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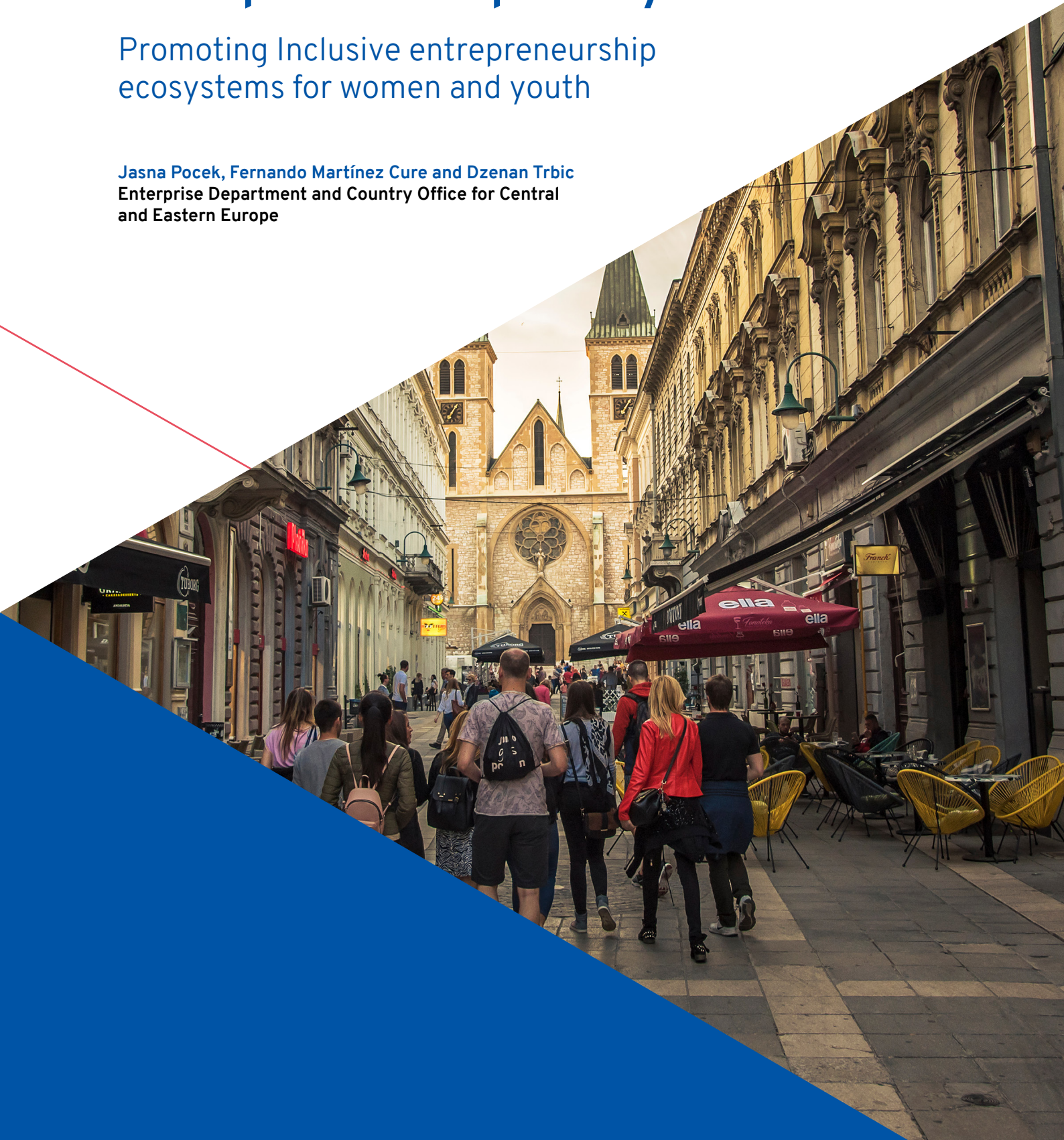
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# ► Women and youth in Sarajevo entrepreneurship ecosystem

Promoting Inclusive entrepreneurship  
ecosystems for women and youth

Jasna Pocek, Fernando Martínez Cure and Dzenan Trbic  
Enterprise Department and Country Office for Central  
and Eastern Europe







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May 2022



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## ► Introduction

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### Introduction

This report is produced within the project Local Development Strategies – EU4Business in Bosnia and Herzegovina whose main objective is to strengthen capacity for generating growth and employment through support to competitiveness and innovation in the private sector. In that light, the specific objective is to support BiH private sector development with a focus on export oriented, agro-rural and tourism sectors, as well as on enhancing the operational environment for MSMEs including development of local entrepreneurship. Key role of the ILO in the joint programme is to enable growth and sustainability of entrepreneurial initiatives in export oriented, tourism and agro-rural sectors for income and employment generation, with specific focus to women and youth entrepreneurship. The project has been funded by EUD to Bosnia and Herzegovina and implemented jointly by ILO, GIZ and UNDP.

This report applies the ILO's Inclusive Entrepreneurship Ecosystem Approach focusing on women and young entrepreneurs in Sarajevo. The Inclusive Entrepreneurship Ecosystem Framework aims to support entrepreneurs typically excluded from the dynamics of local ecosystems. The framework is implementation- and impact-oriented and builds on the experience of the ILO in promoting entrepreneurship, as well as its Decent Work Agenda.

The report details the findings of the entrepreneurship ecosystem analysis for women and young people in Sarajevo. It also presents the challenges and positive developments that women and young people face in all pillars of the ecosystem.

The introduction of the report outlines a socio-economic analysis of Bosnia and Herzegovina and Sarajevo, focused on the entrepreneurship trends and challenges. The methodology section presents the ILO's Entrepreneurship Ecosystem Framework and the steps taken to carry out the research and subsequent proposed activities. In the Status of Sarajevo's entrepreneurship ecosystem for women and youth, the report maps the status of the entrepreneurship ecosystem, in Sarajevo, for women and young people, presenting the main challenges and positive developments in each of the pillars of the ecosystem.

The section: Priority pillars: examining their constraints and proposing interventions, proposes a prioritisation of challenges deemed fundamental for women and young people in the ecosystem, presents the underlying constraints and suggests solutions based on the nature and capacity of present actors to drive sustainable change. The proposed interventions follow an ecosystem facilitation logic: providing temporary support to ecosystem actors that lead to lasting improved inclusive outcomes. The proposed interventions seek to stimulate ecosystem actors to adopt new and/or improved roles. The report closes with a section on conclusions.

### Socio economic analysis

#### Bosnia and Herzegovina – Economic Outlook

Bosnia and Herzegovina (BiH) is an upper middle-income economy, with a population of 3.5 million. BiH's economy is consumption-driven and one of the most volatile in the Western Balkans region, with an economic structure that remains highly exposed to external economic fluctuations.

In the context of **entrepreneurship**, BiH ranks amongst the lowest of European countries. According to the *World Development indicators* of the World Bank, BiH is the country with the second lowest score in New Business Density indicator in Europe (new business registrations per 1,000 people aged 15-64). Other available instruments, such as *Global Entrepreneurship Monitor* and *Global Entrepreneurship Index*, confirm this finding, by ranking Bosnia and Herzegovina amongst the countries with the



lowest Entrepreneurial Activity, Entrepreneurial Employee Activity, Entrepreneurial Spirit Index, and Innovation Intensity.

The subject of this analysis is the entrepreneurial ecosystem of the Sarajevo Canton with focus on its impact on women and youth.

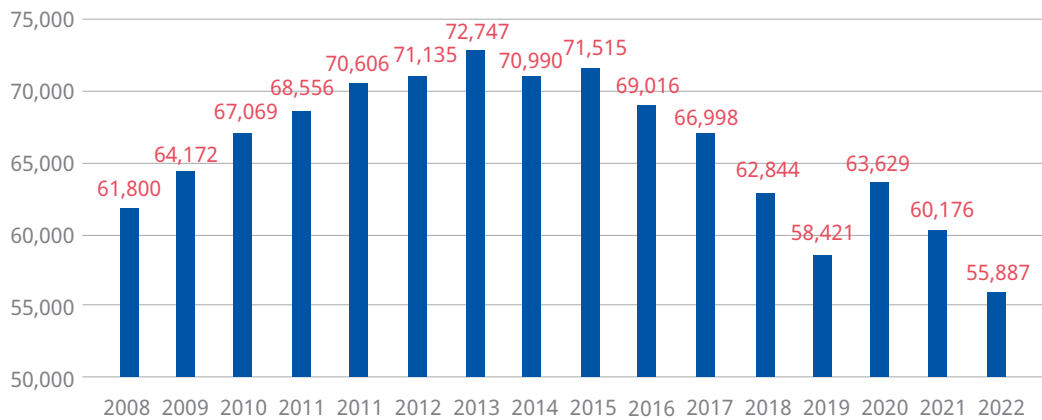
**Socio-economic Background of the Sarajevo Canton**

The Canton Sarajevo is the most economically developed region of Bosnia and Herzegovina. Its population of 418,542 (2021) has been steadily increasing in the past decade due to the strong influx of rural-to-urban migration from other part of the country. This inflow of new inhabitants compensates for the significant labour driven migration towards the EU and negative population index.

The Canton has nine municipalities, and four of them form the *City of Sarajevo* – Capital of Bosnia and Herzegovina. The population of the City of Sarajevo is 273,106 inhabitants.

After a decade of high unemployment rates (2008-2018), pre-pandemic unemployment trends were favourable. The historic maximum of the number of unemployed persons of 72,747 (July 2013) was reduced 58,421 (July 2019). As a result of the pandemic, short-term increase of unemployment was registered in 2020. However, by the end of 2021 unemployment was reduced to the pre-pandemic levels with further decrease by the mid-2022 to 55,887 persons. Overall, Canton Sarajevo’s formal unemployment rate in March 2022 is 28.73% (compared with 35.71% for FBiH), while unemployment rate as measured by Labour Force Survey 2020 is 15% (18.5% for women, 35% for youth, 37.9% for young women).

**Number of unemployed in Sarajevo Canton**



*Registered unemployment (number of unemployed) in Sarajevo Canton (mid-year)*

The post-covid recovery is visible from the trends in the number of companies. In 2021, total number of companies in Sarajevo Canton (SC) reached 33,828, out of which 37.9% are sole proprietorship businesses. This represents 5,7% increase compared with 2020. Men/Women ratio of early-stage entrepreneurs is 2:1.

### Entrepreneurship and Strategic documents of the Sarajevo Canton

Sarajevo Canton government has recognized entrepreneurship as one of key development challenges. As such, in the [Sarajevo Canton Development Strategy 2021 – 2027](#) it is integrated into several priorities:

- **Improvement of business environment**, through systemic development of entrepreneurial infrastructure,
- **Improved quality of education**, the implementation of curricular reform is envisaged to include entrepreneurship as an essential skill,
- **Activation of unemployed**, through support for social entrepreneurship, and
- **Improved digital transformation**, through support programs for entrepreneurship in ICT field.

In addition to the *Development Strategy*, entrepreneurship is listed as a strategic measure in several other strategic documents.

Entrepreneurship is also represented in strategies and annual budgets of all 9 municipalities of the Sarajevo Canton – typically through annual financial incentive programs and limited investments in entrepreneurial infrastructure. Furthermore, the support for entrepreneurs in Sarajevo is available through public employment institutes and diverse network of civil society organizations, international projects, development agencies and other stakeholders.

Unfortunately, the strategic and operational approaches of support institutions is not coordinated and is delivered in a piecemeal approach. Dominant form of support is financial, with very little regard for building the entrepreneurial competencies of the population. This results in dominant support for necessity-driven entrepreneurs and consequently low participation of opportunity-driven businesses in overall entrepreneurial activity. Finally, impact assessment of implemented programs is virtually non-existent, and lessons learned from the implementation are rarely integrated into the design of new support programs. In this context, coherent strategic positioning the strengthening of the overall entrepreneurial ecosystem as well as improved cooperation of its stakeholders is of crucial importance.

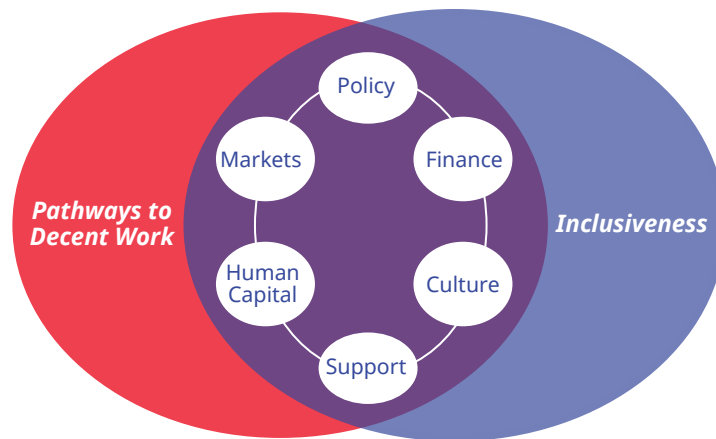
## ▶ Methodology

The ILO has developed the Inclusive Entrepreneurship Ecosystems Approach to support the development of inclusive entrepreneurship ecosystems that help entrepreneurs creating sustainable businesses. Building on Isenberg's (2011) entrepreneurship ecosystem model, the approach is based on a framework that includes six core pillars that together form a holistic support system for entrepreneurs, as well as two cross-cutting dimensions (inclusiveness and pathways to decent work) that ensure that the support system is inclusive for all entrepreneurs. Based on this framework, the ILO's Entrepreneurship Ecosystem Approach proposes a contextualized analysis of the positive developments and challenges of each pillar, the selection and further examination of priority pillars and the design of interventions to improve the ecosystem for the target groups. The following subsections briefly describe the Entrepreneurship Ecosystem framework and the step-by-step implementation model of this study.

### The Entrepreneurship Ecosystem Framework

The Entrepreneurship Ecosystem framework includes six core pillars (markets, policy, finance, culture, support, and human capital) that are subsequently analysed in terms of their challenges and positive developments to create pathways to decent work and the inclusiveness of the target groups. The framework is illustrated in Figure X and its pillars and cross-cutting dimensions are briefly explained in the remaining of this subsection.

▶ **Figure X. The ILO's Inclusive Entrepreneurship Ecosystem Framework.**



### Core pillars

**1. Human capital:** Human capital refers to the availability of high-skilled and motivated labour, which is central to entrepreneurs' ability to build sustainable businesses. Key components that contribute to human capital include existing high-growth enterprises that can up-skill the labour force (i.e. entrepreneurs with previous relevant work experience), as well as demand oriented educational, technical and vocational training institutions and universities. Up-skilling programmes and labour demand and supply matching services can also be important.

**2. Policy and leadership:** Legislation and policies that foster business creation are key. These include easy and transparent business registration procedures, fair taxation policies, and policies that actively promote entrepreneurship. While the legal text is important, it is at the implementation level that occur the greatest impact on entrepreneurship and business creation. Subsequently, a policy environment that combines top-down and bottom-up approaches and provides an integrated set of effective regulations are important to promoting entrepreneurship.

**3. Appropriate finance:** Access to financial resources is crucial for entrepreneurs seeking to start and grow a business, and the availability of a diversity of financial products and services is an important component of entrepreneurship ecosystems. Financial services should be accessible and appropriate to entrepreneurs at different stages of enterprise development. For some entrepreneurs, loans may be most appropriate. For others, seed and angel investors might be instrumental, and in some contexts, other financial institutions like microfinance and financial cooperatives may play a key role.

**4. Culture:** This component describes the legitimacy of entrepreneurship in the wider society of a given context, i.e., whether entrepreneurship is considered a viable career path and whether entrepreneurs have a positive reputation. A positive entrepreneurial culture is reflected in whether and how entrepreneurial success stories are disseminated in the local population and how entrepreneurship ranks as a career choice, particularly among young women and men.

**5. Support:** This component refers to the variety of support services available to entrepreneurs. This includes the availability of demand-driven and accessible non-financial business development services (BDS) like business management training, capacity building, mentoring, and coaching, as well as operational services like accounting and legal advice, IT and design support, and sector-specific support (e.g. veterinary and agricultural extension services).

**6. Markets:** The availability of and access to markets is crucial for any business. In the entrepreneurship ecosystem framework, this component refers specifically to the availability of customers who are interested in purchasing innovative products and services. Where local demand is low, strong entrepreneurship ecosystems are often characterised by accessibility to regional or international markets for local entrepreneurs.

## The cross-cutting dimensions

**Pathways to decent work.** Entrepreneurship constitutes an important pathway to decent work. New businesses drive job creation, and a fundamental role of the ILO's inclusive entrepreneurship ecosystem framework is to ensure that the jobs created are quality jobs, i.e., characterized by decent working conditions but that also entrepreneurs themselves are living a decent working life. To achieve this, considerations regarding quality job creation through entrepreneurship need to be embedded in the entrepreneurship ecosystem. Since ecosystems vary by context, there is no one size fits all in terms of how an inclusive entrepreneurship ecosystem can be promoted.

**Inclusiveness.** Entrepreneurship ecosystems not only differ by context but also between target groups in each context. Although, for example, financial and business development services may exist in each context, access to them is rarely equal among all entrepreneurs. Furthermore, informal norms and values (the Culture component of the ecosystem framework) may impede business creation among marginalized groups, such as women, youth, migrants, or other populations. Often, differences in access to the entrepreneurship ecosystem are implicit and promoting an inclusive ecosystem that works for all entrepreneurs, therefore, requires a clear understanding of the target group(s) and sensitivity to structural and taken-for-granted dynamics in how different target group(s) experience the extant entrepreneurship ecosystem.

## The step-by-step implementation model

The implementation of the Entrepreneurship Ecosystem Approach is based on the ILO’s Inclusive Entrepreneurship Ecosystems Framework. The step-by-step implementation model is outlined in figure X below, with the details of each step articulated thereafter.

► **FigureX. Step-by-step implementation of this study**



**1. Contextualize the analysis and profile the target group:** the study uses statistical data collected by both national and international actors. To allow for the creation of descriptive statistics about entrepreneurship trends and aggregate figures about the topics of interest, we combined different data sets of the World Bank, the Global Entrepreneurship Monitor (GEM) and the Cantonal institute for statistics.

**2. Analyse and define priority pillars:** to examine the ecosystem’s pillars, the report builds on the analysis of secondary material and interviews considering the ILO’s entrepreneurship ecosystem model. First, the secondary material was read and coded to fit to the ILO’s ecosystem model components. This allowed for an understanding of the state of the art, as well as to build an initial mapping of the challenges of each pillar of the model. A total of 44 interviews were conducted with local organizations, women, and youth. The interviews aimed at understanding the position of the target group in the ecosystem. Then, based on the desk research and the interviews, a workshop was held to identify two priority pillars for the study to focus on the second part of the research.

**3. Identify systemic constraints of the pillars:** following the identification of priority pillars, additional research instruments were developed with the purpose to understand the root constraints of the priority pillars for the inclusiveness of the target groups. In this phase, we conducted a second round of interviews with local organizations, women, and youth. The collected information was transcribed and analysed to allow the understanding of challenges and the underlying causes behind the priority pillars’ challenges and identify key stakeholders and their capacity and willingness to adapt.

**4. Devise ecosystem interventions:** As part of the last step, a validation workshop with ecosystem actors was held to consult on the findings and devise a vision of how the selected pillars should be improved to better include the target groups. Recommendations of interventions were developed based on the results of the workshop.

## ► Status of Sarajevo's entrepreneurship ecosystem for women and youth

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Based on the ILO's framework, some of the key features of the Sarajevo entrepreneurship ecosystem are identified under each of the six pillars, while the two cross-cutting dimensions, inclusiveness and the pathways to decent work are discussed across the ecosystem.

### Policy

In the case of Canton Sarajevo, the policy pillar of the ecosystem is constructed mainly by the local and federal governmental bodies that strive to introduce regulations and strategies to facilitate the ecosystem environment, with occasional interventions from academia and private sector actors.

### Positive developments

There are different ongoing plans and strategies of relevance for an understanding of the policy ecosystem component. One of these is the 2017-2027 Strategy for development of the Canton Sarajevo introduced by the Agency for the development of the canton of Sarajevo. Other relevant documents are the Action plan for employment of the Canton Sarajevo 2020-2023 together with the Youth strategy of the Canton Sarajevo 2019-2023 and the Gender Action Plan of Bosnia and Herzegovina 2018-2022. In documents above, entrepreneurship is presented in the form of individual measures designed to address narrow needs of specific populations (youth, unemployed, women, etc). As a result, no overall coherent entrepreneurship development platform is in existence and most of the planned measures are contextualized as social rather than developmental interventions. Necessity based entrepreneurship (self-employment measures) is still prevalent – only a handful of measures targets opportunity-based entrepreneurship, namely in ICT and creative industries.

The dialogue around ecosystem relevant policies is conducted between the public sector and the Sarajevo Canton Chamber of Commerce, which represents the interests of its members in relation to various legislations that are of relevance for businesses.

The public sector is active in providing information that is useful for entrepreneurs as well as potential investors by means of an investment guide that is regularly updated and published on the website of the Ministry of Economy of the Canton Sarajevo. The Financial Times fDi Magazine ranked its capital Sarajevo as one of the top 10 destinations in Europe in the category of the best medium-sized European investment locations in terms of cost efficiency. However, there is documented need for improvement in this field as surveyed entrepreneurs report overall lack of information on available incentives and other support measures.

In recent years policy makers collaborated with the International Finance Corporation (IFC) to improve the overall business environment and ease business registration and running procedures, which is said to have resulted in a significant increase in the number of registered businesses of all sizes in the Canton. Furthermore, in 2015 policy makers adopted the Law on Small Business Incentives with an accompanying programme and Law on Encouraging the Development of Small Business, both representing important policy documents that set out some of the framework conditions for the operation of micro businesses. The Federation of Bosnia and Herzegovina is also preparing a Law on social entrepreneurship that is expected to foster better inclusion of women and youth in the market.

Women and youth are not prominently placed in the design of policies for entrepreneurship development in the Canton; however, there are a few ad-hoc initiatives that could serve as an entry point to a more systemic inclusion. Several bylaws have been adopted at Entity level (Federation of BiH) that allow for the implementation of financial incentives and Stimulation to specific rural

entrepreneurship segments targeting women entrepreneurs. Through the publicly run Start-Up - Entrepreneurship for Women co-financing programme, 26 women entrepreneurs registered businesses and employed an additional 6 workers. Furthermore, within the programme of incentive grant funding for the development of small businesses in 2019, the Ministry of Economy implemented a special programme for the development of women's entrepreneurship.

Youth entrepreneurship is supported by specific public sector initiatives that target young people. One of these was the Annual Plan for the Implementation of the Youth Employment Programme in Sarajevo Canton in 2018 and the "Job Support Project for youth - START-UP" programme, which formed part of the Annual plan. The aim of these policy interventions was to promote entrepreneurial spirit and encourage young people to start up their own ventures. Another project (supported by the EU) fosters cooperation between the public and the private sector to resolve the problem of young people leaving the country. The project aims also to strengthen the capacities of youth organizations to participate in policymaking related to educational and employment reform, thus enabling them to make an impact and improve policies, rules, and strategies in the fields of employment and education.

## Challenges

Micro businesses in Canton Sarajevo face an unfriendly business environment that can be uncondusive of decent work, since there are long and complicated procedures related to business registration, running businesses, paying taxes, and closing an existing business. According to the World Bank 2020 Doing Business report, Bosnia is ranked 184<sup>th</sup> out of 190 countries in terms of the complexity, cost, and duration of business start-up procedures. These complicated procedures lead to burdens for the business and create a fruitful ground for the development and growth of the informal economy in which businesses are not registered and/or do not declare their profits or employees. Although the digitalization of the public sector has started, it is still not on a very good and efficient operational level. For example, online registration of the business is still not fully possible nor has the tax payment process been simplified.

Entrepreneurs perceive the public sector as largely un-transparent. Interviews and studies reviewed indicate that sometimes ministries act without prior consultation with the private sector, or even other public agencies. Furthermore, the results of public competitions and grants are not always announced, although the awards do get allocated. Entrepreneurs pointed that often the same companies receive incentive grants under public tenders. Also, according to the information received from the Ministry of Economy, their representatives often do not conduct field visits to the beneficiaries of the incentive grants, which may be caused by the lack of capacity and communication between institutions. This showcases the public sector's deficiency of mechanisms for monitoring and evaluating awarded grants.

There seems to be a lack of systemic support for youth and female entrepreneurship and an absence of systemic level collaboration between the public sector and organizations for women entrepreneurs and/or young entrepreneurs. There seems to be no organization in Canton Sarajevo that exclusively represents the interests of female or young entrepreneurs and promotes inclusiveness for these groups and pathways to decent work on their behalf. There is no disaggregated data on gender and youth dynamics in relation to public services to MSMEs (grants, incubations, etc.). This lack of data inevitably impacts how the policy making in the country is informed and contributes to the neglect of a systemic inclusion of women and youth.

Interviewed women and young entrepreneurs also perceive the lack of policy incentives for starting up their business. Women entrepreneurs discussed tax burdens as a particular challenge, especially in the first year of operation. Cash registers are mandatory but are perceived as expensive and hence inaccessible to the population that lacks financial capital to start up. Both young people and women observe that there are no policy incentives for starting up a business and perceive the current policy system as an additional burden instead of an encouragement.

Furthermore, public sector organizations of the ecosystem have been remarked as closed and challenging to work with, since they do not disclose information to the research institutes or universities for example, which directly prevents the academic community from understanding the dynamics and challenges related to new venture creation in the ecosystem.

## Finance

The finance system of Sarajevo Canton is bank dominated with several microcredit organizations operating as part of this sector. The system generally involves high interest rates and unfavourable conditions that discriminate against entrepreneurs and prevent the inclusion of women and young people.

## Positive developments

According to the Strategy for Development of the Sarajevo Canton 2021-2027, the only functional credit guarantee fund in Sarajevo is the Credit Guarantee Fund of the Sarajevo Regional Development Agency - SERDA, which allows for the most favourable capital through interest rate subsidies. According to the same document, SERDA is a reliable financial instrument in supporting the development of start-ups. The Government of the Sarajevo Canton supports the favourable credit lines of the Credit Guarantee Fund and allocates funds to support women entrepreneurs in addition to others. Even not mentioned in the Canton Sarajevo Development Strategy, other guarantee mechanisms became available through partnership of international donors (USAID/SIDA) and commercial banking sector (ProCredit Bank and others).

The public sector supports youth entrepreneurship through different (ad-hoc) public tenders and initiatives that target this group of entrepreneurs and provide them with financial support. To shift towards more strategic approach, Municipality Centar Sarajevo established a Centre for Excellence in Entrepreneurship Sarajevo (CEE). This Centre provides technical, expert, and financial (grant-based) support for emerging entrepreneurs. CEE program follows strategic approach of the Municipality by focusing on ICT, tourism, and businesses in creative industries (opportunity-driven entrepreneurship). The CEE is supported through multiple international projects (EU/ILO) but, as proven support-delivery mechanism, it is now also a channel for delivery of annual municipal incentives for entrepreneurship. To increase its capacity and improve upon the quality of services provided to its beneficiaries, the CEE operates under the umbrella of Local Employment Partnership Centar. This approach results in large and diverse base of mentors for new entrepreneurs.

Organizations of the ecosystem such as student incubator IBU and others serve as intermediaries between young entrepreneurs and foreign and investors from diaspora, particularly when the businesses are oriented towards foreign markets or when the entrepreneurial ideas are applicable outside Bosnia and Herzegovina.

There are different ad hoc initiatives that aim to provide financial resources to women and young people. EU4Business is an initiative implemented jointly by GIZ, the ILO and UNDP and it provides support to businesses and entrepreneurs also in the form of grants. Another example (in 2018) is the "Job Support Project for youth- Start-up", a collaboration between the Sarajevo Canton Ministry of Economy and the Sarajevo Canton Chamber of Commerce that awarded financial resources to 17 business ideas of young entrepreneurs. Some sources of finance are available also through grants provided by the UN agencies, as well as local public and private stakeholders such as Federal Employment Agency, CEFE BiH, Open Society and others.

Some other organizations facilitate access to finance particularly for women, such as the Foundation for Local Democracy that aids with women economic empowerment or the Cantonal Ministry of Economy. Moreover, the Foundation InfoHouse is a donor-based foundation that helps women victims of violence to access financial resources for their ventures.



In its turn, the Foundation Mozaik assists access to finance for young entrepreneurs alone and in collaboration with banks and different stakeholders through two programmes: “All Inclusive” and “Youth Bank”. The Youth Bank is a grant making mechanism founded in 2008 through which young entrepreneurs can obtain up to two thousand Bosnian marks (around one thousand dollars) to test and try out their idea. The Mozaik Foundation also collaborates with the Sparkasse bank and allows young entrepreneurs who have ventures that are maximum five years old to have access to credit through the bank’s social banking channel for which Mozaik provides collateral.

## Challenges

Sarajevo Canton lacks options for quick access to finance for all entrepreneurs, hence also for women and young people, as the financial market is bank dominated. The bank dominated options are discriminatory towards both young people and women, as they typically lack collateral such as land to serve as security for a bank loan. High collateral is also cited by female-led enterprises as a motive for not requesting a bank loan in the first place. A recent study of Bosnia and Herzegovina found that a bank account is held by 92% of female led firms in comparison with 99% of male led ones. The same report revealed that this difference is even greater in internet banking, which is used by 40% of male led and only 28% of female led firms.

Therefore, there is a need to create favourable conditions for crowdfunding, venture capitalists, business angels and especially those initiatives that wish to support only women and/or young people. In addition, there are no options for access to finance or incentives for those entrepreneurs who wish to tackle sustainability issues, transition to green, or be social entrepreneurs.

Access to finance for young people and women in Canton Sarajevo lacks a systematic public sector approach. When it comes to women, even ad hoc initiatives by the public sector to promote easier access to finance appear to be almost non-existent. When it comes to young people, the situation looks somewhat better, but the initiatives that target young entrepreneurs and support their ideas financially are still scarce. A more systematic approach to facilitating access to finance for women and young people that would enable strategic and long-term planning should be ensured.

Women entrepreneurs interviewed reported that their start-up are eligible to apply only for loans and not any other form of financing. Some discussed that loans however are not a viable option for a start-up, since they usually lack initial capital that would serve as a guarantee for banking institutions. At the same time other women reported that they have indeed obtained non-refundable grants through applications with the Employment Agency or non-governmental actors such as CEFE BiH. However, most of them agree that the information on the possibility of any form of financing is not easily accessible.

Young entrepreneurs perceive the non-refundable grants awarded by public or international institutions as the most beneficial form of financial support, which are essential and valuable especially in the early stages of starting up. However, they are concerned about the lack of quick options to finance, in forms of business angels and venture capital. Also, most of the young entrepreneurs would prefer more options for financing in general, if offered by private or public private initiatives. Some of them perceive public sector procedures as slow, complicated, and non-easily accessible. Also, they perceive the public system as non-supportive and rigid because it provides no financial incentives for young people who want to start up, when it comes to the payment of taxes.

## Human Capital

Some of the main actors creating conditions for the development of human capital in Canton Sarajevo are the Government of Sarajevo Canton, the Ministry for Education, Science and Youth, the Chamber of Commerce of Canton Sarajevo, the University of Sarajevo, and all other system of education organizations.

### Positive developments

At the University of Sarajevo, the Centre for Research and Development aims at supporting technological transfer processes and participates in international projects intended to increase the commercialization of knowledge in Sarajevo. One of these projects is Building the Triple Helix Partnership Platform in the Field of Innovation, Knowledge, and Technology Transfer – BITE within the Erasmus + programme which is getting students (and education institutions) an opportunity to access new technologies. Sarajevo University has also developed a functioning technology transfer office that facilitates collaboration between academia and industry. Moreover, the Centre for Entrepreneurship and Knowledge management (CEKM) of the Faculty of Economics at the University of Sarajevo is another important factor contributing to the development of entrepreneurial human capital.

The Government of Canton Sarajevo is now in the process of drafting a law on dual education. Meanwhile, some steps have been taken to promote dual education in schools and within the private sector. The Employers' Federation of Bosnia and Herzegovina in partnership with the public sector is active in organizing events and fairs with the aim of promoting and facilitating dual education in Canton Sarajevo.

The Ministry of Education, Science and Youth and the German Society for International Cooperation support the work of the Experts group for the establishment of dual education in Canton Sarajevo. The Experts group is composed of members from both the public and the private sector. In some high schools' students are exposed to both theoretical and practical knowledge on entrepreneurship because of this work. However, as of 2018 only 10% of primary and secondary schools in Bosnia and Herzegovina had entrepreneurship as a key competence in their curricula (OECD, 2019).

The Employers' Federation of Bosnia and Herzegovina implemented another project that aimed at promoting dual education in Canton Sarajevo, in partnership with high schools, municipalities, as well as the public and private sectors. The project, which was supported by the ILO and EU, resulted in the opening of information desks in three municipalities of Sarajevo Canton, with the aim of informing all members of the local community and promoting the dual education model.

Initiatives that support entrepreneurship in the domains of secondary and tertiary level education seem to be particularly relevant for the development of entrepreneurial human capital, as proven by a recent study conducted on the Motivation of the youth of Bosnia and Herzegovina. The authors of the study found that in Bosnia and Herzegovina those who completed secondary and university level education show more entrepreneurial intention than those with only a primary education on the topic.

### Challenges

One of the challenges for human capital is the continuous brain drain, which also seems to be caused by the complicated procedures related to doing business in the country and the inability of the market to absorb educated human capital, i.e., highly educated graduates and to attract those who studied abroad. Bosnia and Herzegovina is one of the countries most affected by the departure of talented human capital and this has serious implications for the creation of high quality decent jobs in the Canton. According to the Statistical Bulletin 'Demographics' of the Federal Institute for Statistics, even with the significant influx of rural population towards the country's capital, the total population of the Sarajevo Canton for the first time ever in decline (2020-2021 comparison).

With respect to our target group, there seems to be a problem of increased unemployment of young people who graduated from the faculties of social sciences, most of whom are female graduates. This is confirmed by the data from statistical Monthly Bulletin of the Canton Sarajevo Public Employment Institute (June 2022) – top 5 occupations per number of unemployed with university education are all from social sciences and women in this group of unemployed participate with 71,7%. This could indicate that the education system is not in alignment with the market. Furthermore, while dual education seems to be promoted in collaboration with high schools, young people at all levels of education, including university level, are currently not encouraged nor by policies nor educational institutions to engage in internships, voluntary work, and social engagement.

Young entrepreneurs have expressed concern in the lack of entrepreneurship education at all levels. Additionally, student business incubators mentioned the urgency for policy to introduce entrepreneurship and informal education in high school curricula.

Young people experience challenges when hiring workforce. Some expressed difficulties in connecting with the professions they need for their ventures. Some have engaged with the Public Employment Agency, but the agency is perceived as disorganized. Hence, young entrepreneurs usually turn to social networks which have proven to be a more efficient way of reaching out and connecting to the human capital. None of the entrepreneurs pointed out to the University or other ecosystem organizations as useful linkages with human capital.

Women entrepreneurs pointed that lack of motivation and lack of trust are additional barriers to find talent. Entrepreneurs expect their workers to be highly engaged and committed, however they constantly mentioned that there is a lack of motivation in part caused by low wages offered by entrepreneurs. Entrepreneurs also expressed that there is a perception of the private sector being non-transparent and volatile, and small entrepreneurs are often portrayed as business owners who do not possess enough guarantees that would provide steady employment. Most of women entrepreneurs are not planning to hire workers on a long-term contract, and even if they engage with them, it is on a profit sharing or consultancy basis, because hiring is expensive.

Universities are perceived to be somehow disconnected (and sometimes excluded) from spaces of collaboration with policy making and private sector actors. There is no indication of effective evidence-based research for policy making on job matching policies and services, nor institutional links created between universities and sectorial or employers' organisations that include small entrepreneurs.

Finally, IT expertise is particularly expensive for entrepreneurs. Even though it is very much demanded by many entrepreneurs, IT trained human capital is absorbed by large domestic and foreign companies that can offer better pay for their work.

## Support

The main stakeholders providing support services in the form of coaching, mentoring, and training for entrepreneurs in Canton Sarajevo are the public sector, donor-based programming, foundations, some private sector actors, student incubators and co-working spaces, university centres, and the Employers' Federation.

## Positive developments

The Canton of Sarajevo in alliance with the University of Sarajevo, the Institute of Economics Sarajevo, and the Youth Employment Project (YEP), launched an Entrepreneurship Support Programme through the YEP Incubator of Business Ideas where they offer both financial and mentoring support to students and unemployed persons. The Economic Faculty of the University of Sarajevo works with the Business Advisory Board that gather thirty-five largest private and public companies in Bosnia and Herzegovina. The Board supports young students financially but primarily through mentoring. The

IBU student incubator is another organization that provides support to the high school and university students entrepreneurs. There is also the GrowUp Business and Innovation Hub, a student incubator targeting university students.

The Canton often launches ad-hoc initiatives partnering with the Sarajevo Canton Ministry of Economy and the Sarajevo Canton Chamber of Commerce, for example, to provide services for young entrepreneurs, like the “START-UP” project that provided young entrepreneurs with 60 hours of training conducted by the University of Sarajevo.

There are foundations such as Foundation 787, Foundation for local democracy of Sarajevo and Foundation InfoHouse that provide services for women entrepreneurs, with variations in the prioritisation of their target group (women victims of violence, single mothers, and unemployed women). Services often focus on capacity building in entrepreneurship knowledge and skills through coaching and mentoring.

The Centre for Research and education Nahla is another ecosystem organization that aims at strengthening female entrepreneurship through various activities and projects and connects them to different resources needed for setting up and running a business. They are also establishing an informal network of businesswomen.

Finally, Foundation Mozaik, is an organization that helps young people in Bosnia and Herzegovina to register and run their social businesses in the country. They build young people soft and hard skills related to entrepreneurship and introduce them to other organizations in the ecosystem.

Increasing number of co-working spaces is becoming available for entrepreneurs. This includes [Networks](#), [Tershouse](#), [Homework HUB](#), AABH Creative Hub, HUB 387, CosmoHub, Nest71, and others. In general, listed co-working spaces mainly focus on provision of a space for company registration and daily operations, and are yet to achieve significant results in entrepreneurial community-building and networking. Initial efforts in this regard have been hampered by the limitations imposed by the Covid-19 pandemic.

## Challenges

Most of the systematic and regular support services target the “general population” of entrepreneurs, while those directed at women and young entrepreneurs appear to be on a project and an ad hoc basis. There is no specialized association or incubator targeting female entrepreneurs.

Public sector organizations that provide mentoring, such as Municipality Novo Sarajevo, discussed the need for mentoring and coaching training to their staff. Universities and organizations of the ecosystem that facilitate informal education and entrepreneurship mentoring often discussed the need for additional financing that would allow them to create and pay for a sustainable network of mentors.

Furthermore, while it seems that the IT sector is one of the fastest growing in Sarajevo Canton, there is no structured support services in the form of specialized science parks, incubators, accelerators or similar that would support human capital development for women and young people in this sector. Women entrepreneurs are particularly vulnerable as the IT sector is male dominated both in the market and in the sphere of education.

Most of women and young entrepreneurs we interviewed use mentoring and coaching services provided by the various stakeholders in the Canton Sarajevo ecosystem, but they rarely participate in business incubation or acceleration programmes. They also report lack of knowledge about what these programs represent. Moreover, none of the interviewees was aware of any support programme that promoted sustainability and entrepreneurship.

The support women and young people receive is perceived as useful in the very initial stages of setting up their venture. Young people perceive the benefits of support that promote also networking but would appreciate to see more of these, since they often lack personal contacts and knowledge of the people in the ecosystem environment. Many of our interviewees are not aware of specific support or networking events that would target young people and/or women entrepreneurs.

Topics related to marketing, digital marketing, and consulting are what all entrepreneurs we interviewed expressed needing coaching with, both in the initial and later stages of setting up and running their business.

## Culture

All the efforts of policy makers, public and private sector organizations, NGOs, organizations of the system of education, support organizations and the media that follow and promote entrepreneurship are somehow directed towards creation of the entrepreneurial culture.

## Positive developments

Every actor approached for the making of this report remarked the importance of a better culture of entrepreneurship in Sarajevo. Some initiatives like Foundation 787, CEFE BIH, EU4Business, and Open Society, are promoting entrepreneurial culture, by providing support services, encouraging entrepreneurial behaviour, education, and creativity, and promoting success stories.

There are scarce but relevant events such as the regional Days of Women Entrepreneurs conference held in Sarajevo in 2019. The conference provided a platform for women to partake in sharing information and obtain feedback on their work and on how policy could better support them. The annual Career and entrepreneurship opportunities (CEO) conference organized by the University of Sarajevo is the largest event of its kind for young people in the region and serves to connect them with highly successful entrepreneurs. As a result, young people gain opportunities, knowledge, and inspiration. Another example is the Sarajevo Innovation Summit, the first innovation summit in the region.

There are proven success models with student incubators; however, they need to be scaled, as they are currently challenged with expanding their base and with low connection with other actors in the ecosystem.

## Challenges

Generally, entrepreneurship is not perceived as an aspirational goal for people in Sarajevo. Entrepreneurship is deemed as a risky and less valuable career path than a government job, or a steady job at a large corporation. There are many social connotations between entrepreneurship and a culture of informality.

Poor entrepreneurial institutional support for entrepreneurs, an insufficiently developed entrepreneurial infrastructure and an unfavourable business climate create difficult conditions for the development of an entrepreneurial culture that nurtures opportunity-driven entrepreneurship. Most of the existing policies for women entrepreneurs in Bosnia and Herzegovina target necessity-based entrepreneurs.

There seems to be a lack of sources of inspiration and role models for women and young entrepreneurs. Even though there are some sporadic events gathering entrepreneurs, these expressed consistently the need of more meeting points and spaces to showcase other women and young entrepreneurs. Young people believe that events and panels on the topic of entrepreneurship, that promote success

stories as well as those of failure, would be greatly beneficial for raising societal awareness and support to entrepreneurship. There seems to be a void for actors to play the role of gatherers, organisers and provide networking opportunities at the cantonal scale.

There is a disconnection between entrepreneurship organisations and women-focused organisations and programmes. The latter are perceived as “light” and “philanthropic” by business support services actors. In consequence, most of the available offer for women entrepreneurs do not consider their reality. In Sarajevo women manifested to have a disproportionated responsibility in family obligations than men, which has an impact in their capacity to run a business.

The culture surrounding green businesses and greening of businesses seems to be low in the general society, according to entrepreneurs, and not promoted enough through the work of the public or private sector. Young entrepreneurs interviewed generally showed more awareness about sustainability issues when compared to middle-aged entrepreneurs interviewed. Ecosystem organizations exhibit low activity in support for sustainability, with some exceptions, such as the case of Mozaik Foundation that invests in green ideas and promotes green entrepreneurs by granting them access to national and regional networks.

## Markets

The Canton of Sarajevo has a total population of 413,593 and is the most economically developed region of Bosnia and Herzegovina, and the largest city. The most developed industries of the Canton are IT, tourism, food processing and manufacturing. In general, the market in Bosnia and Herzegovina is dominated by the export of semi-finished products with low added value and low or medium technological intensity. Some of the main players assisting companies connected with the market in Sarajevo are the Chamber of Commerce, the Chamber of Crafts, and Startup Studio.

The IT sector in Sarajevo represents around 60% of this industry in Bosnia and Herzegovina. Foreign direct investments are low in the Canton, while most of the technology is imported.

## Positive developments

Some organizations of the ecosystem, in particular the Chamber of Commerce act as facilitators between customers and women or young entrepreneurs, e.g., through fairs, exhibitions and similar. As an example, Foundation 787 provides specific support that facilitates access to the market through networking for women and young people. Another example is the Foundation Mozaik that can hire a salesperson who sells for young entrepreneurs until they are able to do so.

Several service providers are offering digital marketing support programs for entrepreneurs, namely Centre for Excellence in Entrepreneurship (training and mentoring program), CPE (training), academy387 (training), OAK (online training), IT Academy (training), and alike.

Some results have been achieved in using BH diaspora as an entry point for export of products and services, primarily to the EU market. Several projects, supported by international donors have been engaged in this field, namely [I-Platform](#) and [Diaspora for Development](#) (supported by Swiss Agency for Development and Cooperation), and [Diaspora Invest](#) (supported by USAID).

## Challenges

While the IT sector in Canton Sarajevo is export oriented, the absorption capacity of new technology in the Canton is low, due to poor quality education, low investment in human capital as well as research and development.

Most of the ecosystem actors focus their support on the incubation period, hence there is not much support available in connecting entrepreneurs with markets, let alone for women and young people. Based on our interviews, women entrepreneurs access the market through personal networks including social media channels. Social media in this regard is used to access both the local and regional market.

Furthermore, a recent study on the current state of entrepreneurship support for young women in Bosnia and Herzegovina found that help is needed regarding training in how to conduct market research for non-university educated women who are willing to start their own business.

Young entrepreneurs also largely connect and access the market through social networks or personal channels. They report that networking events that promote access to the market and to potential customers are greatly needed and beneficial. They appreciate trainings on market functioning and dynamics, market analysis and competition. Unfair competition is something young people perceive as problematic and as such it is preventing them from participating and looking more actively into the networking events. The role of the ecosystem organizations and actors as intermediaries between the entrepreneurs and different market related resources is also perceived as needed and as an essential form of help.

## ► Priority pillars: examining their constraints and proposing interventions

### Selection of pillars

To identify the priority pillars the ILO methodology proposes to score each pillar using the following criteria:

**Criteria 1:** How is the target group (TG) excluded from the dynamics of the pillar: 10 = very excluded; 0 = not excluded at all

**Criteria 2:** How is the pillar un-conductive of Decent Work: 10 = very un-conductive; 0 = very conducive

**Criteria 3:** Overall main constraints in the pillar (affecting all actors in the ecosystem, not focused on the TG): 10 = many relevant constraints; 0 = not relevant constraints

**Criteria 4:** Overall positive developments in the pillar (affecting all actors in the ecosystem, not focused on the TG): 10 = many relevant positive developments; 0 = not relevant positive developments

**Criteria 5:** Ecosystem's capacity to address identified constraints: 10 = high capacity of the ecosystem; 0 = low capacity of the ecosystem

Given the above overview of the state of the entrepreneurship ecosystem in Sarajevo, it is noticeable that there are many challenges and opportunities to better include women and young people in the ecosystem. To do this, the ILO methodology proposes a prioritisation of pillars to ensure a deeper analysis of some of the identified challenges, understand the underlying constraints behind these challenges, recognise the key actors that need to be involved in potential solutions, and propose systemic solutions that are implementable based on the will and skill of actors in the ecosystem.

The selection of pillars aims at identifying pillars with a healthy balance between the overall constraints and the capacity to influence change in the pillar. This means that not necessarily the pillars with biggest problems are the ones being selected, but those with the highest final score when adding up the five criteria.

The research team presented the state of the ecosystem to an ILO panel, and together, analysed and scored each pillar under the five criteria. The average results and the final score of each pillar can be found in table X.

	How is the TG excluded from the dynamics of the pillar	How is the pillar un-conductive of DW	What are the overall main constraints (services, policies, goods, actors) in the pillar	What are the overall positive developments (services, policies, goods, actors) in the pillar	Ecosystem's capacity to address identified constraints	Final score of the pillar
Policy	7	8,4	7,8	6	3	32,2
<b>Human Capital</b>	<b>5,7</b>	<b>5,7</b>	<b>8,5</b>	<b>8</b>	<b>10</b>	<b>37,9</b>
Finance	8	7,2	7,1	5,4	5,1	32,8
Markets	5,5	5	7	6,6	7,6	31,7
Support	5,1	5,7	7	7,7	9,1	34,6
<b>Culture</b>	<b>8,8</b>	<b>7,8</b>	<b>4,8</b>	<b>6,5</b>	<b>7,2</b>	<b>35,1</b>



The pillars selected for further analysis and subsequent design of interventions: Human Capital and Culture. As shown in table X, the challenges mapped in the Human Capital pillar and the positive developments within them are amongst the highest of all pillars, meaning that there will be opportunities to leverage some of the existing assets in the ecosystem to overcome the important challenges. This would also explain why it ranked the highest in the ecosystem's capacity to address identified constraints.

The score in the Human Capital pillar is mainly due to the multiplicity of actors creating conditions for the development of human capital in Canton Sarajevo, such as the Government of Sarajevo Canton, the Ministry for Education, Science and Youth, the Chamber of Commerce of Canton Sarajevo, and the University of Sarajevo; and their willingness to innovate and design pertinent strategies to serve the demand of the ecosystem. However, brain drain, the premise that the education system is not in alignment with the market, the lack of entrepreneurship education at all levels, and the challenges faced by young entrepreneurs when hiring workforce are problems yet to be solved by these actors.

In the case of the Culture pillar, it is noticeable that the pillar ranked the highest in the exclusion faced by women and young people and came in second in how uncondusive the dynamics of the pillar are to decent work opportunities. The exclusion faced by the TG could be explained due to the scarcity of sources of inspiration and role models for women and young entrepreneurs, the void for actors to play the role of gatherers, organisers and provide networking opportunities at the cantonal level, the disconnection between entrepreneurship organisations and women-focused organisations and programmes. And in the case of un-conduciveness for decent work, the reality that entrepreneurship is not perceived as an aspirational goal for people in Sarajevo and that it is deemed as a risky and less valuable career path than a government job, or a steady job at a large corporation; makes it a hard space to develop job opportunities.

With the selection of these two pillars, an additional round of interviews and in-depth analysis of the challenges within each of them was undertaken to understand the underlying constraints and identify key stakeholders and their capacity and willingness to adapt towards an inclusive and functional pillar. This analysis ends with the proposition of key interventions, rooted in the capacities and incentives of the identified actors.

All the proposed interventions follow a logic of *ecosystem facilitation*. This means **to provide temporary support to ecosystem actors that lead to lasting improved inclusive outcomes**. The proposed interventions seek to stimulate ecosystem actors to adopt new and/or improved roles that are aligned with their mission and overall strategic objectives.

## Priority Pillar 1: Culture

In the culture pillar, eight main challenges were identified through the research.

- ▶ Poor institutional support culture to develop opportunity-driven entrepreneurship among women.
- ▶ Entrepreneurship culture is linked to the informal economy.
- ▶ Insufficiently developed entrepreneurial platforms.
- ▶ Lack of policies that would support the development of an entrepreneurial culture to support female entrepreneurs.
- ▶ Lack of a culture of structural support for young entrepreneurs.
- ▶ Environmental culture and services are not mainstreamed in the ecosystem.
- ▶ Need to link better women and young entrepreneurs with the diaspora.

These challenges were presented and validated by key stakeholders in the ecosystem in a workshop in Sarajevo. In it, participants considered that four of these challenges were a priority given the ecosystem's capacity to affect change. Subsequently, those four were subject of further analysis by participants. These are the four main challenges and its' analysis:

- **Challenge 1:** Poor institutional support culture to develop opportunity-driven entrepreneurship among women.

The organizations that work on the promotion of female entrepreneurship are perceived to be isolated in their mission and are considered more as assistance organisations than developmental actors of the ecosystem. They lack a culture of developing opportunity-driven entrepreneurship among women.

The low level of dialogue between the organizations of the ecosystem, in the form of both information sharing and consultation, contributes to the absence of services catered to women's needs, and to the poor knowledge of women on existing ad-hoc support.

Generally, entrepreneurship is portrayed in policy documents as one mitigation strategy for social programmes (women in this case). Expecting vulnerable categories to drive entrepreneurship alone is a problem when integrating women in the ecosystem.

Underlying constraint: Ecosystem organizations that promote female entrepreneurship are perceived to be isolated from the other business support service providers.

**Proposed interventions:**

- a) *Clubs of women entrepreneurs:* Work with NGOs like Foundation of Local Democracy and CEI Nahla and women's networks like Safe Network to help strengthen their capacities of representation and social dialogue. Help these clubs in the development of key agenda items to be discussed with the municipality and develop new spaces for the clubs to establish dialogues with key ecosystem actors.
- b) *ILO's Women's Entrepreneurship Self-Check (WE-Check):* Approach key business development service providers (BDSPs) such as CEFE BiH, SERDA, Nahla and assist them in the development of an institutional self-assessment of the extent to which they target and serve women entrepreneurs, to improve their performance and enhance their impact and sustainability. With the findings of this assessment, WE Check supports organisations to develop an evidence-based action plan to implement activities to pilot their improved offer to women entrepreneurs. WE Check focuses on three key assessment areas: clients and outreach, products and services and strategy and operations.  
  
Install the capacity and methodology of WE-Check in actors in the ecosystems such as Finex Ltd, or Net Consulting (to name a few) for them to offer these services to organisations in the ecosystem.
- c) *Integrated entrepreneurship policies:* Work with the Cantonal government to review the existing policies and propose a switch in form and substance to switch from a vulnerable-oriented entrepreneurial policy to a development-oriented one.

- **Challenge 2:** Insufficiently developed entrepreneurial platforms.

There is an insufficiency of platforms for different ecosystem actors to meet, cooperate, share knowledge, align their message, and work together. This is even more pronounced in the case of spaces for encounters between women and/or young people. Consequently, there are very few sources of inspiration/role models for young and female entrepreneurs.

Underlying constraint: Insufficient spaces for diverse ecosystem actors to cooperate, share knowledge and highlight the participation of women and young entrepreneurs.

**Proposed interventions:**

- d) *Support the development of spaces to inspire entrepreneurs:* Work with actors such as HUB387, Foundation Mozaik, International Burch University, CEFE BiH, Tershouse, and BC in scaling up their event management business models, to ensure a yearly calendar of events for entrepreneurs to be inspired. Events such as Fuck Up Nights, National Entrepreneurship Week, bootcamps, hackathons, beer/wine/coffee talks, Days of Women Entrepreneurs conference, CEO Conference, IEEE Innovation Nation, among others.
- e) *Establish ecosystem coordination spaces:* Strengthen the capacities of key ecosystem actors to serve as Sarajevo ecosystem's anchor, by designing spaces to link different actors in the ecosystem. For example, investors and incubators with young people through pitch competitions. Or incubators, entrepreneurs and the wider market in startup launching pads. Mentoring camps between the diaspora and industry leaders and young entrepreneurs; and other meetings, panels, and workshops to better connect the diverse actors.

▶ **Challenge 3:** Lack of structural support for young entrepreneurs.

Entrepreneurship support programmes for students and young people exist in ad-hoc basis. There are a few students' incubators that work, but these are very limited in terms of young people they can cover and services they can provide.

Underlying constraint: Insufficient student incubators.

**Proposed interventions:**

- f) *Support the scaling up of student incubators:* Work with The IBU student incubator and with GrowUp Business and Innovation Hub to scale up their proven models into a much bigger reach.

▶ **Challenge 4:** Environmental culture and services are not mainstreamed in the ecosystem.

There appears to be very few programmes and actors linking entrepreneurship promotion and environmental sustainability. Entrepreneurship as a contributor to environmental sustainability is not promoted in educational institutions, and it is covered to a limited extent by ecosystem support organizations. Even though Sarajevo struggles with major environmental challenges, there seems to be no incentives for businesses to aim at achieving environmental goals, nor in helping businesses being more conscious of their environmental impact.

Underlying constraint: Limited capacity of entrepreneurs to turn environmental challenges in solutions by viable business models.

**Proposed interventions:**

- g) *Establish green business plan competitions:* Work with actors such as Mozaik Foundation and Centre for Excellence in Entrepreneurship Sarajevo to establish a regular business plan competition that awards seed capital for green initiatives relevant to the environmental problems of Sarajevo.

## Priority Pillar 2: Human Capital

In the human capital pillar, seven main challenges were identified through the research.

- Brain drain.
- Young people do not engage in internships nor voluntary work.
- Women entrepreneurs face lack of motivation, education and trust when seeking to hire workforce.
- High costs of hiring workers poses difficulties for young and women entrepreneurs.
- Young entrepreneurs lack entrepreneurship education.
- Challenges linking entrepreneurs with skilled labour.
- Matching between labour market and education.

These challenges were presented and validated by key stakeholders in the ecosystem in a workshop in Sarajevo. In it, participants considered that three of these challenges were a priority given the ecosystem's capacity to affect change. Subsequently, those three were subject of further analysis by participants. These are the three main challenges and its' analysis:

### ► **Challenge 1:** Young people do not engage in internships nor voluntary work.

While some higher educational institutions, such as the University of Sarajevo and others, promote engagement of students with internships and social engagement, as well as the transfer of university knowledge to the market, it is not enough to make it a common practice amongst young people. Even though some opportunities do exist, these do not spark the interest of young people.

Such programs are not structured, valued, and promoted in a systemic manner by the education system and institutions. Individual examples, initiated by the private sector and/or youth organisations fails to get recognition as projects aimed at this issue often have short lifespan and limited scope.

Underlying constraint: young people are not motivated to do internships nor voluntary work.

### **Proposed interventions:**

- h) *Intern at a Start-Up:*** Work with the University of Sarajevo, FabLab and Step by Step to start a dynamic internship programme in startups. The University of Sarajevo and other universities participants would play the role of promoting the programme amongst their students, while other ecosystem organisation would work with startups and establishing an inventory of internship needs. The adopted model could be sustained by the inclusion of fees by startups to have the opportunity to participate in the programme to access young talent.

▶ **Challenge 2:** Young entrepreneurs lack entrepreneurship education.

Young entrepreneurs expressed concern about the absence of entrepreneurship education throughout their academic life.

Underlying constraint: Lack of capacity for the promotion of entrepreneurial learning in schools (teachers seem to be unequipped to implement entrepreneurial learning methodologies).

**Proposed interventions:**

- i) *Outsourcing entrepreneurship learning programs:* Work with interested public and/or private universities to develop and pilot a model of outsourcing entrepreneurship education in collaboration with existing *local employment partnerships* in Sarajevo, as they have accumulated significant entrepreneurship-support capacity.

Underlying constraint: Schools don't understand how to operationalise the entrepreneurship education policy.

**Proposed interventions:**

- j) *Entrepreneurship Education Policy Toolkit:* Work with the Ministry of Education of the Sarajevo Canton to develop an implementation toolkit of the existing policy to help education institutions in their awareness of the policy, to outline models and examples of implementation, and establish mechanisms of dialogue with the Ministry.

▶ **Challenge 3:** Challenges linking entrepreneurs with skilled labour.

Entrepreneurs in Sarajevo experience many challenges when hiring workforce. Some mentioned how difficult it is to find people with the professions and skills that their business require, as there seems to be a mismatch between available labour force and jobs. Both young entrepreneurs and women are limited to personal networks to connect with the workforce they need. In turn, none of the entrepreneurs pointed out ecosystem organizations as useful linkages to human capital.

Underlying constraint: Lack of ecosystem support organizations efficiently linking entrepreneurs with human capital.

**Proposed interventions:**

- k) *Labour matching services:* Work with the Public Employment Service and Canton Sarajevo Ministry of Labor, Social Policy, DPs and Refugees, Public Employment Service, Canton Sarajevo Ministry of Economy, and CEFEBiH to pilot a scalable model of labour matching services catered to the needs of startups and young people.
- l) *Employment fairs:* Work with Public Employment Services and Infohouse in establishing thematic employment fairs in where startups are targeted to present their opportunities.

## Ecosystem interventions in a nutshell

When applying interventions to address the challenges of the Human Capital and Culture pillars, positive spillovers are expected to affect other pillars of the ecosystem. Hence, these interventions do not only involve improvements in the prioritized pillars, but in the ecosystem as a whole. Likewise, not only interventions rooted in the Culture and Human Capital pillars can improve the functioning of these priority pillars. That is, interventions rooted in actors of other pillars of the ecosystem may also contribute to the improvement of the culture and human capital dynamics.

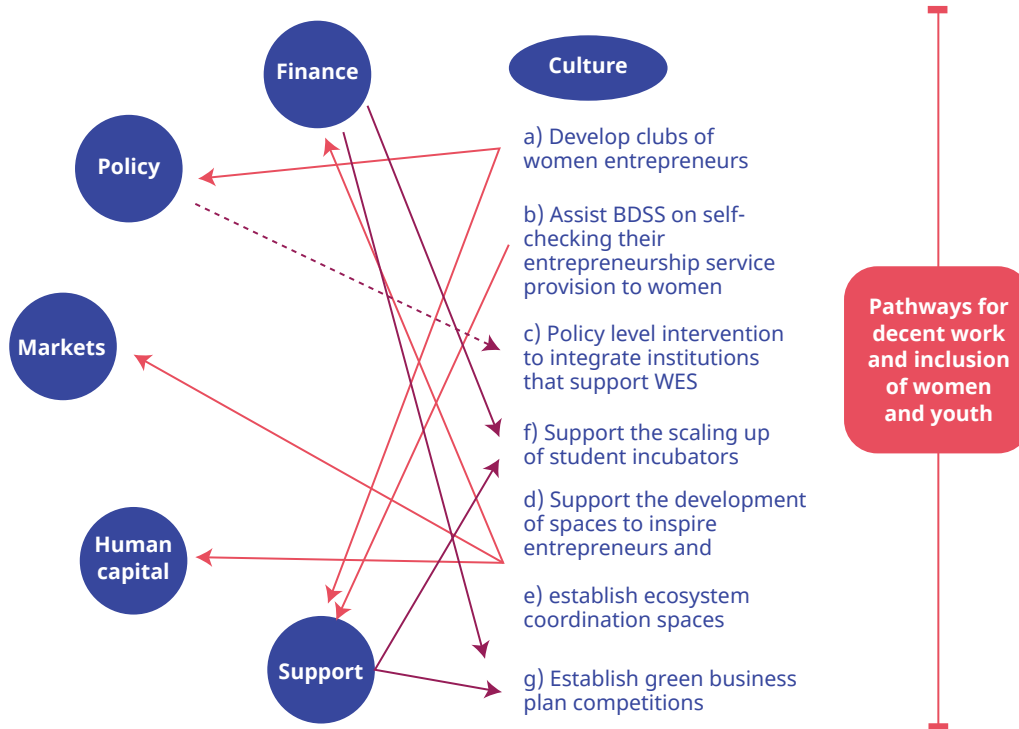
In other words, there are two ways in which the interventions are interconnected with other pillars of the ecosystem: i) when focusing on the core characteristics of the priority pillar of reference, they often generate positive spillovers on other pillars of the ecosystem; ii) when working with actors from other pillars of the ecosystem help addressing the constraints of the priority pillar of reference. The next subsection illustrates the way that the interventions proposed in this study are associated to other pillars of the ecosystem.

### Culture

Figure X looks at the culture pillar. The interventions designed to address the poor institutional support for women entrepreneurs are associated mainly to the support and policy pillars. The development of clubs of women entrepreneurs is expected to affect both the policy and the support pillars, since the purpose of this intervention is to strengthen women's capacity of dialoguing with key ecosystem actors that exist in these pillars. The assistance to BDS providers on self-checking the inclusiveness of their entrepreneurship provision to women has an influence on the support pillar, since it proposes ways to structurally improve the offer of entrepreneurial support services to women entrepreneurs. Also, the policy-level intervention is influenced by changes in the policy pillar because it requires the design and implementation of new policies to address the issue of poor institutional support for women entrepreneurs.

In turn, the interventions proposed to address the challenge of insufficiently developed entrepreneurial platforms are likely to have a greater influence on the pillars of market, finance, and human capital. More specifically, the support to the development of spaces to inspire entrepreneurs and the establishment of ecosystem coordination spaces intend to link different ecosystem actors in platforms for knowledge sharing, including knowledge about doing business, possible sources of funding and new market opportunities.

Concerning the support to the scaling up of student incubators as an intervention to address the lack of structural support for young entrepreneurs, this is mainly influenced by improvements in the support and finance pillars, since the idea is to offer more financial and non-financial entrepreneurship support to students. Likewise, the support to business models that are based on solutions for environmental challenges through the establishment of green business plan competitions is also influenced by the support and finance pillars, since it is also an intervention that requires more financial and non-financial support to that specific purpose.



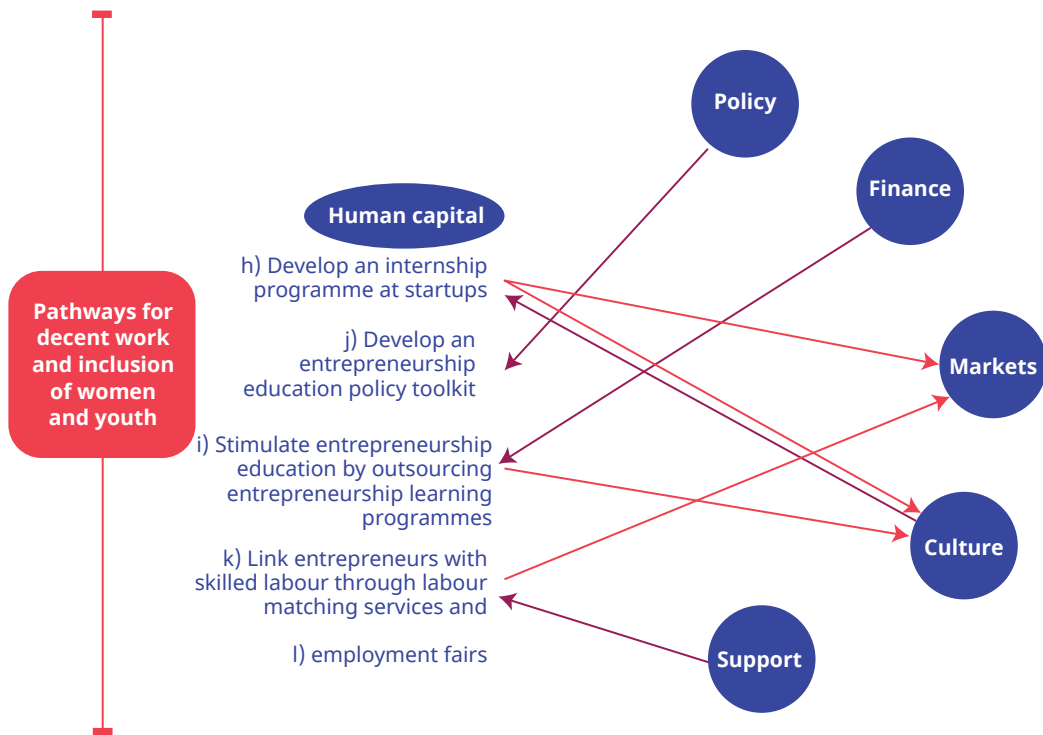
The red arrows refer to when the intervention focuses on core characteristics of the culture pillar and generate positive spillovers on other pillars. The purple arrows refer to when the intervention works with actors from other pillars of the ecosystem to help improving challenges of the culture pillar.

## Human Capital

Figure XX looks at the human capital pillar. The development of an internship programme at start-ups is associated with the culture pillar in two ways, being influenced by and having an influence on the pillar. First because it requires a change in the start-ups' culture of hiring. Second, because it is likely to have an influence on students' perception of entrepreneurship, both in terms of starting their own business and of building their career in micro and small enterprises. Also, this intervention is associated with the markets pillar since it provides entrepreneurs with a source of access to new labour markets.

The development of an Entrepreneurship Education Policy Toolkit is associated with the policy pillar, since it requires the design, implementation and awareness raising of new policies. In turn, the outsourcing of entrepreneurship learning programmes is mainly linked to the culture pillar, because it is likely to influence the perception of students about the entrepreneurial career. This intervention may also require access to funding and thus be influenced by the finance pillar, if education learning programmes are combined with a broader approach with the purpose of kicking off business ideas conceived by students.

Finally, the interventions proposed to link entrepreneurs with skilled labour are mainly associated with the support and market pillars. More specifically, both employment matching services and employment fairs are support platforms that can help linking entrepreneurs with human capital, thus offering entrepreneurs a new source of access to the supply of labour.



The red arrows refer to when the intervention focuses on core characteristics of the human capital pillar and generate positive spillovers on other pillars. The purple arrows refer to when the intervention works with actors from other pillars of the ecosystem to help improve challenges of the human capital pillar.



## ▶ Conclusions

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It is evident that Sarajevo has major challenges to create a dynamic culture around entrepreneurship. The reports also outline major constraints entrepreneurs face when hiring and retaining qualified labour. By applying the ILO's Inclusive Entrepreneurship Ecosystem Framework, this report presents the root causes behind these challenges, and proposes ways forward to better include women and young people in the dynamics of the ecosystem. The report also demonstrates how the solution to these challenges rely on a multiplicity of actors and processes throughout all pillars of the Entrepreneurship Ecosystem.

The proposed interventions seek to follow the principles of *ecosystem facilitation*. Each recommendation proposes to provide a temporary and specific support to one or several ecosystem actors, so that they can modify or adopt new behaviours that are beneficial for their own mission, and crucially inclusive for women and young people. This facilitation is based on the premise that, in order to achieve lasting improved inclusive outcomes in the ecosystems, the actors need to be incentivised in maintaining the new behaviours regardless of the support of a project.

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