**United Nations Development Programme**

**Project Title**: Support for the Establishment of Vocational Training Centre in Northern Bosnia

**Output Project Number: 00104694 (Award ID 00102756)**

**Implementing Partner:** United Nations Development Programme (UNDP) in Bosnia and Herzegovina

**Start / End Date:** 15.04.2017 / 15.04.2018

**PAC Meeting date:**

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

|  |
| --- |
| **Brief Description** |
| The aim of the project is to address the shortage of skilled labour in key industries in the North-East Bosnia region, thus addressing one of the main reasons for high unemployment and low productivity. By establishing a vocational training centre in the town of Gradačac the supply of adequate labour force will be addressed in three manufacturing industries with a high potential for growth, namely: metal and automotive manufacturing; wood processing and textile manufacturing. The centre will provide tailored training for workers in both basic and advanced production techniques. In the short run, this will make existing jobs more secure and mitigate the challenges associated with the need for new employees. In the long run, it will enable knowledge and technology transfers from abroad, increasing productivity and creating new high-value added jobs. The project relies on partnerships between the private and public sector to ensure long-term sustainability of the training centre. Moreover, the partnership will insist upon public-private dialogue to build more coherent and specific workforce development initiatives. |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Linkage with SDGs: 8**  **Linkage with EU accession agenda:** Indirect contribution to Chapter 20 “Enterprise and Industrial Policy”  **Linkage with UNDP Strategic Plan 2014-2017:** Growth and development are inclusive and sustainable, incorporating productive capacities that create employment and livelihoods for the poor and excluded  **Contributing Outcome (UNDAF/CPD):** Outcomes 4 and 6  **Output 3:** Improved private sector competitiveness  **Indicative Project Output:** Functional vocational training centre providing tailored training to reduce the labour force skills gap in target industries within the Northern Bosnia region |  | **Total resources required:** | $ 225,966 | |
| **Total resources allocated:** | TIKA | $ 103,790 |
| UNDP (in-kind) | $ 17,000 |
| Municipal authorities (in-kind) | $ 35,176 |
| Private sector (in-kind) | $ 41,000 |
| Tuzla Canton (in-kind) | $ 29,000 |
| **Unfunded:** | N/A | |

CONTENTS

[1. DEVELOPMENT CHALLENGE 4](#_Toc469409341)

[1.1 Country context 4](#_Toc469409342)

[1.2. Situation in the Target Region 4](#_Toc469409343)

[1.3 Partnership Background 5](#_Toc469409344)

[2. STRATEGY 6](#_Toc469409345)

[2.1 General Principles 6](#_Toc469409346)

[2.2 Project Rationale and the Theory of Change 6](#_Toc469409347)

[2.3 Relevance to and Coherence with Policy Frameworks 9](#_Toc469409348)

[2.4 Project Guiding Principles 9](#_Toc469409349)

[3. RESULTS AND PARTNERSHIPS 10](#_Toc469409350)

[3.1 Project Goal and Output 10](#_Toc469409351)

[3.2 Methodological approach 11](#_Toc469409352)

[4. PROJECT STAKEHOLDERS 15](#_Toc469409353)

[4.1 Beneficiaries 15](#_Toc469409354)

[4.2 Partnerships 16](#_Toc469409355)

[5. SUSTAINABILITY AND RISKS 17](#_Toc469409356)

[5.1 Sustainability 17](#_Toc469409357)

[5.2 Scaling up 18](#_Toc469409358)

[5.3 Risk Analysis 18](#_Toc469409359)

[6. GOVERNANCE AND MANAGEMENT ARRANGEMENTS 19](#_Toc469409360)

[6.1. Organization, Management and Administration 19](#_Toc469409361)

[ANNEX 1 – RESULTS AND RESOURCES FRAMEWORK 20](#_Toc469409362)

[ANNEX 2 – PROJECT BUDGET 22](#_Toc469409363)

[ANNEX 3 – PROJECT SCHEDULES 23](#_Toc469409364)

**LIST OF ABBREVIATIONS**

|  |  |
| --- | --- |
| BCCI | Bursa Chamber of Commerce and Industry |
| BIH | Bosnia and Herzegovina |
| BUTGEM | Bursa Chamber of Commerce and Industry Education Foundation |
| CIS | Commonwealth of Independent States |
| CPD | Country Programme Document |
| EU | European Union |
| FBIH | Federation of Bosnia and Herzegovina |
| FDI | Foreign Direct Investment |
| GDP | Gross Domestic Product |
| GIM | Growing Inclusive Markets |
| IICPSD | Istanbul International Centre for Private Sector in Development |
| MSMEs | Micro, small and medium enterprises |
| SDGs | Sustainable Development Goals |
| TIKA | Turkish International Cooperation and Coordination Agency |
| TVET | Technical and Vocational Education and Training |
| UNDAF | United Nations Development Assistance Framework |
| UNDP | United Nations Development Programme |
| USAID | United States Agency for International Development |

# 1. DEVELOPMENT CHALLENGE

### 1.1 Country context

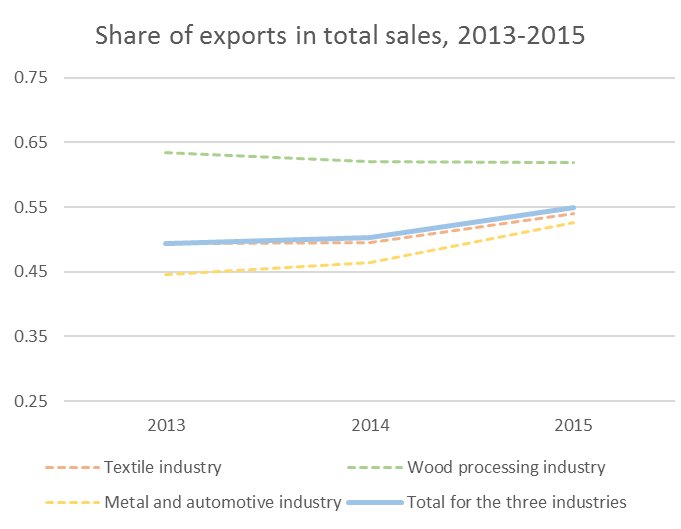
Following strong and stable growth of around 5% annually between 2000 and 2008, the economy of Bosnia and Herzegovina deteriorated as a consequence of the global economic crisis between 2009 and 2012, posting very low and negative growth. Despite the global recovery since 2012, the country has been unable to reach pre-crisis growth rates.[[1]](#footnote-1) The causes of economic laggardness include slow pace of transitional reforms, an unfriendly business and investment climate (the country ranked 81st in the 2017 Doing Business Report among 190 economies[[2]](#footnote-2)), 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[[3]](#footnote-3)), and perhaps most importantly, a painfully high level of unemployment. In 2015 the rate of unemployment was 27.7%, reaching up to 62.2 % among youth (aged 15-24), and the rate of inactivity was very high at 55.9%.[[4]](#footnote-4) Even after social transfers, 27% of the population is at risk of poverty.[[5]](#footnote-5)

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, 34% in 2015.[[6]](#footnote-6) These industries are growing steadily, but are still far from reaching their full potential. 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.

### 1.2. Situation in the Target Region

The project target region is in the Northern Bosnia, comprising Tuzla and Posavina Cantons, Brčko District and the Municipalities of Doboj, Doboj Jug, and Tešanj. Despite these areas not being entirely geographically contiguous, they comprise a region as defined by common and integrated economic activities centred on three manufacturing sectors: the textile industry, the wood-processing industry, and the metals and automotive industry.

Like the rest of the country, the region is plagued by high unemployment rate.Nevertheless, this grim statistic is as much an opportunity as it is a setback. The target region is home to almost 700,000 inhabitants[[7]](#footnote-7) – almost one fifth of the population of Bosnia and Herzegovina. Of these, 36.65% is under the age of 30, which is higher than the EU average of 33.3%[[8]](#footnote-8) and slightly higher than the country average of 35.88%. Additionally, 50.2% of the working age population holds a high school degree, making it a good base for the introduction of tailored Technical and Vocational Education and Training (TVET) in line with private sector needs.

Despite the overall high unemployment rate, the employment in the key three industries for this region has grown in the past two years. Although the number of companies in these industries decreased 4 % between 2013 and 2015, the total number of employees increased by 7% over the same period[[9]](#footnote-9), indicating healthy economic activity and market competition. In the target region, sales in these industries increased by approximately BAM 100,000,000 since 2013, amounting to an impressive 13% growth rate over two years (6% in 2014 and 7% in 2015). With this, earnings from sales in the three industries reached BAM 864,031,647 in 2015. A growing portion of these earnings has come from sales abroad, as industry exports grew at twice the rate of sales, 26% over two years. Since 2013, share of exports in total sales for the three industries in the target region increased from 49% to 55%.

### 1.3 Partnership Background

The promotion of inclusive and sustainable development, at heart of which lies generation of employment and skills development, has been an important item on the UNDP’s agenda. In the UNDP’s Global Programme 2014 – 2017 this item has been ranked as one of five programmatic priorities, closely related to other four which are: eradication of poverty, reduction of inequalities and exclusion; the post-2015 development agenda and sustainable development goals; climate and disaster risks; inclusive and effective governance; and gender equality and women’s empowerment. To that end the Programme foresees drawing on the broader experiences of UNDP and donor countries, to establish a collaborative network that identifies, develops, tests, assesses and promotes innovative ways of tackling issues of employment. 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 regard cooperation with private sector to raise capacities of local labour force. Although successful (in 2015 UNDP’s support resulted in the creation of 676 employments in Bosnia and Herzegovina), the interventions require further improvement and more systemic approach.

In August 2010, UNDP signed a memorandum of understanding with Bursa Chamber of Commerce and Industry (BCCI)—the largest chamber of commerce in Turkey—and its partners, with whom UNDP shares a long-standing cooperation experience. UNDP and BCCI agreed to host Business Outreach Operations in Turkey, which included engaging the private sector in the country to build awareness for inclusive market business models and approaches, and to broker concrete inclusive market investment projects in Turkey and the target countries in Eastern Europe and the Commonwealth of Independent States (CIS). The cooperation builds on the lessons learned from the Growing Inclusive Markets (GIM) initiative launched in 2006, implemented by UNDP and supported by the Turkish International Cooperation and Coordination Agency (TIKA), and designed to create a platform for the development of inclusive business models and an appropriate enabling environment for human development. The GIM initiative also encompassed Bosnia and Herzegovina, as one of 53 countries around the world. The BCCI is the founder of the Bursa Chamber of Commerce and Industry Education Foundation (BUTGEM), a non-profit vocational training centre, funded entirely by private sector stakeholders, that provides the training tailored to the needs of industries in Bursa and aims to close the supply- demand gap in the job market. The Istanbul International Centre for Private Sector in Development (IICPSD), established as the UNDP’s global policy centre, has promoted the BUTGEM model among the private sector, policy makers, and development practitioners from various countries, including Bosnia and Herzegovina.

In 2016, the founder and director of BUTGEM, accompanied by the representatives of TIKA and UNDP conducted a study visit to this country to help assessing the possibilities and developing a concept of a vocational training centre that would emulate the BUTGEM’s model and success. As a result, UNDP decided to explore possible interventions for a joint venture by a group of local private companies in their effort to establish a similar private sector-led vocational training centre, and establish an effective cooperation with BUTGEM. Such a training centre represents a strategic and sustainable intervention that would strengthen the private sector by lowering the costs of recruitment, and increasing employment and business growth. The centre would be implementing specific and adequate adult training programs to reduce the demand-supply gap in the skilled labour market. It would also coordinate between the representatives of relevant key industries, on one side, and labour market and educational institutions, on the other.

# 2. STRATEGY

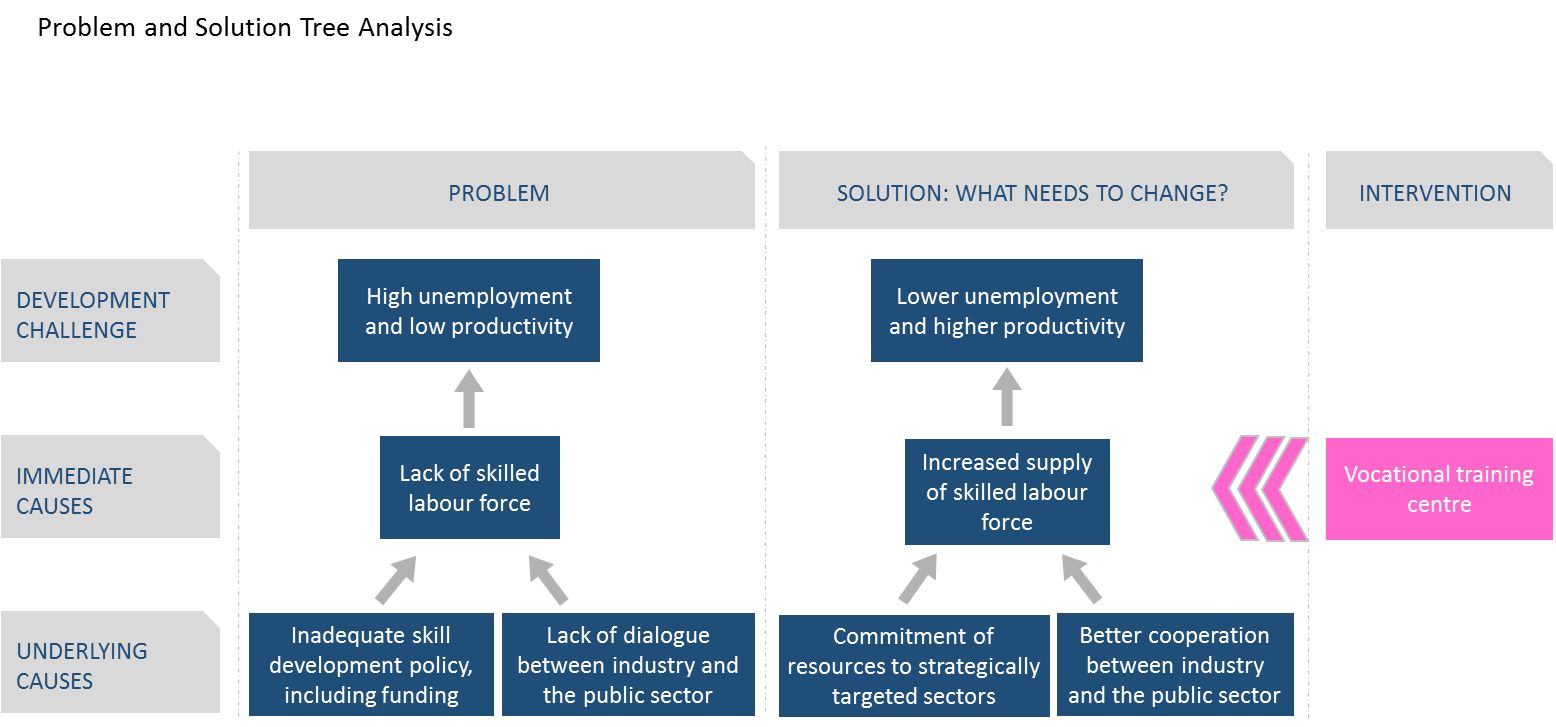
## 2.1 General Principles

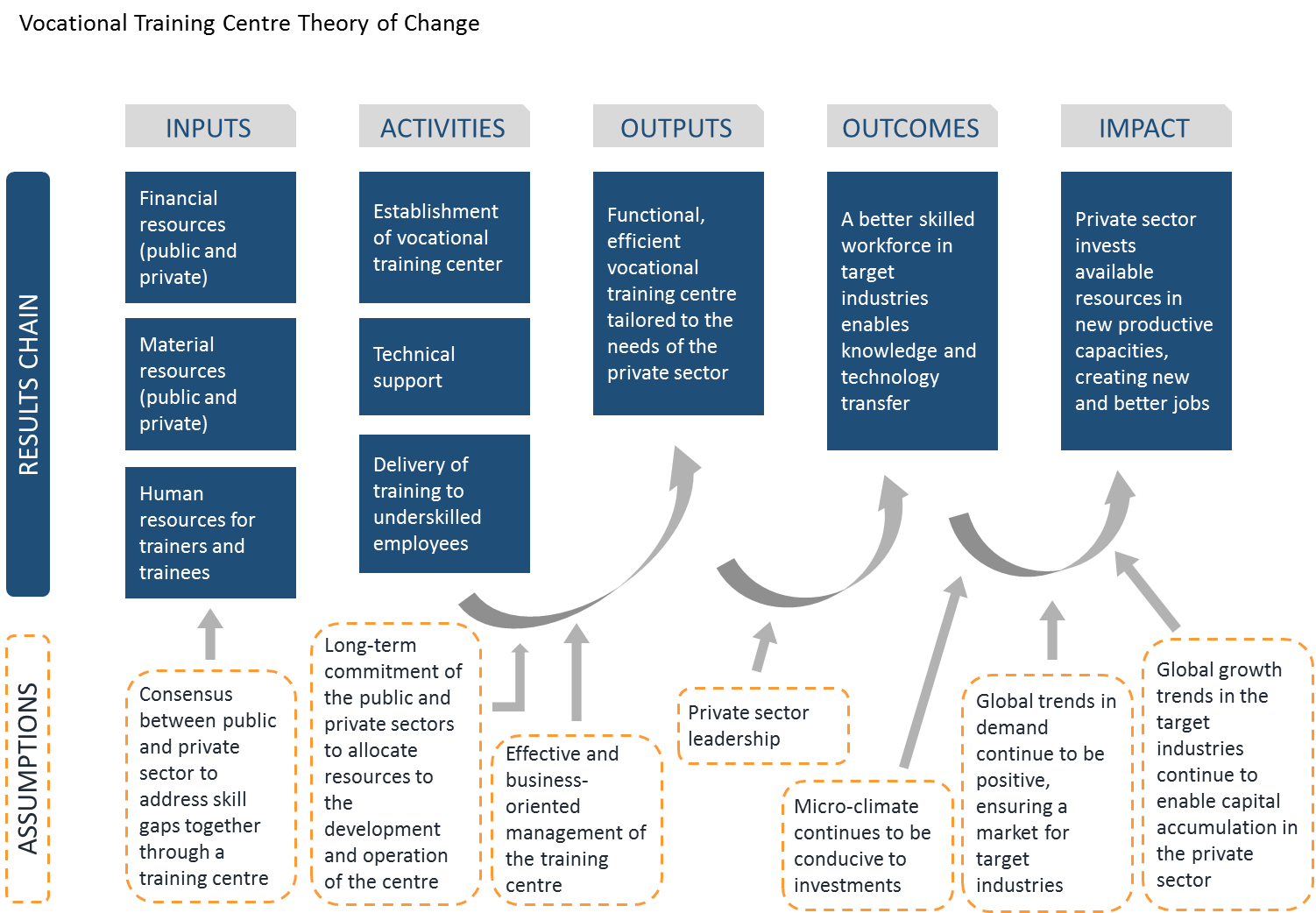
The mechanism behind addressing high unemployment, poor workplace matching and the resulting low productivity with a vocational training centre relies on the well-established importance of human capital for economic growth. For this reason, the here-proposed vocational training centre relies on a partnership between the public and the private sector. Once the public and private sector stakeholders agree to address the skills gap in the labour market through a vocational training centre, the combination of public and private financial and material resources will ensure that the training centre is functional, efficient, sustainable and tailored to the needs of the private sector. In this arrangement, the primary role of the public sector is to solve the coordination problem in the private market and support the training centre at its inception. The key requirement, however, is that the private sector take on the role of the leader. While public money is important to overcome the disadvantages of the relatively small local market, private sector ownership of the training centre will ensure that the training centre addresses its needs. Employees and employers in the target region are the primary beneficiaries of the training centre, so they are best positioned to define priorities and inform decision making that will make the training centre a success.

## 2.2 Project Rationale and the Theory of Change

The rationale behind the establishment of the vocational Training Centre in Gradačac is to bridge the private sector workforce needs with high quality vocational training. Furthermore, currently available financial and material assets will be used to provide vocational education/training to employed and unemployed persons, to meet the increasing demand for higher skilled labour from micro, small and medium enterprises (MSME) in the wood processing, metal and textile industries in the project target region.

The charts below present first the problem tree analysis and then the theory of change behind this project.





## 2.3 Relevance to and Coherence with Policy Frameworks

The project is aligned with key priorities set by the **Reform Agenda for Bosnia and Herzegovina 2015-2018**, specifically in terms of improving business environment and competitiveness, and economic governance. The reform agenda sets out the main plans for socio-economic and related reforms of all levels of government. It is set around six medium-term priorities: Public finance, Taxation and Fiscal Sustainability; Business Climate and Competitiveness; Market Labour; Social Welfare and Pension Reform; Rule of Law and Good Governance; and Public Administration Reform. While the main drivers for the implementation of the reform agenda will be the state and entity governments, some aspects of the agenda could be addressed at the local level. Municipal authorities and local actors could contribute to the business climate and competitiveness as well as in terms of labour market.

The Project is in line with the European Union’s **Indicative Strategy Paper 2014-2017 for Bosnia and Herzegovina**, or more specifically with its priority “Competitiveness and innovation, local development strategies”.[[10]](#footnote-10).

The project originates from the Outcome 4 related to economic and social disparities of both the **United Nations Development Assistance Framework (UNDAF) 2015-2019** and the **UNDP Country Programme Document (CPD)**.

As stated in its expected output, the project intends to build local capacities to sustain economic growth. As such, the project will work with local actors to promote development-oriented policies that support productive activities, 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, including through a focus on high-value added and labour-intensive sectors. As such, the project will contribute at the project target region level to the achievement of targets set under the **Sustainable Development Goal (SDG) 8, Decent Work and Economic Growth**.

## 2.4 Project Guiding Principles

Towards bridging the education and training frameworks with the labour market and generating employment, partnerships with the private sector are essential. Private sector can provide the necessary labour market signals to link skills development to concrete employment results, and in turn benefit from higher productivity and competitiveness. At the same time, the individuals also gain access to employment and sustainable incomes through acquiring market-relevant skills.

In relation to this, the project will apply the **UNDP IICPSD Guidance on Private Sector’s Role in Skills Development**, as defined below.

The project will primarily involve the private sector in the design and delivery of skills and accordingly ensure that the trainings are placement-driven. The private sector-led approach will be the guiding governance framework for the project. Accordingly, private sector will contribute to the capacity development for skilling through offering insights on labour market needs, renovating the training centre, providing training of trainers in line with the up-to-date industrial practices and support demand-driven curriculum development. For training delivery, the private sector, as the final beneficiary of a skilled workforce, will ensure that trainees gain the necessary employability skills and life skills to tap job and career advancement opportunities, particularly for individuals from disadvantaged backgrounds.

The project will improve the managerial capacity of training initiatives, particularly through linking them with the private sector, to achieve its goals. It will increase the responsiveness of training initiatives to the labour market. The private sector will be an instrumental partner in developing both the technical and managerial capacity of training initiatives required for running market-driven programs.

In addition, the trainees will be equipped with the skills required in the available jobs and vacancies, particularly in the sectors that demonstrate high growth potential and decent career prospects. Right candidates will be trained for the right jobs in collaboration with the private sector and matching the aspirations and capabilities of youth with the skills demand of the industry. Along with the vocational and technical skills, the trainees will gain the necessary soft and life skills to enrich their learning and to improve their career prospects.

# 3. RESULTS AND PARTNERSHIPS

## 3.1 Project Goal and Output

The **goal** of the project is **to contribute to the creation of an enabling environment conducive to private sector growth, competitiveness, and to promote investment and employment by investing in skills and knowledge relevant to key sectors and industries of the target region**. This will be achieved through mobilization and leveraging of public and private partnerships and resources to promote vocational training and upgrade labour force skills.

The project output is: **Functional vocational training centre providing tailored training to reduce the labour force skills gap in target industries within the Northern Bosnia region.** The centre will be led by private companies in partnership with interested local governments, private sector membership organizations and other professional organizations. It is to assume the following roles:

* to assist companies in upgrading of existing employees’ skills to track fast changing technology and innovation, and in applying lifelong learning philosophy;
* to provide training to newly recruited employees to improve their skills to meet companies’ needs;
* to provide vocational training and retraining to unemployed populations to improve or re-shape their skills according to demands of the labour market and thus increase their employability; and
* to serve as a site for practical training and skills development of technical high school students.

## 3.2 Methodological approach

The project will have two distinct phases, the inception phase and the main phase. The inception phase will be used to scope out missing information and explore organizational structure of other training centres that currently operate to verify the operational context of the centre and to replicate and adjust best practices to the context of Bosnia and Herzegovina and targeted region. The main phase, composed of three interrelated activities, will be used to implement selected training centre model by establishing the centre in Gradačac. Furthermore, the main phase will be used to link private and public sector and to create a platform for dialogue between the stakeholders.

***Activity 1 – Scoping Visit***

The project envisages organizing a scoping visit for key public and private stakeholders to the training centre BUTGEM established by Bursa Chamber of Commerce and Industry.

The project through this scoping visit intends to: (i) increase participants’ understanding of the set-up of vocational institutions in labour skills development and alignment with the fast changing demands of the labour market, and of the benefits to the private and public sector through institutionalised provision of vocational training; (ii) provide an insight into the specific BUTGEM training centre model, with focus on its institutional arrangements, management, sources of funding, training services and other key activities for its further development; (iii) verify the training modules selected as the most suitable for given sectoral focus and the private sector needs; and (iv) define and fine tune the curricula of the training programme that will be organised by BUTGEM to meet the specific needs of private sector in Northern part of Bosnia.

***Activity 2 – Training Centre Establishment***

Action 2.1 Institutional arrangement, ownership, governance and management structure

Based on a consultation process conducted with interested private companies and other public institutions, the most suitable legal structure for formalization of the training centre is non-profit business association specialized in provision of vocational training services, owned and managed by selected leading private companies. This institutional arrangement has been recommended due to the following advantages:

* The Association will have the following governing structure: i) an Assembly; ii) a Steering Board; and iii) manager. The Steering Board will provide seats to public sector stakeholders willing to support the training centre to provide oversight and alignment with the public-sector priorities.
* The Association is meant to gather businesses, municipalities and other relevant partners that present future clientele and founders of the training centre themselves. The inclusion of different actors will create open and transparent platform, which can be used by many businesses;
* Opportunity to approach other donor institutions as Association can result in serious financial and other support to the training centre;
* The Association would gather large number of private companies, relevant public institutions with years of experience in management and new venture creation that can give critical boost to the training centre.
* Flexible taxation regime applied on associations/foundation, specifically at the start-up phase.

Under this action, the project intends to provide technical assistance to the private and public sectors partners in the establishment of the Association. To gain critical mass in the future, the association/training centre will have an open membership policy to enable new private companies to join the Association in the future.

The association would elect Board members that would govern the training centre and appoint small management/administrative structure for running day to day training centre operations. The Board will be composed of at least 70% representatives from the private sector with the remaining 30% from the public sector. The management/administrative structure would consist of experienced manager and admin-finance assistant.

Action 2.2 Training Centre infrastructure and equipment

The municipality of Gradačac currently has already allocated a former school building to accommodate the training centre in its initial configuration. This building has sufficient space and rooms, but needs reconstruction work and refurbishing. UNDP has already initiated the conversation with the Municipality of Gradačac the Tuzla Canton, and the Entity Government of Federation of Bosnia and Herzegovina (FBIH) for possible cooperation on funding required reconstruction. The training centre is meant to include in its first configuration: one or two classrooms; three workshops, one for metal work, one for textile industry, and one for wood-processing; and office space for the management of training centre.

The specification of the required equipment to be installed in the training centre is currently being defined in collaboration with representatives from the private sector and will be finalised during the visit to BUTGEM. Within the scope of this project, minimum of equipment and machines sufficient for practical training shall be provided by the private companies. Upon the completion of the project, the equipment for the training centre will be further provided by the interested private companies, in line with the expansion of the training activities. The training centre will also apply for additional support to the SDC project “Prilika Plus” to expand its services.

However, as the allocated premises are not yet in function to accommodate it, the training centre will be initially located in small premises offered by the business association of Gradačac that include an office for management and a classroom for theoretical training, presentations and meetings. Practical training will be held on production facilities offered by the partner private companies, which have all the required equipment to conduct such training. The project will make available funds for equipping the training centre with basic equipment, including computers hardware and software, office and classroom furniture, telecommunication equipment, copying machine and basic training equipment.

***Activity 3. Technical support to the training Centre***

Under this activity, the project envisages actions to strengthen the capacity of training centre in management of design and delivery of vocational training and to raise awareness among various key stakeholders from both public and private sector about the benefits of establishing a vocational training centre.

Action 3.1 Conducting a labour market demand survey, developing training programmes and curricula, and regular monitoring of the needs of private companies for skills

The project will assist the training centre in conducting labour market demand survey to better understand the private sector workforce needs in relevant sectors. A representative sample of companies from the targeted industries in the region will be interviewed to (i) estimate labour demand in target industries in the region, (ii) identify the skills gap or skills mismatching in target industries, (iii) understand causes of the skills gap and related obstacles, (iv) identify appropriate training approaches to bridge the skills gap in the short, medium and long term. Through the survey, the project will attempt to understand the experience of the private companies with employees training, retraining, and career development, to appraise their interest in supporting the vocational training centre and willingness to financially contribute and pay for its services.

Based on the labour market demand survey outcomes, the project will develop curriculums and training programmes for upgrading labour force and its alignment with the skills needs of target industries. The curriculums will be developed based on the labour market demand survey and will be conducted with BUTGEM experts and key private sector actors. The training programmes will be also tailored towards the adults, particularly when the adults have not been in a formal learning environment for several years. BUTGEM has considerable experience in commissioning and designing empirical adult learning courses that have been successful in developing new skills. The envisaged training programmes might include but are not limited to:

* Technical training related to target industries aimed at workers;
* First level management skills (soft and technical) aimed at foreman, shift manager, section chief in target industries;
* Non-technical training related to the target industries such as standards (like ISO TS, ISO 14001, OHSAS, and others) which are becoming mandatory to export; and
* Soft skills like secretarial skills, language skills, communications skills, team work as identified during the labour market analysis.

The training courses will be delivered by in-company trainers from the private sector, trained trainer and training specialists from BUTGEM. BUTGEM will also provide organizational and managerial know-how to build training centre capacity and capabilities. The training courses will be a blend of practical and theoretical training, directly related to the practical and managerial skills required for upgrading the workforce. Much of the work will focus on basic skills to improve the qualifications and skills of the long-term unemployed.

The training centre will assess skills and competencies of trainees so to assign them to the right training program. Throughout the program, the trainees could also benefit from mentorship and counselling support. Through private sector partnerships, the project could mobilize coaches to guide the trainees and help with their professional development.

Furthermore, the training centre management will regularly monitor the needs of labour market in target industries for new skills to be able to respond to emerging skills gaps by developing and delivering the required training programmes.

Action 3.2 Preparing Vocational Training Centre Business Plan with one-year operational plan for running the training centre

The Project will assist the training centre appointed management in preparing a business plan using the findings of the labour force survey and other data that will be collected and analysed, including: market analysis (including potential clients), required training needs, analysis of training and non-educational/technical services, analysis of training and education providers in the market and the pricing of offered services, stakeholders analysis and identification of potential partners and sources of funding, etc. The plan should include marketing strategy, training and services pricing, and promotion and advertising. The business plan should contain (i) operational plan which consists of basic information on the training, management plan, and technical capacity (ii) financial plan including required minimal operating costs, marketing cost, revenues and expenses, and different scenarios of training centre operations.

The business plan will not be required just to quantify and secure donor and investor funding for training centre start-up phase and its further development, but also as a vital tool in helping the management to manage the training centre effectively. By accounting for different scenarios on paper, the management can better understand training centre business operations and plan specific choices of actions needed to improve them. The Business plan can provide details on alternative future scenarios and set specific objectives along with resources required to achieve these goals.

Action 3.3 Preparing Advocacy and promotional campaign and starting training sales activities

Limited assistance will be provided to the training centre in preparing an advocacy and promotional plan with the aim to raise awareness of the importance of the training centre in the business community and among employment seekers. This will be done though the training centre website, printed promotional materials, and various media campaigns.

***Activity 4. Delivery of Vocational training programme in selected industries***

In this initial phase of the project, it is crucial to demonstrate to key players, private sector, and other stakeholders such as donors, the feasibility and benefits of delivery of vocational training with support of BUTGEM. BUTGEM is expected to provide training of trainers in its training facility and help design the training curricula and programmes for specific identified topics relevant to target industries in the project region. Upgrading labour skills in a coordinated manner through provision of training programmes has the added economic benefit of increasing private sector ownership of the training centre and ensuring the engagement of key players in target industries and various stakeholders including donors and BUTGEM. Therefore, the project together with Gradačac Business Association and other key interested stakeholders will conduct activities to select potential trainers, and private companies as potential beneficiaries of the training programmes. The training programmes in selected topics will be delivered to newly recruited employees or to existing low-skilled employees with support of BUTGEM training centre in Bursa. The project will work closely with the private sector partners, to identify current training needs. Priority will be given to training needs that are critical for new jobs creation where the training programmes will be linked to placement opportunities, but also those that contribute to better productivity through upgrade of employees’ skills. IICPSD will provide technical expertise and know-how on how to establish employment linkages based on its extensive field research in Turkey and India, knowledge acquired from its skills development network and relevant guides and tools. Based on preliminary discussions with the private sector, the training topics might include:

1. CNC operating and programming:

* Cutting Tool Geometry and Technical Data
* Tool Life and Coordinate Systems
* Cutting Tool Functions and Program Configurations
* Precision Turning and Milling
* CNC Program Functions, Machine Controls and CAD-CAM System

1. Automation & Industrial Electrician:

* Electrical Codes
* PLC Programming for both Siemens and Allan Bradley
* CNC Controls
* CNC Machine Components
* CNC Integration
* Magnetic Circuits
* HMI Systems (Human Machine Interface)
* CAD Tool for hardware design
* Servo Parameterization and Adjustments
* Machine Performance and Adjustments
* Calibration and Compensation Techniques

The selection of the most adequate trainers as well as initial trainees will be key to the success of the project and further buy-in by the private sector in the target region. For that reason, clear selection criteria will be set for the trainers and trainees that will attend the training programme in BUTGEM.

Each trainer will have to meet the following criteria, including but not limited to:

1. Motivated highly qualified university graduates, holders of university diploma in mechanics or electro-technics;
2. Employed in a private company or an education institution (High school or University) in BiH; and
3. Willing to sign a contract with the training centre committing to availability for provision of training to students and newly recruited employees upon successful completion of TOT training in Bursa. The contract will regulate the responsibilities and rights of both parties, training fees, and minimum number of training hours due per year. The contract will last for a period of no less than 5 years.

The eligible candidate, as trainee, must fulfil the following minimum criteria:

1. Young not older than 25 years with high mechanic or electronic high school diploma;
2. Young not older than 30 years high school graduates with basic experience in metal work or electronics; and
3. Committed to work for one of private companies that are members of the training centre.

Together with concerned private companies and other relevant public and private institutions, the project will select at least 13 potential trainees that will participate in the CNC training programme in BUTGEM, Turkey as well as 7 trainers allocated by the partner companies and public educational institutions. The profile of the trainers and trainees has already been defined together with the local private sector partners and is presented in the next section.

# 4. PROJECT STAKEHOLDERS

## 4.1 Beneficiaries

The table below gives an indication of the number of beneficiaries to be directly involved with the project at various levels.

|  |  |
| --- | --- |
| **Direct Project beneficiaries** |  |
| **Private sector deriving immediate and long-term benefits from the project** | **6** |
| Private companies in the metal and automotive industry within the target region whose new and current employees will advance their skills | 6 |
| **Individuals deriving immediate and long-term benefits from the project** | **90** |
| No. of individuals who will receive training of trainers in BUTGEM, Bursa, Turkey | 7 |
| No. of current and newly recruited private sector employees who will receive training in BUTGEM, Bursa, Turkey | 13 |
| No. of current and newly recruited private sector employees who will receive training in Gradačac (on-production facility training) | 20 |
| No. of unemployed youth who learn in-demand skills through training (or re-training) in Gradačac (on-production facility training) | 35 |
| No. of technical high school students who receive practical training in Gradačac (on-production facility training) | 15 |
| **Educational institutions** |  |
| No. of educational institutions whose students will have access to high quality practical training | 2 |

Additionally, private companies in the textile, wood processing, and metal and automotive industries within the target region whose new and current employees will advance their skills and enable effective knowledge and technology transfer

## 4.2 Partnerships

The partnerships for the vocational training centre include private companies, local governments, and educational institutions in the target region, and BUTGEM. These partnerships will be further defined in the inception phase of the project.

* **UNDP in Bosnia and Herzegovina** will be involved in the project from its inception, raising awareness in the business community of the importance and benefits of the training centre, identifying suitable private companies for the association, assisting with legal matters associated with establishment of the training centre, and facilitating cooperation among all partners. In the implementation phase, the primary role of UNDP will be:
* the allocation of human resources for the management and implementation of the project; and
* the provision of technical assistance aimed at minimizing risks of project failure, most importantly assistance with assessing labour demand and skill gaps in the target industries and with preparation of the business plan.
* **UNDP IICPSD** aims to support the development of inclusive and competitive markets and inclusive business models. Fostering private sector engagement and advocacy for the achievement of the SDGs is another focus of the centre. This involves becoming a centre of excellence in terms of capacity development activities, as well as supporting actors to expand dialogue and create actionable partnerships. The IICPSD builds on Turkey’s convening power and dynamic private sector as well as UNDP’s global mandate to engage the private sector constructively in supporting global and local efforts to address development challenges. The centre builds partnerships to address the challenges of developing countries and to accelerate progress in achieving internationally agreed upon development goals. Within the scope of this project, the UNDP IICPSD responsibility will be to:
* share their technical expertise in the establishment of training systems gained through the implementation of similar projects in other countries within the RBEC region;
* facilitate communication and coordination with TIKA and BUTGEM; and
* actively assist UNDP in Bosnia and Herzegovina in mobilising additional financial resources to bring the proposed training centre to its full capacity.
* **BUTGEM** will be involved in the project both as a partner in project development and as a service supplier in the implementation phase. BUTGEM’s experience in providing vocational training is an invaluable source of information for the project, and makes BUTGEM the ideal starting point for training of trainers of CNC operators and programmers. The responsibility of BUTGEM will be to:
* assist the partners from Gradačac in defining the most suitable and effective training centre model according to the local circumstance through sharing of experiences and tools used by BUTGEM;
* provide their technical expertise in developing the curricula according to the results from the skill gap analysis;
* organise and deliver training programme to trainers and trainees in BUTGEM premises in Bursa, Turkey; and
* send experts to Gradačac to monitor and follow the delivery of training and provide recommendations to improve either the curricula or the delivery methodology.
* **Private Sector Companies** in three industries of interest in the target region are the most important partner to the project. They will form the business association that will take ownership of the training centre, build the management structure, and ensure daily operations of the centre once it is a functional business entity. This means that their role will increase over time, so their long-term commitment is crucial if the training centre is to succeed. This long-term commitment is assumed because these private companies are among the primary beneficiaries of the training centre, whose services will upskill their employees, from which they derive immediate and long-term benefits.The main responsibilities of the private sector will be:
* the allocation of skilled human resources as trainers;
* the allotment of their production facilities for the organisation of on-site training;
* the provision of financial resources to cover at least 30% of the training centre running costs through membership fee;
* the donation of initial equipment to the training centre; and
* their active participation in the governance bodies of the training centre.
* **Local authorities** in the target region are the key public sector partners to the project, including as founders of the training centre and active members overseeing its work. Neighbouring municipalities, as well as Tuzla and Posavina Cantons will be invited to make similar financial contributions. So far, the Municipality of Gradačac has already committed to the following responsibilities:
* allotment of physical assets for the needs of the training centre;
* allocation of annual financial contribution to cover operating costs; and
* active participation in the governance of the training centre, especially in resource mobilisation, including promotion of the training centre at various government levels or other peer municipalities.
* **Educational Institutions** are both partners and beneficiaries to the project. Technical high schools in the target region as well as the Faculty of Mechanical Engineering of the University of Tuzla will benefit from the centre as a site to which they can outsource portions of practical training for their students, giving them valuable practical experience that will make them more employable in a cost-effective manner. In return, these educational institutions will assist with curriculum development and serve as a source of potential trainers for the training centre.

# 5. SUSTAINABILITY AND RISKS

## 5.1 Sustainability

The foremost important factor that will affect the sustainability of the vocational training centre is the commitment of key public and private stakeholders to lead the development and support the work of the training centre. This factor will be addressed from the early stage of the project implementation through the inception activity, namely the scoping visit to be organised to the BUTGEM training centre in Bursa, Turkey. The visit will be organised in a way to demonstrate that the establishment of a training centre is the most effective and efficient approach to address the mismatch in the labour force market, especially compared to the current approach based on individual efforts by companies to upgrade their labour force skills or compared to formal educational institutions like vocational schools. In addition, the visit will also inform the participants on the importance of the link between the public and private sectors as support of the public sector will be crucial in the viability of such a centre especially during the early years of the centre operations. Following the scoping visit, the project will seek formal commitments from the private sector actors as well as from the public sectors expressed through the allocation of financial, physical and human resources. While initial commitments have been obtained from both the private and public sectors, the continuation of the project will be conditional for these commitments to become formal.

The sustainability of the training centre will also be addressed by sub-activities specifically designed to ensure its financial viability. First, under the second activity, a business plan will be developed that will assess the costs as well as the potential revenues based on a detailed market research in terms of technical and non-technical training services that could be provided to companies, individuals and institutions. The business plan will also include capacity development plans for the training centre. As such, it will be the guiding document for the management of the centre, including for resource mobilisation. Given the small size of the industry and companies in Bosnia and Herzegovina, it will not be possible for the private sector to bear the financial costs for the development and work of the vocational training centre as it is the case with BUTGEM. Therefore, the training centre will need to mobilise resources from various sources, such as local or higher level governments that could subsidise workers and unemployed persons’ training, international donors, as well as from willing to invest in increasing their employability.

The project will monitor all activities in accordance with the objectives and targets set in the project document. It will utilize key performance indicators on skills development, employability and employment to evaluate progress and take the necessary corrective measures accordingly. IICPSD will provide KPIs for skills development, employability and employment supplemented by the necessary guidelines and tools for their utilization.

## 5.2 Scaling up

The project team has embedded scaling up in this planning project phase, however two key elements are prerequisite to achieve the set-out target: (i) ensuring the sustainability of the project as argued in the above section, and ensuring the commitment of UNDP and other donors to allocate sufficient funds for project scalability. The project scale up is reachable if we undertake the following actions successfully including:

1. Obtaining accreditation for vocational training centre and certification of trainers and trainees,
2. Extending the vocational training to the whole country, which can be done through organization of training in other regions of Bosnia and Herzegovina or through providing a full training package including training premises, accommodation and meals in Gradačac,
3. Extending the training to cover other important industries such as plastic, electric manufacturing etc.,
4. Offering internationally accredited training schemes by EU recognized institutions, such as BUTGEM or other bodies, and extending the sales of accredited training schemes in the region. By doing this, the project will attain regional scaling up, addressing high demand for young skilled workers in the EU.

## 5.3 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** |
| --- | --- | --- | --- |
| **Lack of ownership over the vocational training centre by the private sector** | **Low** | Institutional / High | Detailed cost benefit analyses will be conducted to demonstrate the financial and economic benefit from a training centre led by the private sector. |
| **Difficulties to secure funding for the vocational training centre operations** | **Low to medium** | Financial / High | Transition over time from funded to commercial trainings to promote sustainability; Decreased reliance on donor programs and increased input from private sector; Prospective support in the form of partnerships and cooperation agreements at the sectoral level; Active engagement with donors and stakeholders; Attracting as much as possible governments subsidies related to the active labour market measures being implemented by all governments levels and demonstrate that training of labour force in also efficient measure to promote employment. |
| **Limited demand for training services** | **Low** | Institutional / Medium | The project will offer support to scaling up and diversifying the training centre activities over time by adding training related to plastic moulding, electric manufacturing, IT etc. |
| **Potential conflicts of interest in managing centre’s operations** | **Low** | Operational / Medium | ongoing monitoring and evaluation which will provide feedback for constant updates to the programs, as well as through setting up of a strong governance structure |

# GOVERNANCE AND MANAGEMENT ARRANGEMENTS

# Organization, Management and Administration

**Project duration**

The total project duration will be 12 months.

**Project management**

UNDP in Bosnia and Herzegovina will assume the overall programmatic and financial accountability for the project implementation, working in partnership with BUTGEM and IICPSD.

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.

**Project organizational structure**

The **Project Board** will be the group responsible for making, by consensus, management decisions for the Project when guidance is required by the Project Manager. The Project Board approves annual work plans, supervises the overall implementation progress and authorizes any major deviation therefrom. It provides strategic guidance, as well as give final approval to selected strategic and operational issues. The Project Board will meet at least twice, or as necessary when raised by the Project Manager. Members of the Project Board will be representatives of the local/cantonal authorities, private sector, UNDP, and TIKA BiH Coordination Office.

# ANNEX 1 – RESULTS AND RESOURCES FRAMEWORK

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Intended Outcomes as stated in the UNDAF 2015-2019:**  By 2019, economic and social and territorial disparities between units of local self-governance are decreased through coordinated approach by national and subnational actors.  By 2019, better articulated and coordinated employment, education, and scientific policies and programmes enable greater access to productive employment and income opportunities. | | | | |
| **Partnership Strategy: The** project will work with local authorities in the target region, private companies in target industries, BUTGEM, educational institutions, and other donors in the target region | | | | |
| **Project title:** Support for the Establishment of Vocational Training Centre in Northern Bosnia | | | | |
| **INTENDED OUTPUTS** | **OUTPUT TARGETS FOR (YEARS)** | **INDICATIVE ACTIVITIES** | **RESPONSIBLE PARTIES** | **INPUTS**  **(USD)** |
| **Output**  **Functional vocational training centre providing tailored training to reduce the labour force skills gap in target industries within the Northern Bosnia region**  **Indicators:**  Indicator 1: Vocational training centre established  Indicator 2: Management team  Indicator 3: Active participation of the private sector in the work of the executive board  Indicator 4: Public and private financial resources  Indicator 5: Training of trainers’ programme organised in BUTGEM  Indicator 6: Number of trainees receiving the training based on BUTGEM model in Bursa  Indicator 7: Number of trainees receiving the training based on BUTGEM model in Gradačac | Target 1: Registered vocational Training centre in automotive, wood processing and textile industries  Target 2: All management staff allocated  Target 3: At least 60% of executive board.  Target 4: Sufficient resources allocated to cover all operating costs for one year  Target 5: 7 trainers from Gradačac received 360 hours of training of trainers in BUTGEM vocational centre, Bursa  Target 6: 13 people have been trained in Bursa for 460 hours according to BUTGEM model in automotive industry  Target 7: 70 people have been trained in Gradačac for 460 hours according to BUTGEM model in automotive industry | Activity Result 1: Scoping visits  Actions:   * 1. Scoping visit to BUTGEM, Bursa, for 15 representatives of stakeholder institutions attended the scoping visit | *UNDP* | Project contribution:  12,000  In-kind contribution:  6,000 |
| Activity Result 2: Establishment of training centre  Actions:   * 1. Institutional arrangement, governance and management structure agreed   2. Training centre building and equipment furbished | *UNDP* | Project contribution:  0  In-kind contribution:  72,000 |
| Activity Result 3: Technical support provided  Actions:   * 1. Labour force demand survey conducted   2. Training Centre Business plan developed   3. Advocacy and promotion plan developed and implemented | *UNDP* | Project contribution:  10,000  In-kind contribution:  5,000 |
| Activity Result 4: Vocational training programme in selected industries  Actions:  4.1. Training topics selected   * 1. Trainers trained in Bursa   2. Training delivered in Gradačac | *UNDP* | Project contribution  75,000  In-kind contribution  12,000 |
| Activity Result 5: Training Centre management | *UNDP* | Project contribution  0  In-kind contribution  27,176 |
|  | | ***UNDP General Management Support*** | | ***6,790*** |
| **TOTAL PROJECT CONTRIBUTION** | | | | **103,790** |
| **TOTAL IN-KIND CONTRIBUTION** | | | | **122,176** |
| **TOTAL PROJECT BUDGET** | | | | **225,966** |

# ANNEX 2 – PROJECT BUDGET

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Budget items | | Budget for all years | Project Contribution | In-kind Contribution | | | |
| TIKA Contribution | UNDP BiH | Municipality of Gradačac | Tuzla Canton | Private sector |
|  | | **USD** | **USD** | **USD** | **USD** | **USD** | **USD** |
|  | |  |  |  |  |  |  |
| ACTIVITY 1 | Scoping visit | 18,000 | 12,000 |  |  |  | 6,000 |
| ACTIVITY 2 | Training Centre Establishment | 72,000 |  |  | 8,000 | 29,000 | 35,000 |
| ACTIVITY 3 | Technical support to the training Centre | 15,000 | 10,000 | 5,000 |  |  |  |
| ACTIVITY 4 | Delivery of Vocational training programme in selected industries | 87,000 | 75,000 | 12,000 |  |  |  |
| ACTIVITY 5 | Training centre management & running Costs | 27,176 |  |  | 27,176 |  |  |
| **UNDP General Management Support (7%)** | | 6,790 | 6,790 |  |  |  |  |
| **TOTAL** | | **225,966** | **103,790** | **17,000** | **35,176** | **29,000** | **41,000** |

# ANNEX 3 – PROJECT SCHEDULES



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 Bank for Reconstruction and Development/The World Bank. (2017). *Doing Business 2017: Equal Opportunity for All.* Washington. [↑](#footnote-ref-2)
3. 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-3)
4. Agency for Statistics of Bosnia and Herzegovina. (2015). *Labour force survey 2015. Final results.* Sarajevo. [↑](#footnote-ref-4)
5. The World Bank. (2011). *Poverty and Social Exclusion in Bosnia and Herzegovina. Insights from the 2011 Extended Household Budget Survey.* [↑](#footnote-ref-5)
6. 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-6)
7. 690,638 according to the 2013 census (Ibid.) [↑](#footnote-ref-7)
8. Eurostat. (n.d.). *File:Children and young people in the population, EU-28, 1994, 2004 and 2014 (¹) BYIE15.png*. Retrieved from Eurostat: http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Children\_and\_young\_people\_in\_the\_population,\_EU-28,\_1994,\_2004\_and\_2014\_(%C2%B9)\_BYIE15.png [↑](#footnote-ref-8)
9. Data collected from TRON online database, TRON.ba [↑](#footnote-ref-9)
10. Reference: <http://ec.europa.eu/enlargement/pdf/news/annexe_acte_autonome_nlw_part1v1.pdf>. [↑](#footnote-ref-10)