and sub-activities to be implemented under this pillar are:

**Activity 1.1 Assess current digital education capacities at primary and secondary level in both entities.**

1.1.1 Design and administer a survey of teaching aids, curricula and human resources designated for teaching digital skills in primary schools in both entities.

1.1.2 Design and administer a mapping exercise for all secondary schools offering diploma-level education in information technologies.

1.1.3 Publish and present results of the two studies.

**Activity 1.2 Establish 10 STEM laboratories countrywide.**

1.2.1 Conduct selection of partner localities where labs will be established.

1.2.2 Identify 10 schools with the requisite concentration of underserved groups.

1.2.3 Procure and distribute equipment.

1.2.4 Conduct teacher training.

**Activity 1.3 Develop national STEM community of practice.**

1.3.1 Establish country-wide network of STEM laboratories created under both Project phases.

1.3.2 Organize inter-school competitions.

1.3.3 Establish STEM fairs.

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**Activity 1.4 Design, develop and adapt an online-based university-level IT degree program.**

1.4.1 Administer survey of public universities offering degree programs in information technology.

1.4.2 Select partner for project implementation. 1.4.3 Commission and implement curriculum adaptation.

**Activity 1.5 Create and institutionalize a high school diploma-level IT curriculum.**

1.5.1 Based on Activity 1.1.2, select high school to anchor future curriculum.

1.5.2 Develop curriculum material and procure teaching aids.

1.5.3 Conduct teacher training.

1.5.4 Secure program certification by competent body

*Entrepreneurship pillar*

The Project will support economic governance and growth through enabling investments in education, entrepreneurship and innovation. Through the project intervention, 500 prospective entrepreneurs will receive direct development or learning assistance.

Activities and sub-activities to be implemented under this pillar are:

**Activity 2.1 Formally introduce entrepreneurship learning in secondary curricula for vocational schools**

2.1.1 In cooperation with relevant ministries of education, select 10 schools where entrepreneurship learning will be institutionalised.

2.1.2 Conduct teacher training.

2.1.3 Adapt curriculum and teaching materials.

2.1.4 Support curriculum roll-out and teaching process

**Activity 2.2 Establish informal entrepreneurship clubs.**

2.2.1 Publish call to interested partners.

2.2.2 Conduct capacity assessment of applicant organisations and select 20.

2.2.3 Secure participation of relevant local, cantonal and entity authorities.

2.2.4 Support implementation of programmatic activities.

**Activity 2.3 Develop business support service lines.**

2.3.1 Select three business support service providers in Mostar, Sarajevo and Banja Luka.

2.3.2 Secure participation of relevant public authorities.

2.3.3 Support implementation of 10 business support service lines.

*Innovation pillar*

The Project will introduce a platform though which prevalent industrial problems and challenges could be addressed and will award the most innovative solutions with grants. Concretely, EGG2 will support the design and implementation of 15 research and development projects aimed at developing market-ready products and solutions.

Activities and sub-activities to be implemented under this pillar are:

**Activity 3.1 Assist with development of a comprehensive government R&D program and strategy.**

3.1.1 Select competent partner public authority.

3.1.2 Support drafting of program/strategy

**Activity 3.2 Support drafting of law on research and development.**

3.2.1 Select competent partner public authority.

3.2.2 Support drafting of research and development legislation.

3.2.3 Lobby and advocate for adoption of legislation.

**Activity 3.3 Support R&D project selection and implementation.**

3.3.1 In cooperation with competent authorities, design and deploy an R&D scheme targeting real-world application.

3.3.2 Assist with project selection.

3.3.3 Support project implementation

# 4. IMPLEMENTATION STRATEGY

## 4.1 Methodological approach

The Project will operate along three inter-related principle areas of intervention - on the one hand, it will address a systemic flaw in in providing better access to digital learning opportunities. On the other, it will support and improve enabling environment for entrepreneurship development, Finally, applied research and development will be strengthened.

The Project’s Output will be realized through three inter-connected pillars – education, entrepreneurship and innovation. Efforts will be made to address current industry workforce needs, mindful of the prevalent negative migratory flows and immediate corporate needs. The Project will support economic governance and growth through enabling investments in education, entrepreneurship and innovation. Overall, it is expected that 1500 elementary, high-school and university students will benefit from learning opportunities provided through the Project, alongside 500 prospective entrepreneurs that will receive direct development or learning assistance. At the same time, EGG2 will support the design and implementation of 15 research and development projects aimed at developing market-ready products and solutions. The Project will also pursue the development and adoption of sustainable and EU-harmonized policies in the field of IT learning, entrepreneurship support and innovation.

**4.2** **Target beneficiaries and expected benefits**

Direct Project beneficiaries are students of all ages, aspiring entrepreneurs, higher learning institutions, and private sector actors that will benefit from investment in innovation and competitiveness. It is expected that 1500 elementary, high-school and university students will benefit from learning opportunities provided through the Project (at least 30% for women), while 500 prospective entrepreneurs will receive direct development or learning assistance (at least 40% females). At the same time, EGG2 will support the design and implementation of 15 research and development projects aimed at developing market-ready products and solutions. The Project will also pursue the development and adoption of sustainable and EU-harmonized policies in the field of IT learning, entrepreneurship support and innovation.

|  |  |
| --- | --- |
| **Project beneficiaries** |  |
| **Local governments**  | **10** |
| **Cantons**  | **3** |
| Type of Assistance: Economic governance frameworks capacitated and education capabilities strengthened to support entrepreneurship |  |
| **Individuals deriving immediate and long-term benefits from the project**  | **2000** |
| Students benefiting from demand-driven skill upgrade | 1500(30% females) |
| Number of established and aspiring entrepreneurs benefiting from project-instigated ecosystem infrastructure  | 500(40% females; 40% youth) |
| **Educational institutions** |  **10** |
| Educational institutions piloting STEM education in target areas | 10 |

## 4.3 Geographical area of intervention

The Project will be implemented across up to 10 local communities, three cantons and both entities in Bosnia and Herzegovina (BiH). With the exception of Canton Sarajevo that was preselected due to its participation in Phase 1, as well as its willingness to financially and politically support programmatic activities envisioned in Phase 2, all interested prospective partners will need to undergo an assessment during the Project's inception phase. Choice of partners will be determined by three factors: legal competence; institutional capacity and political will. In addition to Canton Sarajevo, the governments of Tuzla and Mostar cantons will also be invited to take part in the project, alongside the Republika Srpska Ministry of Education, but their participation will depend on a detailed assessment to be carried out as part of the inception phase.

## 4.4 Partnerships

The project will make ample use of internal and partner expertise and will be preceded by thematic assessments and broad consultations. The key project partners and their roles include:

1. Ten local governments, as the chief creators of a business-conducive local environment, will agree to financially and politically support programmatic activities and will increase their investment in economic infrastructure accordingly;
2. Three cantonal governments will provide co-financing for the equipping and capacitating of vocational schools and training centres;
3. Ministries of education will enable the implementation of curriculum reform in critical sectors identified through the Project;
4. Private sector partners will assist with skill gap identification;
5. Selected elementary and high schools will provide the necessary preconditions for curriculum reform and market-based learning.

## 4.5 Transversal themes: gender equality, social inclusion, human rights, disaster risk reduction

The Project will ensure gender equality perspective across all activities. Specific focus will be given to women economic empowerment through incentivized job creation and livelihood opportunities for women within the Project grant schemes and capacity building activities. The Project envisages concrete gender-sensitive indicators, through which concrete results will be measured. It will track changes by collecting data for sex-disaggregated indicators where possible and relevant.

The Project will seek to enhance social inclusion in all stages of the Project implementation, thus contributing to the creation of equal opportunities for socially excluded groups which include: unemployed women and youth and long-term unemployed people; persons with disabilities; returnees and internally displaced persons; and Roma.

## 4.6 Synergies with other on-going or planned interventions

The Project will build synergies with the ongoing projects implemented by UNDP, but also by other local and international partners. These projects include *Vocational Training Center in Gradačac*, financed by TIKA and implemented by UNDP; *Youth Employability and Skill Development,* funded and implemented by UNDP; the EU-financed *Support in the Sector of Competitiveness and Innovation Action “Local Development Strategies”*, implemented jointly by UNDP, GIZ and International Labour Organization (ILO); *Municipal Environmental and Economic Governance Project as well as Integrated Local Development Project, both* supported by the Government of Switzerland; Local Integrated Development Project, implemented by UNDP and funded by the EU, etc.

## 4.7 Sustainability and scaling-up

The Project will rely on domestic stakeholders to ensure ownership and secure sustainability, employing existing institutional platforms. This includes working through educational institutions that are already in place and are sufficiently capacitated, at elementary or high school level.

To secure the long-term viability of changes to curricula, policy instruments will be reviewed through institutional channels, to include parliamentary commissions and working groups. Consultations will be conducted to ensure local buy-in across the stakeholder spectrum, with the educator-employer dialogue especially relevant as a mechanism to harmonize supply with demand in the field of vocational education.

All products, needs assessments, action plans and coordination functions will be embedded with local stakeholders and existing mechanisms, to ensure their further use, as well as follow up activities. By increasing interest, commitment and resources by local as well as cantonal governments, as well as by leveraging private sector interest, the Project will further contribute to sustainability of activities.

The intervention will also implement train-the-trainers events to ensure that turnover in participating institutions, whether public or private, does not affect their ability to deliver teaching and training to standard.

The Project presents opportunities for scaling up, especially horizontally to other local governments within Bosnia and Herzegovina or cantons within Federation of Bosnia and Herzegovina. in additional, the Project’s model can serve as a spring board for other regions to replicate and apply.

## 4.8 Visibility and communications

Haris?

# 4. ORGANIZATION, MANAGEMENT AND ADMINISTRATION

## 4.1 Project duration

The total Project duration will be 48 months.

## 4.2 Project management

UNDP will assume full responsibility for the management of the Project, including achieving of the outputs and outcome, the efficient and effective use of resources, as well as implementation monitoring. The Direct Implementation Modality will be applied, premised on the fact that national institutional and administrative capacities are insufficient to undertake core functions and activities.

The Direct Implementation Modality (DIM) will be applied, premised on the fact that institutional and administrative capacities within national stakeholders (line-ministries, local governments) are still not fully sufficient to undertake core functions and activities, as well as having in mind its high potential for maximum cost-effectiveness and tailored flexible capacity development of institutional partners.

## 4.3 Project organizational structure

The institutional structure of UNDP interventions includes the Project Board, Project Assurance and the Project Team, interacting in a broader context with partners and all interested stakeholders.

The **Project Board** is responsible for making management decisions for the Project. It meets no fewer than twice a year and its scope of work includes programme oversight, as well as regular review of work plans, progress reports and relevant procedures submitted by the Project Team. It also provides strategic guidance, as well as gives final approval to milestone strategic and operational matters. Members of the Project Board include representatives of the donor, implementing partner and relevant domestic institutions that have a vested legal or operational mandate in the Project or can provide a substantial contribution to the implementation of its goals.

Independent of the Project Manager, the **Project Assurance** role will support the Project Board by carrying out objective and independent Project oversight and monitoring functions. This role ensures Project milestones are managed and completed. It will be performed by the UNDP Rural and Regional Development Sector Leader.

The **Project Team** comprises the full-time National Project Manager and 5 core team members, including three Project Officers for Skills Developments, Grants Management and Public Finance each responsible for STEM education, private sector support and good governance respectively, along with the Project Associate responsible for overall administrative and financial tasks and Junior Economic Officer. The Project will employ part-time support for the positions of Quality Assurance and Programme Operations Support.

# 5. PROJECT MONITORING, EVALUATION AND REPORTING

The Project will utilize comprehensive quality assurance mechanisms that are embedded into UNDP projects implemented in the country to ensure objective and transparent monitoring. Finally, the Project plans for a final evaluation to capture end results and achievements, crucial for the scalability of the Project in terms of geographical and thematic outreach. The main tools for organising the Project monitoring system encompass:

* The gender-sensitive Logical Framework (as described within Annex 1 of the Project document);
* The Project risk analysis.

## 5.1. Evaluations

The Project will undertake the final participatory review to assess the results and effects, as well as to define the forward-looking vision.

## 5.2. Reporting

UNDP will consolidate narrative reports, as well as detailed financial reports as per the requirements of the donors. Those reports will include:

* Annual Narrative Progress and Financial Reports;
* Final Project Narrative and Financial Report.

# 6. RESOURCES

## 6.1. Project budget

The total Project budget amounts to NOK 18,957,191. The contribution by the Government of Norway in the amount of NOK 15,000,000 will be complemented with UNDP co-financing worth NOK 2,500,000, mobilising also government contribution of NOK 2,929,629 (total co-financing of 28.6% against the Norwegian contribution).

The Project budget is enclosed as *Annex II*.

## 6.2. Cost effectiveness

The Project will deploy numerous measures in order to achieve cost effectiveness. In terms of procurement, outsourcing of services will be based on a transparent and competitive process, as well as on the value-for-money principle.

The Project will seek to achieve economy of scale in investments by combining, where possible, public funds of local governments and higher government levels.

Moreover, all training and capacity development assistance will be delivered by clustering partner local governments, so as to ensure economy of scale. The Project will seek to utilize in-kind contribution from partners in the form of hosting venue, hospitality and transport costs for events and training. For further cost efficiency, the Project will make use of existing relevant training programmes, thus reduce cost for training programme design.

# 7. RISK ANALYSIS

The main risks affiliated with the project implementation are identified below, together with probability of occurring, types of effects on the Project, as well as adequate mitigation measures.

| **General Risks** | **Probability** | **Type / Impact** | **Project response** |
| --- | --- | --- | --- |
| **General elections disrupting project implementation.** | **Medium**  | Low | Building-in additional time for stakeholder buy-in and adoption of new policies. |
| **Lack of political support for reform processes.** | **Low**  | High | Deploying concerted pressure campaign by all interested stakeholders - public, private and non-governmental - in championing the cause of education reform driven by technological change and labor market conditions. |
| **Limited absorption capacity.** | **Medium** | Medium | Carefully selecting Project partners, conducting capacity assessments and building up capabilities that will ensure sustainability of outcomes. |
| **Resistance to mandatory budget allocations for research and development.** | **High** | Operational / High | Clearly and transparently presenting potential benefits as well as securing commitment and co-financing for innovation projects by the private sector.  |
| **Political situation in country.** | **Medium** | Medium | Project design has steered clear of potentially contentious issues and decision making modalities for the Project board preclude the possibility of a single partner disrupting implementation. |

# 8. LEGAL CONTEXT

This project document shall be the instrument referred to as such in Article 1 of the Standard Basic Assistance Agreement between the Government of Bosnia and Herzegovina and UNDP, signed on 07 December 1995. All references in the SBAA to “Executing Agency” shall be deemed to refer to “Implementing Partner”.

The BIH and the UN Sustainable Development Cooperation Framework (UNSDCF) for the period 2021-2025 (signed by the Council of Ministers of Bosnia and Herzegovina and UN on 20 May 2021), as well as the current UNDP Country Programme Document 2021-2025 represent the basis for the activities of UNDP in the country.

This Project will be implemented by UNDP (“Implementing Partner”) in accordance with Financial Regulations and Rules of UNDP.

# 9. RISK MANAGEMENT

1. UNDP as the Implementing Partner will comply with the policies, procedures and practices of the United Nations Security Management System (UNSMS.)

2. UNDP as the Implementing Partner will undertake all reasonable efforts to ensure that none of the project funds are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via http://www.un.org/sc/committees/1267/aq\_sanctions\_list.shtml. This provision must be included in all sub-contracts or sub-agreements entered into under this Project Document.

3. Social and environmental sustainability will be enhanced through application of the UNDP Social and Environmental Standards (http://www.undp.org/ses) and related Accountability Mechanism (http://www.undp.org/secu-srm).

4. UNDP as the Implementing Partner will: (a) conduct project and programme-related activities in a manner consistent with the UNDP Social and Environmental Standards, (b) implement any management or mitigation plan prepared for the project or programme to comply with such standards, and (c) engage in a constructive and timely manner to address any concerns and complaints raised through the Accountability Mechanism. UNDP will seek to ensure that communities and other project stakeholders are informed of and have access to the Accountability Mechanism.

5. In the implementation of the activities under this Project Document, UNDP as the Implementing Partner will handle any sexual exploitation and abuse (“SEA”) and sexual harassment (“SH”) allegations in accordance with its regulations, rules, policies and procedures.

6. All signatories to the Project Document shall cooperate in good faith with any exercise to evaluate any programme or project-related commitments or compliance with the UNDP Social and Environmental Standards. This includes providing access to project sites, relevant personnel, information, and documentation.

7. UNDP as the Implementing Partner will ensure that the following obligations are binding on each responsible party, subcontractor and sub-recipient:

a. Consistent with the Article III of the SBAA [or the Supplemental Provisions to the Project Document], the responsibility for the safety and security of each responsible party, subcontractor and sub-recipient and its personnel and property, and of UNDP’s property in such responsible party’s, subcontractor’s and sub-recipient’s custody, rests with such responsible party, subcontractor and sub-recipient. To this end, each responsible party, subcontractor and sub-recipient shall:

i. put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the project is being carried;

ii. assume all risks and liabilities related to such responsible party’s, subcontractor’s and sub-recipient’s security, and the full implementation of the security plan.

b. UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of the responsible party’s, subcontractor’s and sub-recipient’s obligations under this Project Document.

c. In the performance of the activities under this Project, UNDP as the Implementing Partner shall ensure, with respect to the activities of any of its responsible parties, sub-recipients and other entities engaged under the Project, either as contractors or subcontractors, their personnel and any individuals performing services for them, that those entities have in place adequate and proper procedures, processes and policies to prevent and/or address SEA and SH.

d. Each responsible party, subcontractor and sub-recipient will take appropriate steps to prevent misuse of funds, fraud or corruption, by its officials, consultants, subcontractors and sub-recipients in implementing the project or programme or using the UNDP funds. It will ensure that its financial management, anti-corruption and anti-fraud policies are in place and enforced for all funding received from or through UNDP.

e. The requirements of the following documents, then in force at the time of signature of the Project Document, apply to each responsible party, subcontractor and sub-recipient: (a) UNDP Policy on Fraud and other Corrupt Practices and (b) UNDP Office of Audit and Investigations Investigation Guidelines. Each responsible party, subcontractor and sub-recipient agrees to the requirements of the above documents, which are an integral part of this Project Document and are available online at www.undp.org.

f. In the event that an investigation is required, UNDP will conduct investigations relating to any aspect of UNDP programmes and projects. Each responsible party, subcontractor and sub-recipient will provide its full cooperation, including making available personnel, relevant documentation, and granting access to its (and its consultants’, subcontractors’ and sub-recipients’) premises, for such purposes at reasonable times and on reasonable conditions as may be required for the purpose of an investigation. Should there be a limitation in meeting this obligation, UNDP shall consult with it to find a solution.

g. Each responsible party, subcontractor and sub-recipient will promptly inform UNDP as the Implementing Partner in case of any incidence of inappropriate use of funds, or credible allegation of fraud or corruption with due confidentiality.

Where it becomes aware that a UNDP project or activity, in whole or in part, is the focus of investigation for alleged fraud/corruption, each responsible party, subcontractor and sub-recipient will inform the UNDP Resident Representative/Head of Office, who will promptly inform UNDP’s Office of Audit and Investigations (OAI). It will provide regular updates to the head of UNDP in the country and OAI of the status of, and actions relating to, such investigation.

h. UNDP will be entitled to a refund from the responsible party, subcontractor or sub-recipient of any funds provided that have been used inappropriately, including through fraud or corruption, or otherwise paid other than in accordance with the terms and conditions of this Project Document. Such amount may be deducted by UNDP from any payment due to the responsible party, subcontractor or sub-recipient under this or any other agreement. Recovery of such amount by UNDP shall not diminish or curtail any responsible party’s, subcontractor’s or sub-recipient’s obligations under this Project Document.

Where such funds have not been refunded to UNDP, the responsible party, subcontractor or sub-recipient agrees that donors to UNDP (including the Government) whose funding is the source, in whole or in part, of the funds for the activities under this Project Document, may seek recourse to such responsible party, subcontractor or sub-recipient for the recovery of any funds determined by UNDP to have been used inappropriately, including through fraud or corruption, or otherwise paid other than in accordance with the terms and conditions of the Project Document.

Note: The term “Project Document” as used in this clause shall be deemed to include any relevant subsidiary agreement further to the Project Document, including those with responsible parties, subcontractors and sub-recipients.

i. Each contract issued by the responsible party, subcontractor or sub-recipient in connection with this Project Document shall include a provision representing that no fees, gratuities, rebates, gifts, commissions or other payments, other than those shown in the proposal, have been given, received, or promised in connection with the selection process or in contract execution, and that the recipient of funds from it shall cooperate with any and all investigations and post-payment audits.

j. Should UNDP refer to the relevant national authorities for appropriate legal action any alleged wrongdoing relating to the project or programme, the Government will ensure that the relevant national authorities shall actively investigate the same and take appropriate legal action against all individuals found to have participated in the wrongdoing, recover and return any recovered funds to UNDP.

k. Each responsible party, subcontractor and sub-recipient shall ensure that all of its obligations set forth under this section entitled “Risk Management” are passed on to its subcontractors and sub-recipients and that all the clauses under this section entitled “Risk Management Standard Clauses” are adequately reflected, mutatis mutandis, in all its sub-contracts or sub-agreements entered into further to this Project Document.

# 9. ANNEXES

### 9.1. RESULTS AND RESOURCES FRAMEWORK (Project Application Results Framework)

PDF file u attachmentu.

| 9.2. RESULTS AND RESOURCES FRAMEWORK (UNDP Format Results Framework)***ANNEX V: RESULTS FRAMEWORK (ALIGNMENT WITH STANDARD UNDP PROGRAMMING REQUIREMENTS)*** |
| --- |
|  |
| **By 2019, economic and social and territorial disparities between units of local self-governance are decreased through coordinated approach by national and subnational actors.**  |
| **Outcome 4 indicator/s as stated in the UNDAF Results and Resources Framework, including baseline and targets:** ***Indicator***: Number of businesses / entrepreneurs benefiting from business development services***Baseline:*** 200 (2014)***Target:***  500 (2019) | **Outcome 6 indicator/s as stated in the UNDAF Results and Resources Framework, including baseline and targets:** ***Indicator:*** Number of people employed, maintained in employment or benefiting from income generation activities as a result of UN interventions***Baseline:*** 150 (2014)***Target:***  3,000 (2019) |
| **Applicable Outputs from the UNDP Strategic Plan:** #1 POVERTY: 1.1.2 Marginalized groups, particularly the poor, women, people with disabilities and displaced are empowered to gain universal access to basic services and financial and non-financial assets to build productive capacities and benefit from sustainable livelihoods and jobs;#2 GOVERNANCE: 1.2.1 Capacities at national and sub-national levels strengthened to promote inclusive local economic development and deliver basic services including HIV and related services |
| **Project title and Atlas Project Number: Economic Governance for Growth (111551)** |
| **EXPECTED OUTPUT**  | **OUTPUT INDICATORS[[13]](#footnote-13)** | **DATA SOURCE** | **BASELINE** | **TARGETS (by frequency of data collection)** |
| **Value** | **Year** | **Year1** | **Year2** | **Year3** | **FINAL** | **DATA COLLECTION METHODS** |
| **Output 1: Financial governance frameworks capacitated and entrepreneurship capabilities strengthened to support private sector development** | Number of local governments and cantons practice improved economic governance in support of entrepreneurship and private sector development | *Project reports, partner government decisions / reports, reports on effects of incentives* |  | 2017 | *3* | 7 | 2 | At least 10 local governments and 2 cantons | Desk review, Field visit |
| Number of start-ups created | *Project reports, Tax Authority registrations* |  | 2017 | *5* | 5 | 5 | *15* |
| Percentage increase in sales across key sectors in selected MSMEs | *Project reports, Annual Income Statement and Balance Sheet* |  | 2017 | *1.5* | 2 | 2.5 | *3%* |
| Number of established and aspiring entrepreneurs benefiting from project-instigated ecosystem infrastructure (gender diaggregated) | *Project reports, media* |  | 2017 | *40* | *60* | *35* | *135* |
| Number of educational institutions offering STEM, “fab lab” and entrepreneurship development capabilities | *Project reports, school decision and course materials, media* |  | 2017 | 3 | 6 | 1 | 10 |
| Number of students benefitting from skill upgrade (gender disaggregated) | *Project reports, school / line ministry records, media* |  | 2017 | 120 | 150 | 30 | 300 |
| Amount of total savings / additional revenues generated annually through improved public finance management by 10 local governments and two cantons | *Project reports, annual budget reports* |  | 2017 | 0 | 1 | 3 | 4 million BAM |
| Number of restructured government incentive schemes in support of entrepreneurship and private sector development  | *Project reports, partner government decisions and reports* |  | 2017 | 5 | 5 | 0 | 10 |
| Number of priority economic infrastructure interventions implemented | *Project reports, media, municipality records* |  | 2017 | 0 | 2 | 1 | 3 |
|  | Unemployed (with focus on youth) benefiting from training programmes in priority industry sectors | *Project reports, media, municipality records* |  | 2017 | 0 | 70 | 30 | 100 |  |
| ***ACTIVITIES*** |
| **Activity 1.1 Forecast entrepreneurship development opportunities.** |
| 1.1.1 Asses/review trends in target industries, identifying challenges and opportunities for growth in short, mid and long term (i.e. technologies, digitalisation, human capital, production processes, etc.)  |
| 1.1.2 Map successful mature regional companies/recent start-ups in the target industry against short and mid-term industry needs.  |
| 1.1.3 Map relevant entrepreneurship support and resource networks;  |
| 1.1.4 Establish a regional partnership network bringing together educators, progressive private sector actors and public sector enablers.  |
| **Activity 1.2 Support start-up and MSME development.**  |
| 1.2.1 Support select start-ups in target region to expand their business in view of industry needs.  |
| 1.2.2 Support MSMEs to advance their competitiveness through innovative business solutions and skills for the future.  |
| 1.2.3 Explore potential for new start-ups to respond to identified outsourcing opportunities in the target industries in the region. |
| 1.2.4 Implement an entrepreneurship development support scheme in the target area.  |
| 1.2.5 Support Intera, ICBL and BIT in upgrading and diversifying their services to start-ups, including exchange of experiences with EU based knowledge networks.  |
| **Activity 1.3 Nurture entrepreneurs of the future.** |
| 1.3.1 Create a network of STEM workshops and “fab labs” across 10 primary and secondary schools in the project area.  |
| 1.3.2 Facilitate the establishment of “junior” and “senior” hackathon leagues to promote coding and competitiveness and innovation in future entrepreneurs.  |
| 1.3.3 Award research and development grants to tackle prevalent industrial problems and challenges.  |
| 1.3.4 Pilot entrepreneurship curricula within two high schools.  |
| **Activity 1.4 Enable local and regional networking and partnership**  |
| 1.4.1 Collect and disseminate best start-up practices and ideas (nationally and regionally) and explore potential for institutionalisation and scaling up.  |
| 1.4.2 Identify and address barriers to entrepreneurship at both national and regional levels, lobbying within an EU framework.  |
| **Activity 1.5 Based on a comprehensive expenditure and revenue review of partner public administrations, support implementation of identified measures.** |
| 1.5.1 Review expenditure and revenue management of participating public administrations.  |
| 1.5.2 In partnership with public administration leadership, draw up action plan to implement measures to cut cost and boost revenues.  |
| 1.5.3 Implement continuous monitoring and on-site technical assistance regime.  |
| **Activity 1.6 Redesign and restructure partner government incentive schemes aimed at supporting entrepreneurship, private sector development, and job creation.** |
| 1.6.1 Audit and redesign existing incentive schemes employed by partner local governments and cantons. |
| 1.6.2 Introduce a comprehensive impact assessment framework to evaluate effects of incentive grants on economic development and job growth. |
| 1.6.3 Implement continuous monitoring of implementation, and on-site technical assistance regime.  |
| **Activity 1.7. Award financial grants to three champion local governments for the purpose of co-financing priority economic infrastructure interventions.** |
| 1.7.1 Conduct an evaluation of results across all participating public administrations (extent of savings and new revenues generated).   |
| 1.7.2 Publicly recognize and promote the three “champions” with best results.  |
| 1.7.3 Implement three priority local economic infrastructure interventions and conduct comprehensive quality assurance for all implemented works. |

### 9.2. MONITORING AND EVALUATION

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Monitoring Activity** | **Purpose** | **Frequency** | **Expected Action** | **Partners****(if joint)** | **Cost****(if any)** |
| **Track results progress** | Progress data against the results indicators in the RRF will be collected and analysed to assess the progress of the project in achieving the agreed outputs. | Quarterly | Project M&E Platform will be established upon the launch of the Project and populated based on the frequency which will be set for each indicator. Slower than expected progress will be addressed by Project management and the Project Board. | UNDP |  |
| **Monitor and Manage Risk** | Identify specific risks that may threaten achievement of intended results. Identify and monitor risk management actions using a risk log. This includes monitoring measures and plans that may have been required as per UNDP’s Social and Environmental Standards. Audits will be conducted in accordance with UNDP’s audit policy to manage financial risk. | Quarterly | Risks are identified by project management and actions are taken to manage them. The risk log is actively maintained, and risks regularly updated in Atlas to keep track of identified risks and actions taken. | UNDP |  |
| **Learn**  | Knowledge, good practices and lessons will be captured regularly, as well as actively sourced from other projects and partners and integrated back into the project. The Project will conduct specific activities to facilitate transfer of knowledge to stakeholders. | Quarterly | Lessons Learned Log is established, and relevant lessons are captured by the project team and used to inform management decisions. | UNDP |  |
| **Annual Project Quality Assurance** | The quality of the project will be assessed against UNDP’s quality standards to identify project strengths and weaknesses and to inform management decision making to improve the project. | Annually | Areas of strength and weakness will be reviewed by project management and used to inform decisions to improve project performance. | UNDP |  |
| **Review and Make Course Corrections** | Internal review of data and evidence from all monitoring actions to inform decision making.Brief Quarterly Progress Reports. | At least semi-annually | Performance data, risks, lessons and quality will be discussed by the project board and used to make course corrections. | UNDP, Project Board |  |
| **Project Review (Project Board)** | Final Narrative Progress Reports submitted to the Project Board; The project’s governance mechanism (i.e., project board) will hold regular project reviews to assess the performance of the project and review the Work Plan to ensure realistic budgeting over the life of the project.  | Semi-annually  | Any quality concerns or slower than expected progress should be discussed by the project board and management actions agreed to address the issues identified.  | UNDP;Project Board;  |  |
| **Monitoring expenditures including Monitoring Staff proportion and Project Monitoring Activities**  |  |  | **TOTAL** |  |  |

### 9.3. BUDGET

U prilogu inicijalna verzija – trebamo je ažurirati za dodatnu godinu intervencije.

###

### 9.4.: SOCIAL AND ENVIRONMENTAL SCREENING

**Project Information**

|  |  |
| --- | --- |
| ***Project Information***  |  |
| 1. Project Title
 | Economic Governance for Growth |
| 2. Project Number | 00128280 |
| 3. Location (Global/Region/Country) | Bosnia and Herzegovina |

**Part A. Integrating Overarching Principles to Strengthen Social and Environmental Sustainability**

|  |
| --- |
| **QUESTION 1: How Does the Project Integrate the Overarching Principles in order to Strengthen Social and Environmental Sustainability?** |
| ***Briefly describe in the space below how the Project mainstreams the human-rights based approach***  |
| The Project document does not explicitly elaborate on human rights it addresses nor it provides reference to the standards adhered to. However, it does provide evidence of genuine project's intention to foster progressive realization of social and economic rights of targeted groups through provision of skills that will enable them to obtain earning and become active members of the society. |
| ***Briefly describe in the space below how the Project is likely to improve gender equality and women’s empowerment*** |
| The project addresses the issue of gender equality by fostering skills transfer and employment for both males and females. |
| ***Briefly describe in the space below how the Project mainstreams environmental sustainability*** |
| The project does not have obvious impact to the environment. Indirectly, through training, the project will promote environment friendly vocational skills. |

**Part B. Identifying and Managing Social and Environmental Risks**

|  |  |  |
| --- | --- | --- |
| **QUESTION 2: What are the Potential Social and Environmental Risks?** *Note: Describe briefly potential social and environmental risks identified in Attachment 1 – Risk Screening Checklist (based on any “Yes” responses). If no risks have been identified in Attachment 1 then note “No Risks Identified” and skip to Question 4 and Select “Low Risk”. Questions 5 and 6 not required for Low Risk Projects.* | **QUESTION 3: What is the level of significance of the potential social and environmental risks?***Note: Respond to Questions 4 and 5 below before proceeding to Question 6* | **QUESTION 6: What social and environmental assessment and management measures have been conducted and/or are required to address potential risks (for Risks with Moderate and High Significance)?** |
| ***Risk Description*** | ***Impact and Probability (1-5)*** | ***Significance******(Low, Moderate, High)*** | ***Comments*** | ***Description of assessment and management measures as reflected in the Project design.*** |
| **Resistance to change by policy makers and other local partners.**  | I = 2P = 2 | **High** | The project will lead a proactive advocacy campaign, spearheaded by private sector actors, along with consultations to bring the Project subject-matter closer to all those involved.  |  |
| **Force Majeure (e.g. act of nature) impacts Project activities** | I = 3P = 1 | **Low** | The Project will have a flexible approach, including reprogramming of activities to respond to the emerging needs | The Project will have a flexible approach, including reprogramming of activities to respond to the emerging needs. |
|  | **QUESTION 4: What is the overall Project risk categorization?**  |
| **Select one**  | **Comments** |
| ***Low Risk*** | **X** | The project is assessed as a low risk category, particularly from human rights aspect viewpoint. |
| ***Moderate Risk*** | **☐** |  |
| ***High Risk*** | **☐** |  |
|  | **QUESTION 5: Based on the identified risks and risk categorization, what requirements of the SES are relevant?** |
| Check all that apply | **Comments** |
| ***Principle 1: Human Rights*** | **☐** | N/A |
| ***Principle 2: Gender Equality and Women’s Empowerment*** | **x** | N/A |
| ***1. Biodiversity Conservation and Natural Resource Management*** | ☐ | N/A |
| ***2. Climate Change Mitigation and Adaptation*** | **☐** | N/A.  |
| ***3. Community Health, Safety and Working Conditions*** | **☐** | N/A |
| ***4. Cultural Heritage*** | **☐** | N/A |
| ***5. Displacement and Resettlement*** | **☐** | N/A |
| ***6. Indigenous Peoples*** | **☐** | N/A |
| ***7. Pollution Prevention and Resource Efficiency*** | **☐** | N/A |

**Final Sign Off**

|  |  |  |
| --- | --- | --- |
| Signature | Date | Description |
| QA Assessor |  | Nedim Ćatović, Sector Associate |
| QA Approver |  | Adela Pozder Čengić, Sector Leader, Rural and Regional Development Sector |
| LPAC Chair |  |  |

**Social and Environmental Risk Screening Checklist**

|  |  |
| --- | --- |
| **Checklist Potential Social and Environmental Risks** |  |
| **Principles 1: Human Rights** | **Answer (Yes/No)** |
| 1. Could the Project lead to adverse impacts on enjoyment of the human rights (civil, political, economic, social or cultural) of the affected population and particularly of marginalized groups? | No |
| 2. Is there a likelihood that the Project would have inequitable or discriminatory adverse impacts on affected populations, particularly people living in poverty or marginalized or excluded individuals or groups?  | No |
| 3. Could the Project potentially restrict availability, quality of and access to resources or basic services, in particular to marginalized individuals or groups? | No |
| 4. Is there a likelihood that the Project would exclude any potentially affected stakeholders, in particular marginalized groups, from fully participating in decisions that may affect them? | No |
| 5. Is there a risk that duty-bearers do not have the capacity to meet their obligations in the Project? | Yes |
| 6. Is there a risk that rights-holders do not have the capacity to claim their rights?  | No |
| 7. Have local communities or individuals, given the opportunity, raised human rights concerns regarding the Project during the stakeholder engagement process? | Yes |
| 8. Is there a risk that the Project would exacerbate conflicts among and/or the risk of violence to project-affected communities and individuals? | No |
| **Principle 2: Gender Equality and Women’s Empowerment** |  |
| 1. Is there a likelihood that the proposed Project would have adverse impacts on gender equality and/or the situation of women and girls?  | No |
| 2. Would the Project potentially reproduce discriminations against women based on gender, especially regarding participation in design and implementation or access to opportunities and benefits? | No |
| 3. Have women’s groups/leaders raised gender equality concerns regarding the Project during the stakeholder engagement process and has this been included in the overall Project proposal and in the risk assessment? | No |
| 4. Would the Project potentially limit women’s ability to use, develop and protect natural resources, taking into account different roles and positions of women and men in accessing environmental goods and services? *For example, activities that could lead to natural resources degradation or depletion in communities who depend on these resources for their livelihoods and well being* | No |
| **Principle 3: Environmental Sustainability:** Screeningquestions regarding environmental risks are encompassed by the specific Standard-related questions below |  |
| **Standard 1: Biodiversity Conservation and Sustainable** [**Natural**](#SustNatResManGlossary) **Resource Management** |  |
| 1.1 Would the Project potentially cause adverse impacts to habitats (e.g. modified, natural, and critical habitats) and/or ecosystems and ecosystem services? | No |
| 1.2 Are any Project activities proposed within or adjacent to critical habitats and/or environmentally sensitive areas, including legally protected areas (e.g. nature reserve, national park), areas proposed for protection, or recognized as such by authoritative sources and/or indigenous peoples or local communities? | No |
| 1.3 Does the Project involve changes to the use of lands and resources that may have adverse impacts on habitats, ecosystems, and/or livelihoods? (Note: if restrictions and/or limitations of access to lands would apply, refer to Standard 5) | No |
| 1.4 Would Project activities pose risks to endangered species? | No |
| 1.5 Would the Project pose a risk of introducing invasive alien species?  | No |
| 1.6 Does the Project involve harvesting of natural forests, plantation development, or reforestation? | No |
| 1.7 Does the Project involve the production and/or harvesting of fish populations or other aquatic species? | No |
| 1.8 Does the Project involve significant extraction, diversion or containment of surface or ground water? *For example, construction of dams, reservoirs, river basin developments, groundwater extraction* | No |
| 1.9 Does the Project involve utilization of genetic resources? (e.g. collection and/or harvesting, commercial development)  | No |
| 1.10 Would the Project generate potential adverse transboundary or global environmental concerns? | No |
| 1.11 Would the Project result in secondary or consequential development activities which could lead to adverse social and environmental effects, or would it generate cumulative impacts with other known existing or planned activities in the area? *For example, a new road through forested lands will generate direct environmental and social impacts (e.g. felling of trees, earthworks, potential relocation of inhabitants). The new road may also facilitate encroachment on lands by illegal settlers or generate unplanned commercial development along the route, potentially in sensitive areas. These are indirect, secondary, or induced impacts that need to be considered. Also, if similar developments in the same forested area are planned, then cumulative impacts of multiple activities (even if not part of the same Project) need to be considered.* | No |
| **Standard 2: Climate Change Mitigation and Adaptation** |  |
| 2.1 Will the proposed Project result in significantgreenhouse gas emissions or may exacerbate climate change?  | No |
| 2.2 Would the potential outcomes of the Project be sensitive or vulnerable to potential impacts of climate change?  | No |
| 2.3 Is the proposed Project likely to directly or indirectly increase social and environmental [vulnerability to climate change](#CCVulnerabilityGlossary) now or in the future (also known as maladaptive practices)?*For example, changes to land use planning may encourage further development of floodplains, potentially increasing the population’s vulnerability to climate change, specifically flooding* | No |
| **Standard 3: Community Health, Safety and Working Conditions** |  |
| 3.1 Would elements of Project construction, operation, or decommissioning pose potential safety risks to local communities? | No |
| 3.2 Would the Project pose potential risks to community health and safety due to the transport, storage, and use and/or disposal of hazardous or dangerous materials (e.g. explosives, fuel and other chemicals during construction and operation)? | No |
| 3.3 Does the Project involve large-scale infrastructure development (e.g. dams, roads, buildings)? | No |
| 3.4 Would failure of structural elements of the Project pose risks to communities? (e.g. collapse of buildings or infrastructure) | No |
| 3.5 Would the proposed Project be susceptible to or lead to increased vulnerability to earthquakes, subsidence, landslides, erosion, flooding or extreme climatic conditions? | No |
| 3.6 Would the Project result in potential increased health risks (e.g. from water-borne or other vector-borne diseases or communicable infections such as HIV/AIDS)? | No |
| 3.7 Does the Project pose potential risks and vulnerabilities related to occupational health and safety due to physical, chemical, biological, and radiological hazards during Project construction, operation, or decommissioning? | No |
| 3.8 Does the Project involve support for employment or livelihoods that may fail to comply with national and international labor standards (i.e. principles and standards of ILO fundamental conventions)?  | No |
| 3.9 Does the Project engage security personnel that may pose a potential risk to health and safety of communities and/or individuals (e.g. due to a lack of adequate training or accountability)? | No |
| **Standard 4: Cultural Heritage** |  |
| 4.1 Will the proposed Project result in interventions that would potentially adversely impact sites, structures, or objects with historical, cultural, artistic, traditional or religious values or intangible forms of culture (e.g. knowledge, innovations, practices)? (Note: Projects intended to protect and conserve Cultural Heritage may also have inadvertent adverse impacts) | No |
| 4.2 Does the Project propose utilizing tangible and/or intangible forms of cultural heritage for commercial or other purposes? | No |
| **Standard 5: Displacement and Resettlement** |  |
| 5.1 Would the Project potentially involve temporary or permanent and full or partial physical displacement? | No |
| 5.2 Would the Project possibly result in economic displacement (e.g. loss of assets or access to resources due to land acquisition or access restrictions – even in the absence of physical relocation)?  | No |
| 5.3 Is there a risk that the Project would lead to forced evictions? | No |
| 5.4 Would the proposed Project possibly affect land tenure arrangements and/or community based property rights/customary rights to land, territories and/or resources?  | No |
| **Standard 6: Indigenous Peoples** |  |
| 6.1 Are indigenous peoples present in the Project area (including Project area of influence)? | No |
| 6.2 Is it likely that the Project or portions of the Project will be located on lands and territories claimed by indigenous peoples? | No |
| 6.3 Would the proposed Project potentially affect the human rights, lands, natural resources, territories, and traditional livelihoods of indigenous peoples (regardless of whether indigenous peoples possess the legal titles to such areas, whether the Project is located within or outside of the lands and territories inhabited by the affected peoples, or whether the indigenous peoples are recognized as indigenous peoples by the country in question)? *If the answer to the screening question 6.3 is “yes” the potential risk impacts are considered potentially severe and/or critical and the Project would be categorized as either Moderate or High Risk.* | No |
| 6.4 Has there been an absence of culturally appropriate consultations carried out with the objective of achieving FPIC on matters that may affect the rights and interests, lands, resources, territories and traditional livelihoods of the indigenous peoples concerned? | No |
| 6.5 Does the proposed Project involve the utilization and/or commercial development of natural resources on lands and territories claimed by indigenous peoples? | No |
| 6.6 Is there a potential for forced eviction or the whole or partial physical or economic displacement of indigenous peoples, including through access restrictions to lands, territories, and resources? | No |
| 6.7 Would the Project adversely affect the development priorities of indigenous peoples as defined by them? | No |
| 6.8 Would the Project potentially affect the physical and cultural survival of indigenous peoples? | No |
| 6.9 Would the Project potentially affect the Cultural Heritage of indigenous peoples, including through the commercialization or use of their traditional knowledge and practices? | No |
| **Standard 7: Pollution Prevention and Resource Efficiency** |  |
| 7.1 Would the Project potentially result in the release of pollutants to the environment due to routine or non-routine circumstances with the potential for adverse local, regional, and/or [transboundary impacts](#TransboundaryImpactsGlossary)?  | No |
| 7.2 Would the proposed Project potentially result in the generation of waste (both hazardous and non-hazardous)? | No |
| 7.3 Will the proposed Project potentially involve the manufacture, trade, release, and/or use of hazardous chemicals and/or materials? Does the Project propose use of chemicals or materials subject to international bans or phase-outs?*For example, DDT, PCBs and other chemicals listed in international conventions such as the Stockholm Conventions on Persistent Organic Pollutants or the Montreal Protocol*  | No |
| 7.4 Will the proposed Project involve the application of pesticides that may have a negative effect on the environment or human health? | No |
| 7.5 Does the Project include activities that require significant consumption of raw materials, energy, and/or water?  | No |

### 9.5. MULTI-YEAR WORK PLAN

| **EXPECTED OUTPUTS**  | **PLANNED ACTIVITIES**  | **Planned Budget by Year (in USD)** | **RESPONSIBLE PARTY** | **PLANNED BUDGET** |
| --- | --- | --- | --- | --- |
| **Y1** | **Y2** | **Y3** |  | **Funding Source** | **Budget Description** | **Amount** |
| Output 1: Financial governance frameworks capacitated, and entrepreneurship capabilities strengthened to support private sector development | Activity 1.1 Forecast entrepreneurship development opportunities.  | 94,200 | 6,978 | 6,978 | UNDP | NOR | Activity 1.1 Forecast entrepreneurship development opportunities. | 108,156 |
| Activity 1.2 Support start-up and MSME development. | 173,863 | 220,382 | 17,444 | UNDP | NOR | Activity 1.2 Support start-up and MSME development. | 272,074 |
| BIH | 139,616 |
| Activity 1.3 Nurture entrepreneurs of the future. | 485,786 | 61,056 | 0 | UNDP | NOR | Activity 1.3 Nurture entrepreneurs of the future. | 337,538 |
| BIH | 209,273 |
| Activity 1.4 Enable local and regional networking and partnership  | 11,630 | 22,096 | 10,467 | UNDP | NOR | Activity 1.4 Enable local and regional networking and partnership  | 44,193 |
| Activity 1.5. Based on a comprehensive expenditure and revenue review of partner public administrations, support implementation of identified measures. | 65,126 | 18,607 | 0 | UNDP | NOR | Activity 1.5. Based on a comprehensive expenditure and revenue review of partner public administrations, support implementation of identified measures. | 83,734 |
| Activity 1.6 Redesign and restructure partner government incentive schemes aimed at supporting entrepreneurship, private sector development, and job creation. | 31,982 | 0 | 0 | UNDP | NOR | Activity 1.6 Redesign and restructure partner government incentive schemes aimed at supporting entrepreneurship, private sector development, and job creation. | 31,982 |
| NOR |  |
| Activity 1.7. Award financial grants to three champion local governments for the purpose of co-financing priority economic infrastructure interventions. | 0 | 208,694 | 104,347 | UNDP | NOR | Activity 1.7. Award financial grants to three champion local governments for the purpose of co-financing priority economic infrastructure interventions. | 313,041 |
| Project management and operating cost |  | 278,980 | 277,557 | 152,001 | UNDP | NOR | Project management and operating cost | 559,213 |
| UNDP | 149,325 |

### 9.6. PROJECT BOARD TERMS OF REFERENCE

### 9.7. TORs OF KEY MANAGEMENT POSITIONS

1. Agency for Statistics of Bosnia and Herzegovina. (2015). *First release. Gross domestic product in Bosnia and Herzegovina, 2005-2013. Revised data.* Sarajevo. [↑](#footnote-ref-1)
2. International Monetary Fund. (2021). Article IV Bosnia and Herzegovina, February 2021. [↑](#footnote-ref-2)
3. International Bank for Reconstruction and Development/The World Bank. (2017). *Doing Business 2017: Equal Opportunity for All.* Washington. [↑](#footnote-ref-3)
4. The World Bank. (n.d.). Retrieved from World DataBank: <http://databank.worldbank.org/data/reports.aspx?source=2&series=NE.GDI.FTOT.ZS&country=BIH> [↑](#footnote-ref-4)
5. Agency for Statistics of Bosnia and Herzegovina. (2019). *Labour force survey 2019. Final results.* Sarajevo. [↑](#footnote-ref-5)
6. The World Bank. (2011). *Poverty and Social Exclusion in Bosnia and Herzegovina. Insights from the 2011 Extended Household Budget Survey.* [↑](#footnote-ref-6)
7. The World Bank Group. (2018) – Western Balkans Regular Economic Report No. 13 [↑](#footnote-ref-7)
8. 2013 Census results: <http://www.popis2013.ba/popis2013/doc/Popis2013prvoIzdanje.pdf>. [↑](#footnote-ref-8)
9. Reference: <http://hdr.undp.org/en/countries/profiles/BIH>. [↑](#footnote-ref-9)
10. Household Budget Survey, 2015, Agency of Statistics of Bosnia and Herzegovina. [↑](#footnote-ref-10)
11. Foreign Investment Promotion Agency of Bosnia and Herzegovina. (n.d.). *FDI Position and Performance*. Retrieved from Foreign Investment Promotion Agency of Bosnia and Herzegovina: <http://www.fipa.gov.ba/informacije/statistike/investicije/default.aspx?id=180&langTag=en-US> [↑](#footnote-ref-11)
12. <https://tradingeconomics.com/bosnia-and-herzegovina/exports-by-category> [↑](#footnote-ref-12)
13. [↑](#footnote-ref-13)