



Founded by the European Union



International
Labour
Organization

giz Deutsche Gesellschaft
für Internationale
Zusammenarbeit (GIZ) GmbH



► Women and youth in Banja Luka entrepreneurship ecosystem

Promoting inclusive entrepreneurship ecosystems for women and youth

Jasna Pockek, Drago Gveric and Luana Ayala
Enterprise Department and Country Office
for Central and Eastern Europe





► Women and youth in Banja Luka entrepreneurship ecosystem

Promoting inclusive entrepreneurship
ecosystems for women and youth

Jasna Pocek, Drago Gveric and Luana Ayala

Enterprise Department and Country Office for Central and Eastern Europe

May 2022

▶ Contents

▶ Introduction	7
Bosnia and Herzegovina – Economic Outlook	7
▶ Methodology	16
The Entrepreneurship Ecosystem Framework.....	16
Core pillars	16
The cross-cutting dimensions	17
The step-by-step implementation model.....	18
▶ Status of Banja Luka’s entrepreneurship ecosystem for women and youth	19
Policy	19
Positive developments	19
Challenges.....	20
Finance.....	20
Positive Developments.....	20
Challenges.....	21
Human Capital.....	21
Positive developments	22
Challenges.....	22
Support.....	23
Positive developments	23
Challenges.....	23
Culture.....	24
Positive developments	24
Challenges.....	25
Market.....	25
Positive Developments.....	25
Challenges.....	26
▶ Priority pillars: examining their constraints and proposing interventions	27
Priority Pillar 1: Support	29
Priority Pillar 2: Markets.....	32
Ecosystem interventions in a nutshell.....	34
Support.....	34
Markets.....	36
▶ Conclusions and final recommendations.....	37
▶ References.....	38

“This publication was produced with the financial support of the European Union and the German Federal Ministry for Economic Cooperation and Development. Its contents are the sole responsibility of International Labour Organisation and do not necessarily reflect the views of the European Union or German Federal Ministry for Economic Cooperation and Development”.

▶ 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 to Banka Luka focusing on women and young entrepreneurs. The Inclusive Entrepreneurship Ecosystem Framework aims to support the development of inclusive entrepreneurship ecosystems that help entrepreneurs build sustainable businesses. It is implementation- and impact-oriented, and builds on the experience of the ILO in promoting entrepreneurship, as well as its Decent Work Agenda.

To apply the ILO's six pillars approach: policy, finance, support, culture, human capital and market, with its two cross-cutting dimensions - inclusiveness and pathways to decent work- the report is based on the analysis of secondary material and in total forty-four interviews, collected in two rounds as well as a validation workshop with the representatives of the ecosystem and women and young entrepreneurs.

The following report details the findings of the entrepreneurship ecosystem analysis for women and young people in Banja Luka. It also aims to present the challenges and positive developments that women and young people face in all pillars of the ecosystem. Two pillars were selected as priorities to ensure a deeper analysis of some of the identified challenges, the support and market pillars. The support pillar refers to the variety of support services available to entrepreneurs, and the Markets pillar refers to the availability of and access to markets for the target groups. Proposed interventions were developed following 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.

Bosnia and Herzegovina – Economic Outlook

In the context of **entrepreneurship**, Bosnia and Herzegovina (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.

Developing the conditions for entrepreneurship in BiH is part of a broader landscape: the transition from a state mode of production to a market economy that started in 1990. A relevant element of this transition process is the reforms introduced to establish a regulative and institutional environment as instruments that would support the work of businesses and a market-based economy. Such a transition was, however, slowed down due to the war and the subsequent political instability that affected all former Yugoslavian countries. As a result, at present, Bosnia and Herzegovina 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.

After the war from 1992-1995, Bosnia and Herzegovina is characterized by a fragile political situation. It is organized into two entities: The Federation of Bosnia and Herzegovina and Republika Srpska governed by their own constitution, laws and institutions. Apart from the two entities, there is also Brcko District – an autonomous administrative unit under the sovereignty of Bosnia and Herzegovina. The federation of Bosnia and Herzegovina is further divided into Cantons (10) that have their own government and laws. Cantons are composed of cities and municipalities.

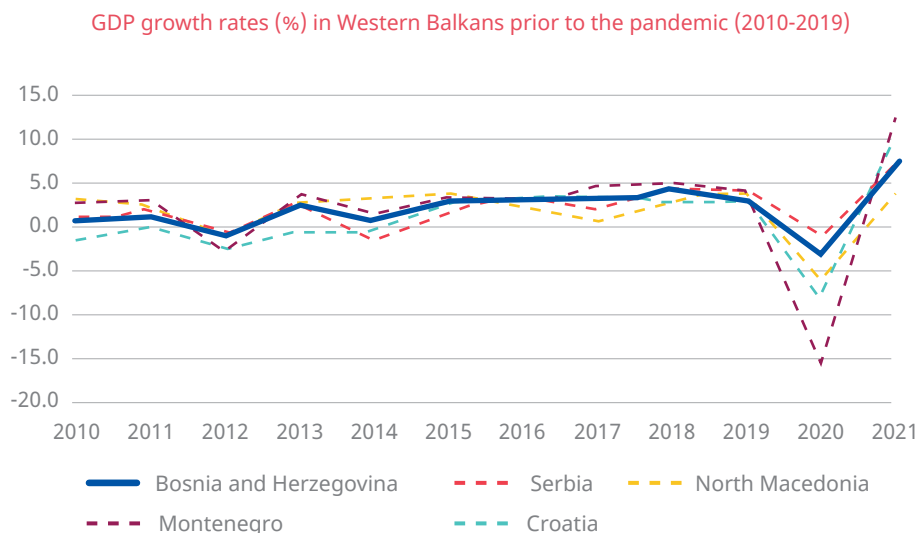
GDP growth and structure of the economy

As shown in *Figure 1*, between 2015 and 2019, Bosnia and Herzegovina's economy has grown on average at 3.2% annual growth (World Bank, 2021), similarly to the other economies of the west Balkan region. However, when the global COVID-19 pandemic hit in 2020, the country witnessed a steep decrease in GDP of -3.1% (World Bank), as shown in *Figure 2*. The impact was nevertheless weaker than other regional economies (-8.1% for Croatia, -6.1% for North Macedonia and even -15.3% for Montenegro), as illustrated in *Figure 1*, most likely because tourism is relatively less critical for BiH's economy than others, such as Montenegro or Croatia.

A substantial decrease in industrial production and the service sector marked the economy. Of all sectors, industry, trade, transport, and accommodation recorded the most significant decline in real gross value added. Concerning the service sector activities, the most affected were those depending largely on the arrivals of foreign tourists and citizens living abroad.

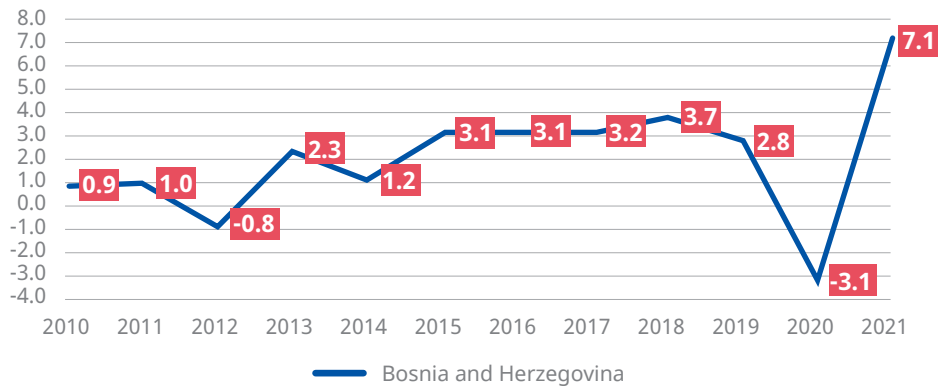
However, economic activity increased in the first quarter of 2021. According to official statistics, domestic spending and foreign demand grew strong despite the strong effects of the third wave of the pandemic, bringing the real GDP rate to an unexpectedly high level.

► **Figure 1. GDP growth rates (%) in Western Balkan countries pre-pandemic period (2010-2019)**



Source: World Bank, [World Development Indicators](#), Bosnia and Herzegovina highlighted

► **Figure 2. GDP growth rates (%) in Bosnia and Herzegovina (2010-2021)**



Source: World Bank, [World Development Indicators](#), Bosnia and Herzegovina highlighted

Like most countries in the Western Balkan region, Bosnia and Herzegovina is a net importer with a negative trade deficit. The countries from which BiH imports the majority of its goods are Germany with 1.3 billion US dollars of imports in 2019 (approximately 12% of total imports), Italy (12% of total imports), Serbia (11.1%), Croatia (10.4%), China (7.4%) and Turkey (4.9%) (World Integrated Trade Solution, 2021). When it comes to exports, Germany again features as the main destination of goods produced and exported by firms in BiH, with 958 million US dollars (14.6% of total exports), followed by Croatia (12.2%), Serbia (11.4%), Italy (11.3%), and Austria (9.5%).

SMEs play an important role in BiH’s economy. The largest share (74%) of the total number of registered enterprises are micro enterprises (less than ten persons employed). Small enterprises (10-49 employees) amount to 17.7%, while medium enterprises (50-249 employees) represent 5.8% of the total number of enterprises.

An overview of the BiH’s economic structure provide the following insights:

- *Agricultural sector* accounts for 5.6% of GDP and 15.1% of total employment (World Bank). BiH has approximately 1.6 million hectares of cultivation-suitable land divided mostly into small-size, family-owned farms. BiH is still a net food importer.
- *Industry sector* represents 23.9% of the country’s GDP and employs 32.3% of the workforce. BiH mainly produces raw materials such as steel, coal, iron ore, lead, zinc, and aluminium. Furthermore, wood is a significant sector and export commodity. Other important production sectors are mineral and chemical products, machinery, mechanical appliances, textile, and footwear. The industry has been shrinking in the last decade due to the global financial crisis and the subsequent fall in both domestic and European demand. The overall value added to the manufacturing sector is estimated at 12.9% of GDP (World Bank).
- *The service sector* contributes 55.7% of GDP and 52.6% of total employment. The most important service sector of the economy is trading, followed by business services, transport and construction. Tourism is a growing sector, with foreign tourist arrivals increasing by 13.4% y-o-y in the first eight months of 2019 (Agency for Statistics of BiH). Due to the Covid-19 pandemic, BiH’s tourism sector shrank by 70.6% year-on-year in the first six months of 2020¹.
- *Public administration* is the third largest economic sector in BiH, constituting over one-fifth of the economy (World Bank, 2018). The reason for such a high share lies in BiH’s fragmented administrative structure².

1 Source: <https://international.groupecreditagricole.com/en/international-support/bosnia-and-herzegovina/economic-overview?>

2 Source: OECD - Bosnia and Herzegovina: Small Business Act Profile

Labor force, employment, and unemployment

In Bosnia and Herzegovina, unemployment has historically been very high, among the highest in the region, with levels above 25% until 2016. Since 2016 the rate has gradually decreased, stabilizing at 15% in 2019 and 2020.

Based on the Labor Force Survey for the 2nd quarter of 2022, the labor force in Bosnia and Herzegovina consists of 1,368 million persons, of which 1,154 million (84.3%) are employed and 215 thousand (15.7%) are unemployed. The following trends can be observed comparing presented indicators with the same (second) quarter of the previous year:

- Labor force is reduced by 19'000 people
- The employment rate increased from 39.1% in Q2 2021 to 40% in Q2 2022, as 18'000 people were included in the labor market.
- The unemployment rate dropped from 18.1% in Q2 2021 to 15.7% in Q2 2022, as 35'000 people are out of unemployment.

Presented indicators suggest a significant recovery of the economy from the Covid-19 pandemic as well as continued shrinking of the workforce due to the negative population index and migration towards the EU labor market. The number of persons outside the labor force in Bosnia and Herzegovina continues to be high at 1,517 million - and growing (compared to 1,502 million in the same quarter previous year).

Other important characteristics of the BiH's labor market include:

- High youth unemployment. The unemployment rate among people aged 15-29 was 34% in 2019, according to International Labor Organization figures. A UNFPA report published in 2021 found that an average of 50.000-55.000 people - mostly skilled workers and professionals, many with relatives abroad - leave BiH every year. The high youth unemployment rate is one of the factors impacting high levels of emigration. The UNFPA report warned that if such an exodus continued, Bosnia's population could drop to under 1.6 million by 2070 from about 3 million now³.
- Significant gender gap in employment. The presented increase in the employment rate (comparison Q2 2021 to Q2 2022) is felt mostly by men. The employment rate for men increased from 50.2 to 51.7 while the employment rate for women increased from 28.6 to only 28.8. Women comprise only 36.9% of the total number of employed persons and 50% of the total number of unemployed.

3 <https://ba.unfpa.org/en/publications/survey-youth-emigration-bosnia-and-herzegovina>

Entrepreneurship in Bosnia and Herzegovina

Figure 3 shows the value of the *New Business Density Indicator* in the Western Balkans region in the period 2016-2021. The results show that new firm creation is the lowest in Bosnia and Herzegovina, with no signs of improvement in recent years.

► **Figure 3. New Business Density in the Western Balkans region 2016-2020**

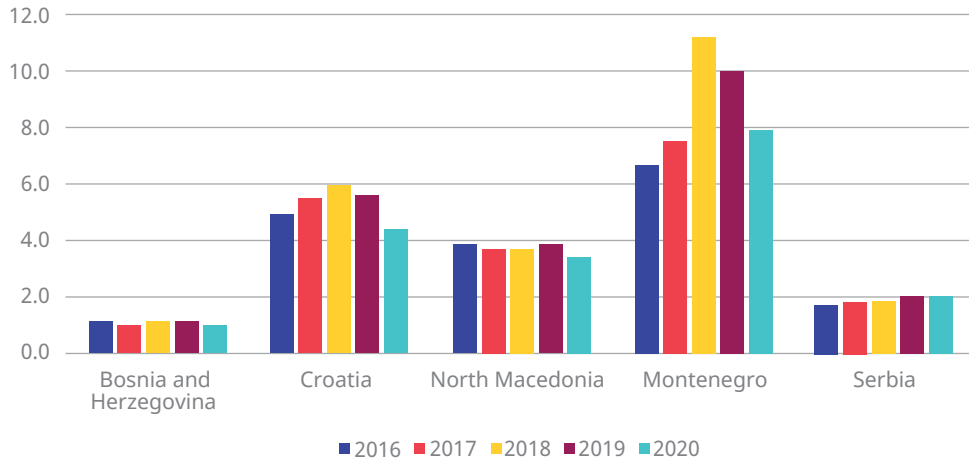


Table 2 shows The Global Entrepreneurship Monitor data, offering a broader picture of the possible motivations behind the lower level of entrepreneurial activity in Bosnia and Herzegovina. The monitor is based on a subset of variables that measure the motivations and perceived opportunities for entrepreneurs in some of the Western Balkan countries: Number of GEM surveys, Perceived opportunities, Fear of failure rate, Perceived capabilities, Motivational Index, High Job Creation Expectation, and Innovation.⁴ It provides a relevant proxy for understanding the economic opportunities available in the country by distinguishing “opportunity-driven entrepreneurship” from “necessity-driven entrepreneurship”. The former is usually linked to enterprises that aim to exploit a specific business opportunity and create a business model around it, with the ambition to grow and, ultimately, create new employment, while the latter is rather driven by the need to earn an income for the owner (and its family member). In the latter case, ambitions may be more modest: there may not be any willingness to expand the business beyond the scale that allows the owners to earn a living out of it.

Accordingly, the next section aims to explore the relevance of opportunity-driven entrepreneurship motives in Bosnia among real and nascent entrepreneurs, since this will provide a preliminary understanding of the likelihood to observe companies with growth ambitions, both in terms of value added and employment.

⁴ The variables are calculated as averages over the years in which the GEM survey has been implemented in each country. There are a number of limitations to keep in mind when reading this data. First, an important limitation is related to the fact that there is not the same number of implemented GEM survey in each country. So, for example Bosnia and Herzegovina implemented 8 surveys in the period 2008 to 2020, Croatia has implemented 13 surveys, while Kosovo and Montenegro only implemented 1. Second, these surveys are submitted each year to slightly different sets of respondents, therefore the evolution over time of the variables may also represent changes in the type of respondents from one year to another, although the methodology followed in the implementation of the survey sticks to high standards in terms of representativeness of the sample of respondents.

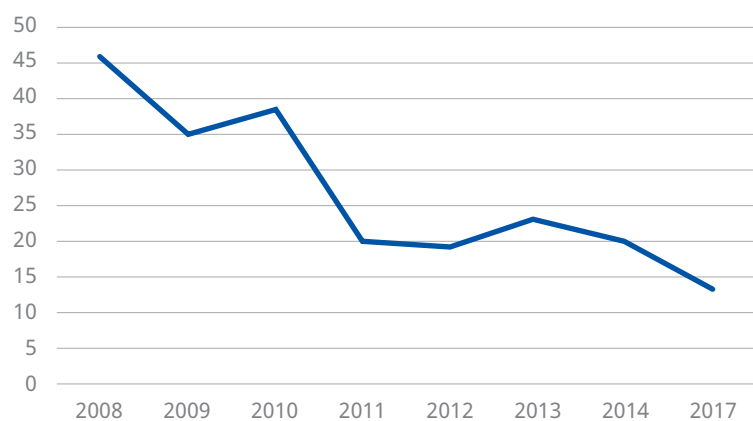
Opportunity-driven entrepreneurship

► **Table 2. GEM data variables for Bosnia and Herzegovina and other Balkan countries for the years 2008-2020: opportunity-driven entrepreneurship.**

	Number of GEM surveys	Perceived opportunities	Fear of failure rate	Perceived capabilities	Motivational Index	High Job Creation Expectation	Innovation
Bosnia and Herzegovina	8	26.9	27.5	52.4	0.6	19.1	15.4
Croatia	13	30.2	54.3	35.9	1.1	28.5	22.1
Kosovo ⁵	1	65.6	26.7	65.2	1.3	15	28.5
Montenegro	1	36.1	30.4	70.9	1	27.4	n.a.
North Macedonia	7	39.4	36.4	56.6	0.5	25.9	16.7
Serbia	3	42.8	26.5	66.5	n.a.	19.4	n.a.

Note: the data are simple averages over the available years in the period 2008-2020. Own elaborations on GEM data (2021).

Table 2 shows the level of “perceived” opportunities in BiH. This indicator measures the percentage of the working-age population (15-64 years old) who sees good opportunities to start a firm in the area where they live. The indicator should provide a proxy of how many people in a country think there are good business opportunities to start a new company. Hence it relates to the opportunity-driven type of entrepreneurship. Table 2 shows that the level for BiH (26.9%) is the lowest among all the countries. Moreover, the evolution of such indicator (in Figure 4) shows a constant decrease, indicating a deterioration of the expected business opportunities in the country over time. On average, the survey respondents see fewer business opportunities to start a new company in BiH over the years.

► **Figure 4. Evolution of perceived opportunities for entrepreneurs in Bosnia and Herzegovina**

Source: GEM data (2021). Own elaborations

⁵ As defined in UN Security Council resolution 1244 of 1999.

Table 2 also shows that it is not so much the fear of failure (variable “Fear of failure rate”) or the perception of lacking the necessary capabilities (variable “Perceived capabilities”) which prevents entrepreneurs in BiH from starting a business. In both cases, the share of people affected by these concerns is relatively lower in BiH than in other countries.

The table shows that entrepreneurs do not consider BiH to offer good conditions and opportunities to start a business. This is also confirmed by the “Motivational index”. The index is a ratio of the number of entrepreneurs that are opportunity-driven over those that are necessity-driven. When equal to 1, the number of opportunity-driven entrepreneurs is identical to that of necessity-driven entrepreneurs. In the case of BiH, the ratio is 0.6, a relatively low result in comparison to other countries in the region, such as Croatia (1.1), Montenegro (1), or Kosovo (1.3), and hints that BiH has a low number of new entrepreneurs with the ambition to grow. Hence, it is possible to state that there are few opportunity-driven entrepreneurs because, on average, people and entrepreneurs in BiH believe that business opportunities in the country are minimal.

This interpretation is further confirmed by the relatively low levels of the “High job creation expectation” variable, which measures the share of those individuals involved in an early-stage entrepreneurial activity that plan to create six or more new jobs in the next five years. In BiH, less than 20% of new entrepreneurs expect to create six or more jobs, while this share is higher in other countries, such as Croatia (28%), North Macedonia (25.9%), and Montenegro (27.4%). More or less similar to Serbia (19.4%), even lower for Kosovo (15%).

We can also combine the fact that most entrepreneurial activity does not have ambitions to grow with the “Innovation score”, which measures the share of entrepreneurs who indicate that their products are new, at least for some customers and that few/no businesses offer the same product. A prerequisite to growing as a new company (and hiring new employees) is often the ability to introduce innovations. Therefore, it is likely that non-innovative companies may also not have significant growth ambitions in terms of employment. Again, in the GEM data, this index is low for BiH compared to the other countries.

All in all, the data collected by the Global Entrepreneurship Monitor suggests that the low perceived opportunities to start a profitable business in Bosnia and Herzegovina imply that most of the entrepreneurial activities are necessity-driven and not aimed at the creation of new jobs, and the introduction of innovations.

Entrepreneurial activity and gender divide

The total early-stage entrepreneurial activity (TEA) is about 7% in BiH: this means that about 7% of the working-age population is either a budding entrepreneur (e.g., an individual in the process of setting up a new business) or is already the owner of a new business. This share is not lower but actually in line with most other countries in the region. Also, when it comes to the external socio-cultural factors, Table 3 shows that entrepreneurship in BiH is considered both a relatively good career choice and also that there is a high level of social status for successful entrepreneurs.

In terms of the gender balance among new and nascent entrepreneurs, BiH performs similarly to the other countries in the region: the average of 0.5 for the indicator “Female/Male TEA” indicates that the share of women in the population that are either owner of new businesses or nascent entrepreneurs is approximately 50% of the same share for men.⁶ Again, this is in line with the other countries in the region. When it comes to opportunity-driven entrepreneurs, the variable “Female/Male Opportunity-Driven TEA” indicates that the ratio of opportunity-driven women new entrepreneurs with respect to necessity-driven ones is approximately 70% of that ratio among men.

⁶ If the propensity to be (or become) an entrepreneur between women and men were the same, the index would be equal to 1.

This signals that there is a higher share of new entrepreneurs motivated by necessity among women. The lowest value among all the countries for which there is available data, but the differences with the other countries are small.

In a nutshell, the data in Table 3 suggests that in BiH, individuals are not less willing to start new companies than in other countries in the region and that the societal perception of entrepreneurship is positive. Concerning the gender disparities, the data shows that women are less likely than men to start a new business and are more likely to do it for necessity-driven motivations. These gender differences are about the same for the entire region.

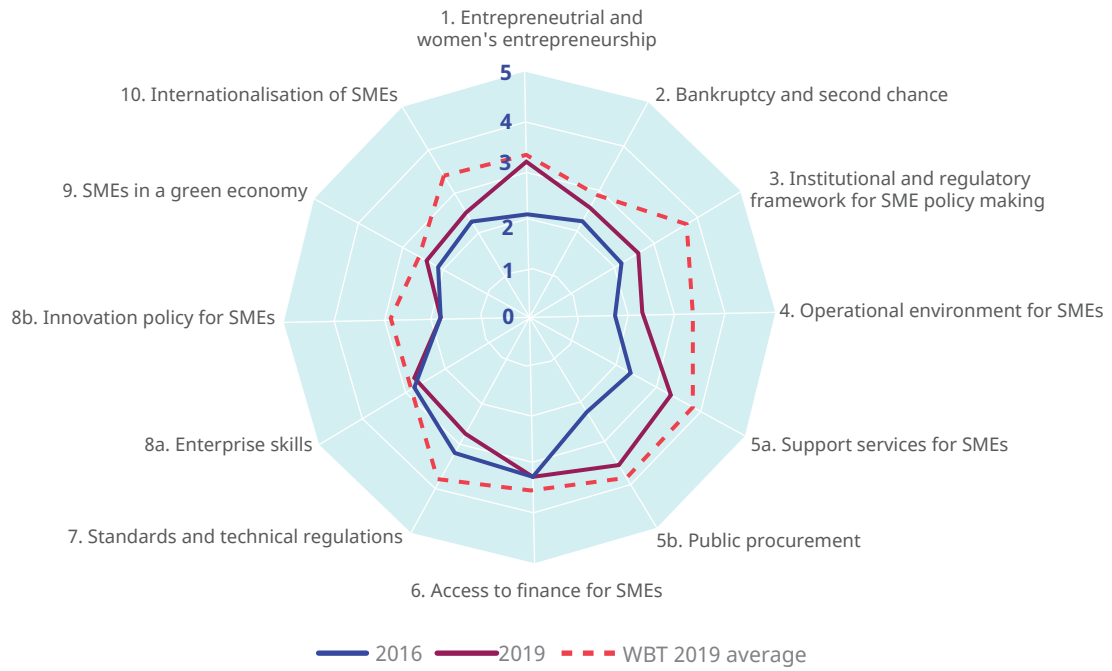
► **Table 3. GEM data variables for Bosnia and Herzegovina and other Balkan countries for the Years 2008-2020. Nascent entrepreneurship and gender divide.**

	Number of GEM surveys	Total early-stage Entrepreneurial Activity (TEA)	Entrepreneurship as a Good Career Choice	High Status to Successful Entrepreneurs	Female/Male TEA	Female/Male Opportunity-Driven TEA
Bosnia and Herzegovina	8	7.3	77.2	67.3	0.5	0.7
Croatia	13	8.3	63.8	46.9	0.5	0.8
Kosovo	1	4	68.3	76.2	0.69	0.79
Montenegro	1	14.9	81	68.4	0.5	N/A
North Macedonia	7	7.8	70.0	65.2	0.4	1.0
Serbia	3	7.0	73.0	60.5	0.4	N/A

Note: the data are simple averages over the available years in the period 2008-2020. Own elaborations on GEM data (2021).

Considering that the last Global Entrepreneurship Monitor Report for Bosnia and Herzegovina was published in 2018 (with data for 2017), this mechanism does not provide insights into the developments in the last five years. Some progress has been achieved through improved legislation, strengthened banking sector supervision, and a legal framework for insolvency proceedings. As a result, BiH significantly improved regarding the Small Business Act scores. As visible in Figure 5, entrepreneurial learning and women's entrepreneurship score is brought to the regional average, while improvements are registered in several other indicators.

► **Figure 5. Small Business Act scores for Bosnia and Herzegovina (2016 and 2019)**



Source: [SME Policy Index](#): Western Balkans and Turkey 2019, OECD, European Training Foundation, European Union and European Bank for Reconstruction and Development

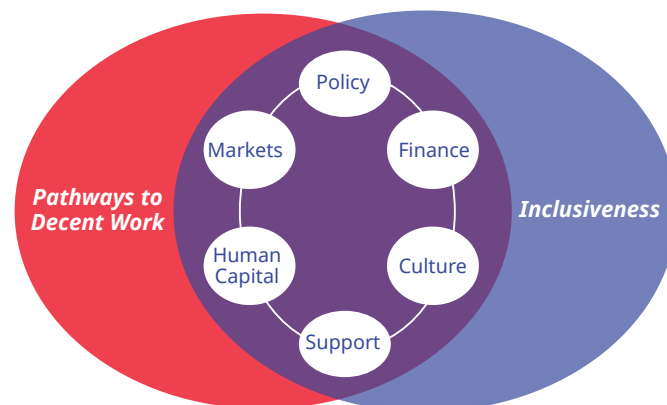
► Methodology

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 six core pillars of the Entrepreneurship Ecosystem framework: markets, policy, finance, culture, support and human capital are 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 1 and its pillars and cross-cutting dimensions are briefly explained in the remaining of this subsection.

► **Figure 1. 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. This dimension also considers the ecosystem's overall environmental sustainability, (potential) strategies and services available, to steer the pathways to decent work creation towards green solutions.

Inclusiveness. Entrepreneurship ecosystems not only differ by context but also between target groups in a given context. Although, for example, financial and business development services may exist in a given 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. In addition, further dimensions may be relevant, depending on the specific local context.

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 2 below, with the details of each step articulated thereafter.

► **Figure 2. 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 this aim we combined different data sets of World Bank, GEM and Institute of Statistics, to allow for the creation of descriptive statistics about trends and aggregate figures about the topics of interest.

2. Analyse and define priority pillars: To analyse the ecosystem 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 us to understand the current state of the art, as well as to build an initial mapping of the challenges of each pillar of the model with respect to the target group and in general. Subsequently, interview instruments were designed to investigate the current situation of the target groups regarding their inclusion in the entrepreneurship ecosystem. A total of 36 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. The identification of the priority pillars was done using the ILO matrix for identification of the priority areas.

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, a second round of interviews was conducted 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 pillar 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 Banja Luka's entrepreneurship ecosystem for women and youth

Based on the ILO's framework, some of the key features of the Banja Luka entrepreneurship ecosystem are identified under each of the six components, while two cross-cutting dimensions, inclusiveness and the pathways to decent work are discussed across the ecosystem. Each pillar is analyzed in terms of the positive developments for the target groups and the challenges they face.

Policy

Some of the main actors shaping the policy component of the ecosystem in Banja Luka are the Government of the Republika Srpska, the Republika Srpska Development Agency (RARS), the Ministry of Scientific and Technological Development, the Higher Education and Information Society, the Chamber of Commerce of the Republika Srpska, the Chamber of Crafts and Entrepreneurship of the Republika Srpska, the Council for the Development of SMEs and entrepreneurship, the Center for Gender Equity and Equality of Republika Srpska, the Youth Council of Republika Srpska, and the City Council for SMEs and entrepreneurship.

Positive developments

The public sector is active in setting up the ecosystem policy framework conditions that aim to encourage women and young people to start their own businesses in addition to other categories of entrepreneurs. This is done, on the one hand, through the adoption of strategies and plans, such as the Strategy for development of Women Entrepreneurs 2019-2023, the Proposal for Youth Policy of RS 2016-2020, the RS Government Strategy for development of small and medium enterprises 2021-2027, and the Smart specialization strategy of Republic Srpska, which is currently in the initial phase of development. On the other hand, this is done through a set of recently adopted laws, digitalization of the public sector, programmes and support for activities that encourage entrepreneurial behaviour.

The Government of the Republika Srpska supports the work of the Council for the Development of SMEs and entrepreneurship, established in 2009, in order to better synchronize the policies and government proposals with market dynamics and needs. Several laws have been recently amended in order to create a more favourable environment for setting up and running the business by, for example, aligning legal terminology with that of the EU,⁷ reducing the time and cost of business registration by means of digitalization,⁸ simplifying the running of businesses⁹ and abolishing court fees for the issue of a business registration certificate.¹⁰ The government is also preparing a law on social entrepreneurship. Liquidation procedures have also been revisited and now allow for a shorter voluntary liquidation procedure, in order to speed up the process of closing business entities and reduce the costs. Electronic portals were also introduced to provide businesses with relevant information, such as the Single Contact Point for Business, and the "One-stop-shop" solution that allows businesses to register their activity online.

7 Amended laws: Law on SME Development ("Official Gazette of Republika Srpska", No. 50/13 and 84/19).

8 The Law on Amendments to the Law on Craft and Entrepreneurial Activity

9 Law on Amendments to the Law on Special Republic Taxes, the Law on Amendments to the Law on Communal Taxes and the Law on Amendments to the Law on Administrative Taxes.

10 Law on Amendments to the Law on Court Fees ("Official Gazette of the Republic of Srpska", No. 67/20)

Challenges

Some of the main challenges with regard to the policy ecosystem component may be driven by the insufficient monitoring and evaluation of the services that the public sector provides to entrepreneurs, and low levels of digitalization of public sector services. In addition, one of the major challenges in Bosnia and Herzegovina in general is the lack of data on gender and youth dynamics in relation to MSMEs and this inevitably impacts the informed policy making in the country as well as policy recommendations, monitoring and evaluation (World Bank, 2018).

While the public sector provides awards and grants to businesses, the lack of follow up, monitoring and evaluation leads to the loss of knowledge for the public sector on how to improve its services in terms of upgrading, establishing new ones or modifying existing ones in other ways based on feedback from the ground. In the absence of monitoring and evaluation, the public sector remains detached from the realities in which businesses operate and hence loses the opportunity to gain knowledge that can help to better align its policies and programmes with local needs. In this manner, the inclusiveness of the ecosystem towards women and young people as well as policies on pathways to decent work for these two groups of entrepreneurs, are dependent on rather incomplete and outdated sources of information.

According to the World Bank 2020 Doing Business, Bosnia and Herzegovina is ranked 184th out of 190 countries in terms of the complexity, cost and duration of business start-up procedures. These complications and burdens for businesses create a fruitful ground for the development and growth of the informal economy in which businesses are not registered or do not declare their profits or employees. Frequent legislative and policy related challenges are perceived to be problematic for entrepreneurs coupled with heavy paperwork and non-digitalized bureaucracy procedures. Challenges also exist with regard to the closure of business since these procedures remain complicated. When it comes to opening up a business, the challenges are related to the lack of incentives in the first period of business running. In addition, the "one-stop-shop" only serves for the registration process of companies that have one founder and minimal founding capital, therefore, companies outside of those parameters face more challenges in registering their business. A further complicating factor is the low public expenditure on R&D, representing only 0.63% of total government budget allocation (RS Institute of Statistics, 2022), and consequently there is insufficient cooperation between the scientific research and innovation community and economic actors.

Finally, women and young entrepreneurs experience a lack of channels through which they can advocate for their needs within the public sector. The public sector needs pressure from business associations to materialize changes, and women and young entrepreneurs are perceived to be isolated and unrepresented in public-private dialogues.

Finance

The finance component of the Banja Luka ecosystem is bank dominated. The microcredit sector is part of the banking system and its main activity is providing microcredit to entrepreneurs. Microcredits require a lower level of guarantee but impose higher interest rates.

Positive Developments

To expand financing options for SMEs, the Government of Republika Srpska adopted the Law on Factoring in 2020. The factoring service can now be provided by banks but also by the factoring companies, the IDB of Republika Srpska and other financial institutions. In the same year, the Government of Republika Srpska also amended the Law on the Republika Srpska Guarantee Fund by allowing the Fund to issue guarantees for loans to entrepreneurs for the purpose of refinancing their previously approved loans and financial obligations.

When it comes to women and young entrepreneurs and young people, their core financial support is the public sector through ad hoc projects. Some of them are implemented in partnership with the Chamber of Commerce, USAID, the Swedish government, or with the European Bank for Reconstruction and Development (EBRD), and others are run by the Public Employment Agency (RS Government, 2021). The Investment and Development Bank (IDB) of RS also promotes mechanisms and arrangements relevant to entrepreneurs and SMEs and offers credit lines. The EDA also offers grants to support women entrepreneurship, as well as an environmental fund that supports SMEs to promote energy efficiency.

Other player in the pillar is the Foundation Mozaik which 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 Foundation also collaborate with Sparkasse bank and allows young entrepreneurs to access credit through the bank’s social banking channel for which Mozaik provides collateral. However, some entrepreneurs also mentioned they accessed funding through international sources in the region, such as through the ABC accelerator in Slovenia.

Challenges

Access to finance for young people and women in Banja Luka lacks a systematic approach. Both of these groups of entrepreneurs are supported by ad hoc initiatives and partnerships of limited duration rather than through a more stable, strategic and systematic approach that would ensure continuous support thereby promoting pathways to decent work for them and possibilities for the development and growth of their businesses. The studies reviewed also reveal that the financial literacy of the population is low and although attempts have been made to disseminate information on available financial support, there is still a low level of well-informed entrepreneurs (RS Government, 2021).

The challenges of the Finance component of the ecosystem are also related to the lack of options for access to finance, such as venture capital, business angels and crowdfunding, including those that particularly target women and/or young people, coupled with the banking sector’s negative perception of SMEs. The latter seems to be a consequence of the financial instability of entrepreneurs and SMEs, but also dissatisfaction on the part of banks with the business plans, profitability, and liquidity of early-stage entrepreneurs (RS Government, 2021) particularly women and young people. As a result, the ecosystem clearly remains not sufficiently inclusive of women and young people when it comes to the important provision of access to finance.

Indeed, it seems that women and young people are particularly unsuitable for bank loans due to high collateral for which they do not possess adequate guarantees, such as land. High collateral is also cited by female-led enterprises as a motive for not requesting bank loans (World Bank, 2018). Recently a 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 (World Bank, 2018).

Finally, there are also limited options for access to finance or incentives for those entrepreneurs who wish to tackle sustainability issues, transition to the green economy or who wish to be social entrepreneurs. In this manner the ecosystem is not inclusive of sustainability and does not promote pathways to decent work for women, young people and those who are willing to go green.

Human Capital

The main institutions responsible for Human Capital development are the Government of Republika Srpska, the Ministry for Education and Culture of the Republika Srpska and higher educational institutions including the University of Banja Luka, but also organizations that promote learning such as the SWOT, the Innovation Centre of Banja Luka, the Centre for Economy, the Socio-educational Centre responsible for adult vocational education, and the Centre for Digital Transformation founded by the Chamber of Commerce of RS.

Positive developments

The Government of Republika Srpska recently introduced some reforms in order to enhance entrepreneurial learning among young people and students. Dual education can be introduced in schools since 2018 and the Republika Srpska Chamber of Commerce, the Ministry of Education and Culture and employers have signed agreements on its implementation. In 2020 a law was passed aimed at better synergizing the needs of the market with the education system. Since then, the Council for Higher Education of the Republic of Srpska and the Management Board of the University of Srpska include representatives of the private sector in these decision-making bodies. The new Law on Higher Education (“Official Gazette of the Republic of Srpska”, 67/20) provides a boost for higher educational institutions in their efforts to establish research institutes, innovation centres, incubators and technology transfer offices that facilitate knowledge transfer and commercialization of academic discoveries. Moreover, the University of Banja Luka has an active Centre for Entrepreneurship and Technology Transfer (CPTT) established in 2017 following the transformation of the University Entrepreneurship Centre. In addition, entrepreneurship education is part of the curricula of some faculties, such as the Faculty of Economics.

In Bosnia and Herzegovina, developments that support entrepreneurship in the domains of both secondary and tertiary level education seem to be particularly relevant for the creation of entrepreneurial human capital, as recently demonstrated by a study conducted on the Motivation of the youth of Bosnia and Herzegovina (Turulja et al., 2020). 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 or even without primary education (Turulja et al., 2020).

Challenges

Some studies point out that the challenges with human capital development in Banja Luka are due to the low interest in entrepreneurial learning among the young people attending secondary school. In particular, the low interest refers to vocational occupation related training. While dual education seems to be promoted in collaboration with secondary schools, young people at all educational levels, including university level, are not actively encouraged both by policies and educational institutions to engage in internships, voluntary work and social engagements (Turulja et al., 2020). This also means addressing the challenges in education by adopting a student centred rather than a teacher centred approach, promoting experiential learning, problem solving and the development of critical thinking skills (Turulja et al., 2020). In this way the human capital constituted by young people will be better suited to behave entrepreneurially.

In addition, young and women entrepreneurs perceive there is low ecosystem support in accessing human capital, including highly qualified workforce. To circumvent that, young and women entrepreneurs access human capital through their social networks, but also through the Employment Bureau, Universities, the Union of Employers, City Development Agency of Banja Luka (CIDEA), Employment agency Spektar and Posao.ba.

Another important challenge is the brain drain and the fact that talented and highly educated individuals are leaving the market. This indicates problems with Banja Luka's capacity to absorb talent, which is most probably due to lack of policies that aim at to keep human capital in Banja Luka. The brain drain also appears to be caused by the complicated procedures related to doing business in the country. According to the United Nations Population Fund, young people in Bosnia and Herzegovina express high levels of migration aspirations, and it is estimated that 269,066 young people in BiH, aged 18 to 29, are thinking about emigration (UNFPA BiH, 2021).

Support

The support component of the Banja Luka ecosystem is composed of different public and private sector organizations, universities, associations and NGOs that promote mentoring, coaching, informal advice and other forms of entrepreneurial support and learning.

Positive developments

The Development Agency of Republika Srpska (RARS) offers a wide range of services to SMEs, such as helping establish a mentoring system based on public policies and strategies, finance mentoring and training services, certifying mentors to work with SMEs. It also offers a support programme for entrepreneurs with difficulties in business, intended for young people, start-ups, as well as those who want to start a business again after failure (RS Government, 2021), which is particularly relevant for enhancing the entrepreneurship culture through the promotion of a “second chance” and eliminating the fear of failure. Finally, the RARS also offers a two-year accelerator programme for pre-acceleration, acceleration and growth stage of SMEs.

The administration of the city of Banja Luka has opened a Centre for Entrepreneurship. The Centre assists in the implementation of city programs, promotion of entrepreneurship and acts as a contact point for assistance to entrepreneurs in the city. The Centre has established cooperation with the KULT Foundation of Bosnia and Herzegovina and implement a program of direct support in the development of business ideas and mentoring to marginalized groups of women.

Furthermore, the Enterprise development agency (EDA) and the Chamber of Commerce of Republika Srpska supported various projects targeting women entrepreneurs that include mentoring, coaching and training. One of the outcomes of these projects was the formation of the Council for female entrepreneurship within the Chamber of Commerce of Banja Luka, which among other things provides different forms of business development support to women, such as promoting networking, information exchange, and capacity building in entrepreneurship.

In the Banja Luka ecosystem one of the most attractive incubators for innovative business ideas is the Innovation Centre of Banja Luka (ICBL). The ICBL was formed on the initiative of the RS Government and the Ministry of Scientific and Technological Development, Higher Education and Information Society, the Republic Development Agency, Banja Luka municipality, University of Banja Luka and the University of Eastern Sarajevo. Among their services, the ICBL also supports digital transformation through their initiatives, through their “Digit SME” project.

Other organizations supporting women and young entrepreneurs with their businesses are the Center for Gender Equity and Equality of Republika Srpska and the Youth Council of RS. Foundation Mozaik is an organization that helps young people in Bosnia and Herzegovina to register and run their business in the country. Since 2018, Foundation Mozaik also cooperates with the City of Banja Luka and Innovation Centre Banja Luka in programs such as the launching and running of a coworking space which is now running as Startup Studio. Finally, CIDEA also offers inhouse entrepreneurship training on business plan development based on ILO’s Start and Improve Your Business programme.

Challenges

Women and young entrepreneurs perceive there is insufficient information reaching them about existing support mechanisms. The support to these groups is not systematized and organized and, therefore, it is not made attractive so as to stimulate entrepreneurial behaviour and creativity. Related to this challenge is the fact that many ecosystem organizations are working in parallel in providing the same support instead of coordinating the services.

Related to the abovementioned challenge, very few BDS providers provide services to women and/or young entrepreneurs on a regular basis. For example, the Chamber of Commerce of RS does not have singled out support programs for young people as it is with women entrepreneurs. The EDA also provides a lot of support services to women entrepreneurs through projects in general, while this is not the case for young entrepreneurs. The SWOT organization usually provides support for more mature enterprises in terms of regulatory issues, distribution, promotion and marketing, but no specific support is provided to small businesses or women and young entrepreneurs. In addition, several ecosystem organizations remain hesitant to segment their service provision according to target groups, as there is a fear of being seen as discriminatory. Therefore, they do not cater to the particular needs of either young or women entrepreneurs.

There is an insufficient structure for different ecosystem actors to cooperate, share knowledge and work together, which is particularly important as those spaces serve to highlight women and young entrepreneurs. This is an issue both in terms of infrastructure in the city which could be better used to enhance entrepreneurial behaviour, for example through more co-working spaces and HUBs, as also in terms of developed platforms for actors to cooperate. For young entrepreneurs in particular, the House of Youth of the City of Banja Luka is a space that implements different youth activities but is not particularly used for entrepreneurship-related activities that foster cooperation and networking.

There also is a perceived lack of student incubators in Banja Luka connected to the University and aimed at supporting young people with business or project ideas. Student incubators are indeed an important component that serve to build the entrepreneurial mind-set of the young population but also provide a platform for their entry into the ecosystem. Therefore they can better foster inclusivity of young people with respect to the ecosystem. It is important to have a place for the development and pre-validation of business ideas, and the lack of student incubators gives very few possibilities for cooperation between students and the University for the creation of start-ups. However, in Banja Luka, this kind of support is available through periodic project activities, but it is not part of the regular measures and policies. The EDA, through a project it is implementing, has a plan to work with students to provide them with a place to work and meet, however, this is not in place yet. The CPTT had initially intended to act as an incubator, but staffing and budget constraints have precluded them from fulfilling this purpose.

Culture

The wide range of activities that ecosystem actors undertake promote entrepreneurship and foster an entrepreneurial culture. This includes, for example policy makers, public and private sector organizations, NGOs, education institutions, support organizations and the media.

Positive developments

Several activities promoting entrepreneurial culture among women take place in Banja Luka, such as conferences and fairs for women entrepreneurs, the establishment of the Council for Female Entrepreneurship in the Chamber of Commerce of Republika Srpska as well as the Club of Businesswomen of Republika Srpska, which is a non-governmental organization with the purpose to gather women in business in order to advocate needs and enhance the position of women in the ecosystem. The Center for Gender Equity and Equality of Republika Srpska also works on promotion of entrepreneurial culture among women.

When it comes to the youth, the House of Youth of the City of Banja Luka offers multifunctional space for implementation of different youth activities such as: festivals, debates, fairs, theatres, public debates, among others. The space is at the disposal of different youth organizations and projects as a place for young people in the City. In addition, the Youth Council of RS is an umbrella organization for youth in the Republic of Srpska, founded under the Law of Youth Organising and adopted by the Republic of Srpska Parliament in 2004. As an umbrella organization it gathers local Youth organizations with the aim to represent youth interests in front of the Republic of Srpska institutions, international cooperation and proposing Youth policy in the Republic of Srpska.

Projects that promote the development of second chance policies, such as the ones coordinated by the RARS, are very important for enhancement of the entrepreneurial culture particularly among young people. Furthermore, events that showcase the ideas, innovations and creativity of young people also exist and are organised by the Association of Inventors Republika Srpska. SWOT, ICBL and others organize seminars, workshops and events that promote entrepreneurial culture.

Furthermore, every year the Ministry of Scientific and Technological Development, Higher Education and Information Society organizes a Competition for the Best Technological Innovation. The goal of this competition is to encourage entrepreneurial behaviour and culture among the general population.

Challenges

Several of the organizations interviewed in the Banja Luka ecosystem perceived entrepreneurship as a positive career choice, however, when it comes to entrepreneurs' perception, they mostly experienced a negative reaction from their surroundings when they decided to start their own businesses. The need to face fear of failure, risk aversion, and lack of support from the environment affects both young women and men, as well as adult women who think about starting a business. There is a general perception that working in the public sector is more desirable than entrepreneurship.

▶▶ The illusion of security in getting a state job is stronger than the opportunities they can achieve by starting their own business.

▶ **Entrepreneur** / 34 years old

Another set of barriers to the development of a stronger culture for women and young entrepreneurs seems to be the lack of sources of inspiration or role models as well as high social barriers in terms of meeting expectations from the family and their surroundings (Ceko and Vrbanac, 2020; RS Government, 2019). Activities related to promotion of successful women in business are scarce and organized in the city mainly by the Club of Businesswomen of Republika Srpska and the Center for Gender Equity and Equality of Republika Srpska most often through periodic project initiatives. When it comes to young entrepreneurs, although the House of Youth of the City of Banja Luka and the Youth Council of RS are established and have a specific focus on youth, they do not play a key role in developing an entrepreneurial culture among young people. The Youth Council of RS has possibility to propose to Government level policies and measures toward youth in entrepreneurship and employment.

Market

Banja Luka is dominated by export semi-manufactured system, with trade and service as the dominating subsectors. Most of the entrepreneurs, micro and small enterprises in Banja Luka work in those two subsectors. The IT sector is among the most developed ones and is mainly export oriented.

Positive Developments

Organizations active in the ecosystem supporting access to the market are the Chamber of Commerce of RS, the Agency for the Development of RS and other support system organization such as SmartOffice, JsGuru and StartUp Studio. The Agency for the Development of RS coordinates the work

of the Enterprise Europe Network of Republika Srpska (EEN), whose members are also the Chamber of Commerce of RS, the University of Banja Luka, the University of East Sarajevo and the Innovation Centre of Banja Luka. Part of the activities of EEN involve connecting entrepreneurs, as well as small and medium enterprises to regional and international markets. Support for the internationalization of businesses is indeed one of the core activities of EUNORS, in addition to technology transfer and counselling. EUNORS's Female Entrepreneurship Group is also active within the organization. EUNORS also connects young entrepreneurs to the market. Through their network they promote access to the European Entrepreneur Exchange Programme, Erasmus for young entrepreneurs and also possibilities for the training of young entrepreneurs in European companies.

The City of Banja Luka and Centre for Rural Development of the City have established Krajiška kuca, the first of its kind store in Banja Luka, in order to offer traditional products made from Krajina region. The store provides support and buys products from 60 local producers and offer over 350 locally produced products. They are placed near the city centre in order to attract attention of Banja Luka and visiting tourists' consumers. In addition, CIDEA promotes entrepreneurship through ad hoc projects by serving as intermediary between entrepreneurs and investors, facilitating investment processes and connecting investors with domestic businesses.

Some women and young entrepreneurs interviewed were already reaching markets outside of Banja Luka – not only in Bosnia and Herzegovina, but also regionally. The outreach is usually done through recommendations, social media, and among other channels, such as through different project initiatives.

Challenges

There is a lack of support structures that connect women and young entrepreneurs to the market. Many of the ecosystem actors in Banja Luka were not familiar with services being provided to women and young entrepreneurs in terms of supporting these businesses to access new markets. This is in line with women and young entrepreneurs who highlighted that they lack support from the ecosystem actors to connect to the market.

Lack of support for market research was raised as a challenge in two ways. On the one hand, women with non-university education who are willing to start their own businesses (Ceko and Vrbanac, 2020), and, on the other hand, women and young entrepreneurs who have already an established business, but need support to develop market research to better target their markets. In general, very limited support services are available to more mature companies, with Crestcom training course and EDA agency providing tailored made education and assistance in the Agile and Lean approaches. However, the support is delivered upon request or through projects.

Along with the issues in conducting market research, access to market information was also raised as a challenge by women and young entrepreneurs. Although market information is currently accessible through government pages, chambers of commerce, or through different sectoral organizations, women and young entrepreneurs have difficulties accessing it to inform their market research.

The market component of the Banja Luka Ecosystem is also characterized by the inability of the economy to absorb new technology, while at the same time there is a need for new technological solutions. This is influenced by insufficient financial capacity and low level of subsidies for the purchase of new technologies, and limited specialized human capital.

▶ Priority pillars: examining their constraints and proposing interventions

Given the above overview of the state of the entrepreneurship ecosystem in Banja Luka, it is noticeable that there are many challenges and opportunities to better include women and young people in the ecosystem. To propose interventions aimed at achieving this purpose, 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.

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

- ▶ **Criteria 1:** How is the target group excluded from the dynamics of the pillar: 10 = very excluded; 0 = not excluded at all
- ▶ **Criteria 2:** How is the pillar un-conducive of Decent Work: 10 = very un-conducive; 0 = very conducive
- ▶ **Criteria 3:** Overall main constraints in the pillar (affecting all actors in the ecosystem, not focused on the target group): 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 target group): 10 = many relevant positive developments; 0 = not relevant developments
- ▶ **Criteria 5:** Ecosystem's capacity to address identified constraints: 10 = high capacity of the ecosystem; 0 = low capacity of the ecosystem

The selection of pillars aims at identifying pillars with a good balance between overall constraints and capacity to influence change in the pillars. This means that not necessarily the pillar with the most challenges are the ones being selected, but those who score high on all five criteria.

The research team presented the state of the ecosystem to an ILO panel, and together, analysed each pillar under the five criteria. Every member of the panel scored each pillar (including the research team) under each criterion and the weighted results can be found in the table.

► **Table 1: Pillar selection matrix**

	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 development (services, policies, goods, actors) in the pillar	Project's capacity to address identified constraints	Final score of the pillar
Policy	6.57	5.71	6.00	6.86	5.57	30.71
Human Capital	7.43	6.86	6.57	5.67	5.43	31.95
Finance	7.43	6.71	6.29	5.14	7.00	32.57
Markets	7.71	7.43	8.00	6.43	8.71	38.29
Support	7.43	6.57	7.43	7.00	9.00	37.43
Culture	6.43	6.57	6.71	6.71	6.14	32.57

The pillars selected for further analysis and subsequent design of interventions rooted in market actors are Support and Markets.

As shown in the table, the Markets pillar ranks the highest of all pillars in terms of the exclusion faced by women and young people and in terms of the overall main constraints mapped in the pillar. This is mainly due to the fact that this pillar is considered the weakest link of the ecosystem, as there is a general feeling of disconnection between entrepreneurs and the market in several domains, and especially for women and youth, who face greater difficulties in accessing markets to develop their businesses.

Nevertheless, the capacity of the ecosystem to address the identified constraints is ranked very high, as there are actors creating conditions for the development of markets in Banja Luka and ongoing ad hoc initiatives that can be leveraged.



In the case of the Support pillar, it is observed that the pillar ranked the highest in the overall positive developments and came in second in the constraints mapped in the pillar, meaning that there will be opportunities to draw on the existing strengths of the ecosystem to address its constraints. The high ranking of the positive developments of the pillar could be explained due to the multiplicity of actors from public to private sector organizations that are providing support services in the ecosystem. However, it is also noted that there are several challenges when it comes to women and young entrepreneurs accessing these support services.

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 what we call *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.

Priority Pillar 1: Support

In the support pillar, four main challenges were identified through the research.

- ▶ Insufficiently developed entrepreneurial physical infrastructure, for example lack of coworking spaces and HUBS
- ▶ Insufficiently developed entrepreneurial platforms that promote female and youth entrepreneurship
- ▶ Support services to young and women entrepreneurs are not coordinated
- ▶ Limited specialized BDS providers for women entrepreneurs

These challenges were presented and validated by key stakeholders in the ecosystem in a workshop in Banja Luka. 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.

- ▶ **Challenge 1:** Insufficiently developed entrepreneurial physical infrastructure, for example lack of coworking spaces and HUBS

Available infrastructure to support entrepreneurship is very limited in Banja Luka. The initiative to establish a technology business park in Banja Luka is currently underway, but project is in development phase and construction of the infrastructure is scheduled to start in early 2023 and there is no expectation as to when it will be finished. In the meantime, entrepreneurs lack the support infrastructure needed for entrepreneurship creation. There are also few actors providing coworking spaces (such as Lonac Hub, Smart Office, Coworking Banja Luka), and incubators, such as ICBL, but the offer is still limited. Some organizations have also not found viable business models to develop these spaces. For example, EDA has a plan to work with students to provide them with a place to work and meet through a project activity, however, this is not yet underway. CPTT initially intended to act as an incubator but staffing and budget constraints have precluded the organization from fulfilling this purpose.

Underlying constraint: support organizations have not found a viable business model to develop spaces that will foster entrepreneurship behaviour.

▶ Proposed interventions:

- **Support the preparation of viable business models to develop co-working spaces:** work with EDA in scaling up their plan to establish a physical working space infrastructure for students, and work with City of Banja Luka, University of Banja Luka, House of Youth, CIDEA and ICBL in development and implementation of the plan to establish a physical working place and infrastructure for students.
- **Support the preparation of viable business models to develop student incubators:** Work with CPTT at the University of Banja Luka in exploring viable business models for concretizing their plan of establishing a student incubator for young women and men.

► **Challenge 2:** Insufficiently developed entrepreneurial platforms that promote female and youth entrepreneurship

Women and young entrepreneurs do not have platforms they can turn to in order to connect with other entrepreneurs, share knowledge, and make linkages with local or regional partners. Those spaces are key not only to support the entrepreneurs in connecting with other actors, but also serve as spaces to highlight and promote female and youth entrepreneurship.

Most organizations focused on women in Banja Luka are focusing on advocacy and less on providing support platforms for women entrepreneurs. For example, the Center for Gender Equity and Equality of Republika Srpska focuses mainly on monitoring the implementation of women rights and gender equality law. Second, the Council for female entrepreneurship within the Chamber of Commerce of RS is the body which represents interest of women entrepreneurs. And finally, the Club of businesswomen is a very recent organization and focus on the creation of business connections of women entrepreneurs in the region.

There is no platform that integrates young women and men entrepreneurs. The group is mainly targeted in multi-donor and NGO projects ad hoc basis. The House of Youth of the City of Banja Luka and Youth Council of RS are the only organizations focused on the youth. However, the House of Youth of the City of Banja Luka is a venue dedicated to all youth activities in the city, but does not serve for entrepreneurship promotion, and the Youth Council of RS is an umbrella organization that gathers youth organizations to advocate and represent their interests, with entrepreneurship being only one among many topics.

Underlying constraint: insufficient actors assuming a role of promoting cooperation, sharing knowledge, and highlight women and young entrepreneurs.

► **Proposed interventions:**

- **Enhance the representation of women entrepreneurs' organizations:** Work with the Club of Businesswomen of RS the Center for Gender Equity and Equality of Republika Srpska and the Council for female entrepreneurship within the Chamber of Commerce to help strengthen their capacities in promoting female entrepreneurship and in establishing dialogues with other key ecosystem actors.
- **Establish events to inspire young entrepreneurs through collaboration among ecosystem players:** Support ecosystem actors such as ICBL, CIDEA, SWOT and EDA in scaling up their event management models to use spaces such as the House of Youth of the City of Banja Luka to promote yearly calendar of events for young women and men entrepreneurs to be inspired. Support promotion of events through the ecosystem actors in partnership with the Youth Council of RS to increase outreach.

► **Challenge 3:** Support services to young and women entrepreneurs are not coordinated

Organizations providing support to entrepreneurs do not coordinate and end up providing either the same support services through different channels, or fail to provide services in key areas. The challenge is the same when it comes to BDS offered to women and youth entrepreneurs, which are mainly offered in a scattered and ad hoc manner. Since these services are usually offered in the framework of projects, it is difficult for young people and women entrepreneurs to keep track of what kind of support is being offered at any given time. These groups are only contacted, or activities are promoted to them when the projects are active and have a pressure to reach their outreach indicators. As stakeholders in the ecosystem do not coordinate and align their service provision, activities and projects are developed without taking into consideration what is already available, and a clear focus on the needs of women and young entrepreneurs is lacking.

Underlying constraint: Support directed at women entrepreneurs and young entrepreneurs are mostly ad hoc

▶ **Proposed interventions:**

- **Initiate a discussion on service delivery gaps:** There is a need to work with ecosystem actors in systematizing support offered to women and young entrepreneurs. One proposed intervention is to work with the organizations that represent young people and women such as the Center for Gender Equity and Equality of Republika Srpska, the Club of Businesswomen of RS, the Council for female entrepreneurship, the House of Youth of the City of Banja Luka, and the Youth Council of RS to develop a mapping of the support offered to entrepreneurs by each organization in the ecosystem. Through those results, foster spaces for coordinating the support offered. Facilitating linkages between actors and presenting gaps in the service delivery can create awareness of opportunities for ecosystem organizations to increase their service portfolio based on actual demand from women and young entrepreneurs for business development support services. The objective of the mapping would be twofold: to initiate a discussion on the service delivery gaps, and to support the organizations that represent women and young people to take on a coordinating role and advocate for a service provision that is tailored to the target groups' needs.
- **Support the development of platforms for sharing information and systematizing the BDS provision, including activities and services focused on women and young entrepreneurs:** Approach several ecosystem organizations, such as ICBL, CIDEA and the Centre for Entrepreneurship, are well placed to take the role of coordinating an online platform for entrepreneurship in Banja Luka, and develop a viable model to manage the platform with the ecosystem players. The platform could also be used to promote a more active entrepreneurial community in Banja Luka, offering a space for ecosystem organizations to promote events, conferences, workshops that foster an entrepreneurial culture.

▶ **Challenge 4:** Limited specialized BDS providers for women entrepreneurs.

Some BDS providers do not cater their service provision to the specific needs of women entrepreneurs. This often happens either because the organization does not place a special focus on adapting their BDS provision to the needs of female entrepreneurs or because some organizations feel that there should be no difference in the support offered to entrepreneurs, as they believe entrepreneurs should be seen as a single category.

Underlying constraint: Lack of gender-responsive business development support available

▶ **Proposed intervention:**

- **Improve the provision of tailored services for women entrepreneurs:** Work with BDS providers such as CIDEA, EDA, SWOT, CPTT, and the Council for Female Entrepreneurship to improve their portfolio of services tailored to women entrepreneurs. This will allow these organizations to identify gaps in their strategies, policies and services, and taking action by adapting these services and broadening their client base. Tools such as the ILO's Women's Entrepreneurship Self-Check (WE-Check) can be implemented to help BDS providers develop an evidence-based action plan to implement activities to pilot their improved offer to women entrepreneurs.

Priority Pillar 2: Markets

In the markets pillar, three main challenges were identified through research.

- Market information is not accessible to women and young entrepreneurs
- Women and young entrepreneurs lack skills on conducting market research and analysis
- Young entrepreneurs lack networks that connect them to the market

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

- **Challenge 1:** Market information is not accessible to women and young entrepreneurs

Market information can be accessed through government websites, chambers of commerce, or different sectorial organizations. However, the information that can be accessed for free of charge through the government pages is too general, so women and young entrepreneurs do not find it useful in shaping their businesses. Chambers of commerce offer more robust information, yet the fees charged are too high for young and women entrepreneurs. Sectorial information can be accessed through online platforms, but there is no information specific to Banja Luka or Bosnia and Herzegovina. Moreover, there is no organization dedicated on facilitating information to entrepreneurs on market data.

Underlying constraint 1: market information is expensive,
which limits the access of the target group.

► **Proposed intervention 1:**

- **Enhance business models for the provision of market information:** Work with the chambers of commerce which currently offer market information at high fees to work on a business model to provide less expensive market information. For example, by offering tiers of market information according to fees charged.

Underlying constraint 2: market information that is available for free of charge is scattered
through different ecosystem organizations

► **Proposed intervention 2:**

- **Develop a market information hub:** Support organizations such as EDA, CIDEA Centre for Entrepreneurship of the City of Banja Luka, and ICBL that offer one potential source that can accumulate and share market information which can serve as information hubs for young and women entrepreneurs.

- **Challenge 2:** Women and young entrepreneurs lack skills on conducting market research and analysis

Women and young entrepreneurs who already have an established business lack additional support in improving their specific market research and analysis skills. Available support services in Banja Luka

offer entrepreneurship training, mentoring and incubation services mainly focused on the start-up phase of the business, and in developing the business plan of the entrepreneur. However, women and young entrepreneurs who already have established businesses do not have any service providers to reach out to. In fact, there is no or very limited training and skills upgrade mentoring for already established businesses in general.

Underlying constraint: Support in improving market research and analysis services is available only to more mature companies.

▶ **Proposed intervention:**

- **Facilitate access of women and young entrepreneurs to support services in conducting market research and analysis:** To ensure sustainable access to market analysis support services, it is necessary to build an intervention model that assists to develop business models for support institutions to integrate this service into their portfolio. The interventions are intended to raise the understanding and appreciation of the benefits of market research and analysis among the target groups parallel to facilitating their access to those services. This would include working with local organizations, such as the Council for female entrepreneurship, the University of Banja Luka, Gender Center, Club of Businesswomen of Republika Srpska, Youth Council of RS, and Foundation Mozaik, in developing business models to integrate market analysis support services to already established businesses in their offer.

▶ **Challenge 3:** Young entrepreneurs lack networks that connect them to the market

Young entrepreneurs, both male and female, rely on social networks to connect to markets; however, as they are just starting their businesses and careers, they lack broad channels to tap into to establish linkages with potential local, regional or international partners. When it comes to ecosystem organizations, young entrepreneurs do not see them as key entry points for this type of support. Very few ecosystem organizations offer support structures for young entrepreneurs to connect them to markets, and the few activities that do exist are on an ad hoc basis.

Underlying constraint: lack of support structures for young entrepreneurs to reach markets.

▶ **Proposed intervention:**

- **Support in fostering structures for young entrepreneurs to connect with markets.** This can be done by increasing the capacity of ecosystem organizations such as the Chamber of Commerce, House of Youth of the City of Banja Luka, Centre for Entrepreneurship of the City of Banja Luka, ICBL, CIDEA, and the Club of Businesswomen of Republika Srpska, to serve as connectors between diaspora, industry leaders and young entrepreneurs.

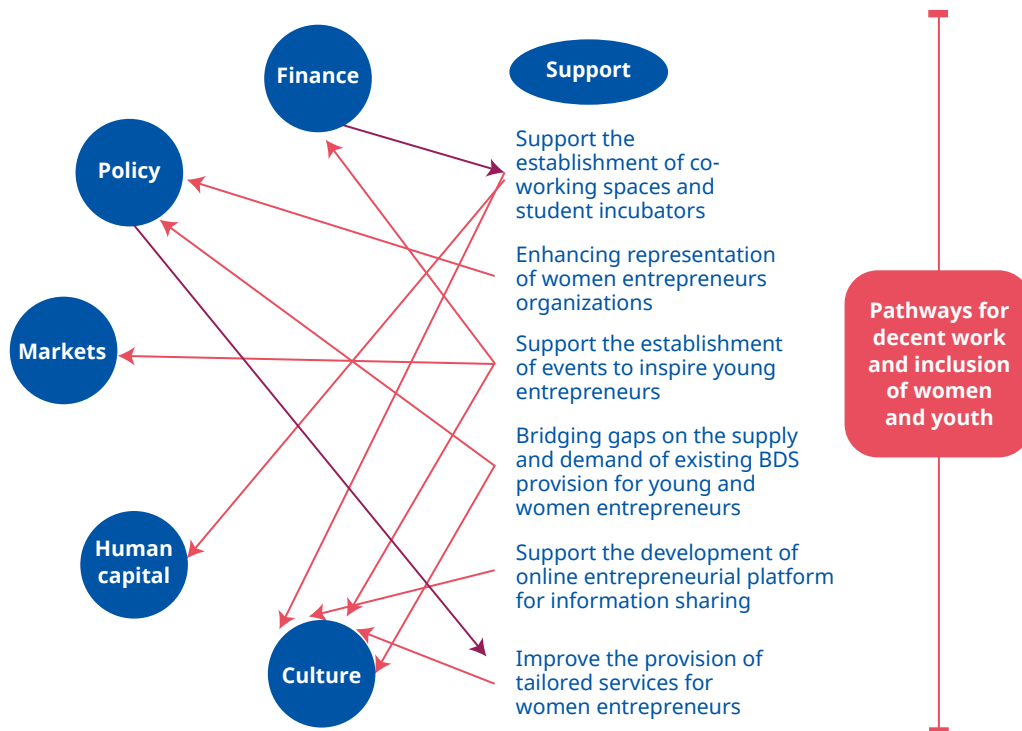
Ecosystem interventions in a nutshell

When applying interventions to address the challenges of the support and markets pillars, positive spillovers are expected to affect other pillars of the ecosystem. Hence, interventions in the support and markets pillars do not only involve improvements in these pillars, but in the ecosystem as a whole and the capacity of all pillars to create pathways for decent work and inclusiveness for the target groups. Likewise, not only interventions rooted in the support and markets pillars are capable of improving 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 support and markets pillars. 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.

Support

Figure 3 illustrates the association of proposed interventions in the support pillar with other pillars of the ecosystem.

► **Figure 3 - Support pillar interventions**



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.

The interventions designed to address the lack of developed entrepreneurial physical infrastructure for women and young entrepreneurs are associated mainly to the human capital and culture pillars. The development of student incubators and co-working spaces is expected to affect both the human capital and culture pillars, since the intervention fosters a vibrant entrepreneurial culture, and promote spaces of collaboration and connection with entrepreneurs and human capital through student incubators and co-working spaces. But positive developments in the finance pillar can also affect the development of student incubators, which could better link young entrepreneurs to access finance.

The interventions designed to address the insufficiently developed entrepreneurial platforms that promote female and youth entrepreneurship are associated mainly to the culture, markets, finance and policy pillars. Enhancing the representation of women entrepreneur's organizations is expected to affect the policy pillar, since the purpose of this intervention is to strengthen the capacities of women representation organizations in promoting female entrepreneurship and in establishing dialogues and advocating for women entrepreneur's priorities with other key ecosystem actors. In turn, the support to the establishment of events to inspire young entrepreneurs also affects the culture, finance and markets pillar, as it is intended to link different ecosystem actors in platforms for knowledge sharing, networking, and promotion of activities and events, which on the one hand promote an entrepreneurial culture among the youth, and on the other hand can lead to possible sources of funding and new market opportunities.

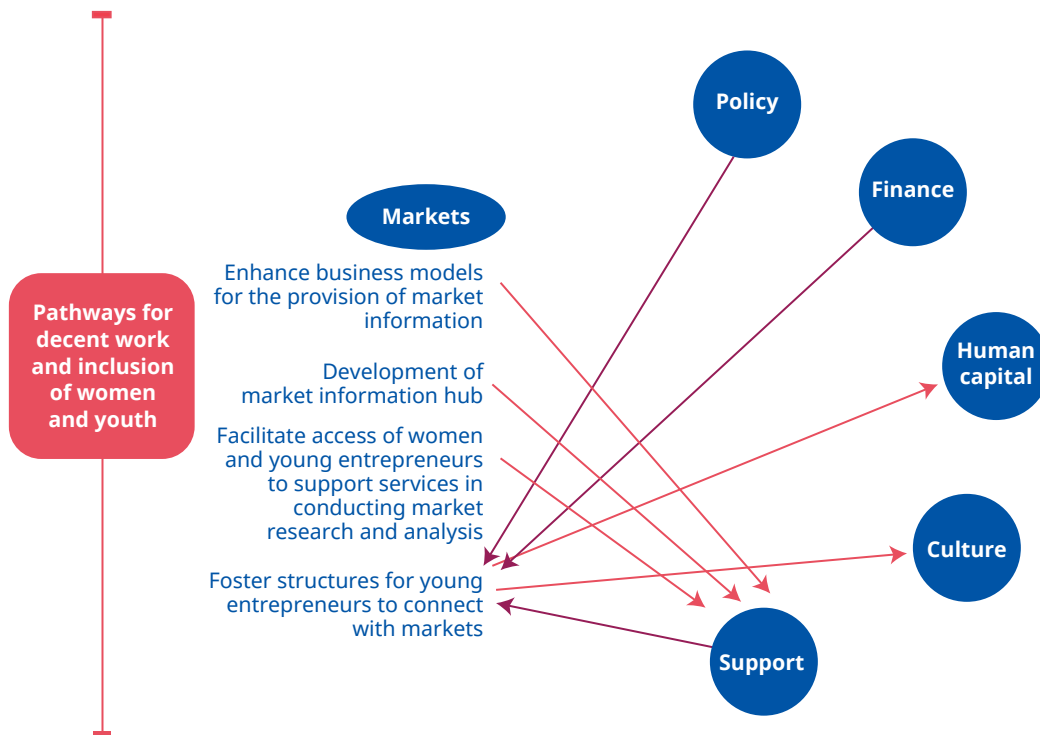
The interventions focused on addressing the lack of coordination of support services directed to young and women entrepreneurs are mainly associated to the policy and culture pillars. Bridging gaps on the supply and demand of existing BDS provision for young and women entrepreneurs affects both culture and policy, as it initiating a discussion on the service delivery gaps – including showcasing the importance of catering support services to women and young entrepreneurs, and to support the organizations that represent women and young people to take on a coordinating role and advocate for a service provision that is tailored to the target groups' needs, which are delivered by many government institutions. Concerning the support to develop an online entrepreneurial platform for information sharing, it mainly has effects on the culture pillar, as the platform could also be used to promote a more active entrepreneurial community in Banja Luka.

The assistance to BDS providers to improve the offer of entrepreneurial support services to women entrepreneurs has an influence on the culture and policy pillar, since it proposes ways to better integrate women in the entrepreneurial ecosystem, which can foster a more inclusive entrepreneurial culture, but can also be affected by positive developments on the policy pillar.

Markets

Figure 4 illustrates the association of proposed interventions in the markets pillar with other pillars of the ecosystem.

► **Figure 4 – Markets pillar interventions**



The two interventions designed to address the lack of accessible market information for women and young entrepreneurs are linked to the support pillar. Expanding the offer of market information services to young and women entrepreneurs also improves BDS provision in the overall ecosystem, whether it is through the development of business models that make market information more accessible to young and women entrepreneurs or through the development of a market information hub.

Facilitating access of women and young entrepreneurs to support services in conducting market research and analysis is associated with the support pillar, since it proposes ways to improve the offer of entrepreneurial support services to women and young entrepreneurs when it comes to skills in market research and analysis.

Finally, fostering structures for young entrepreneurs to connect with markets can also have effects in the human capital and culture pillars, as the promotion of these networks enhances an entrepreneurial culture among young people and allows spaces to connect with human capital. Positive developments in the policy, finance, and support pillars can also have an effect on connecting young entrepreneurs to markets, for example, through the adoption of new policies, or connection of actors in the finance and support pillar that promote access to markets in their offers.

▶ Conclusions and final recommendations

By applying the ILO's inclusive entrepreneurship ecosystem model, this report outlines key developments and challenges in the ecosystem for women and young entrepreneurs in Banja Luka. Numerous challenges identified under each pillar of the entrepreneurship ecosystem influence the pathways for decent work of women and young entrepreneurs who are part of the ecosystem, but many challenges can also act as catalysts for their exclusion from entering the ecosystem. Accordingly, addressing the challenges could potentially improve the entrepreneurship ecosystem, its accessibility and also its effects- the businesses it fosters and the working lives of entrepreneurs who run the businesses.

The ILO's inclusive entrepreneurship ecosystem model and the subsequent identification of priority areas proved to be a useful tool thanks to which it was possible to narrow down the focus of the report to challenges of women and young people within the support and markets pillars of the ecosystem. The proposed interventions aim to catalyse change within ecosystem actors to address ecosystem constraints with sustainable solutions, so that changes are maintained over time. Therefore, the proposed interventions are rooted in ecosystem actors based on their incentive and capacity to take on new roles in the ecosystem or enhance/modify their current roles. While with the proposed interventions attempted to address some of the challenges with a focus on the support and markets ecosystem pillars, positive spill over effects are expected to affect other pillars of the ecosystem and its overall dynamics.

► References

Ceko, M., Vrbanac, M., 2020. Motivacija i Barijere u Zenskom Preduzetnistvu u Srbiji i Bosni i Hercegovini, *Casopis za poslovnu teoriju i praksu*.

International Labour Organization, 2021. COVID-19 and the World of Work: Assessment of the Employment Impacts and Policy Responses BOSNIA and HERZEGOVINA

OECD et al. 2019. "Bosnia and Herzegovina: Small Business Act profile", in *SME Policy Index: Western Balkans and Turkey 2019: Assessing the Implementation of the Small Business Act for Europe*, OECD Publishing, Paris, <https://doi.org/10.1787/a09405ef-en>.

RS Government, 2021. Стратегија развоја малих и средњих предузећа републике српске за период 2021 – 2027. RS Government, 2019. Стратегија Развоја предузетништва жена Републике Српске

RS Institute of Statistics, 2022. Government budget allocations for R&D. Research and Development Statistics 2021–2022. Annual release. No. 242/22

RS Institute of Statistics, 2019. Women and men in Republika Srpska.

Turulja, L., Agic, E., and Veselinovic, LJ. 2020. Motivation of the youth of Bosnia and Herzegovina to start a business: Examining aspects of education and social and political engagement, *Economic Research-Ekonomska Istraživanja*, 33:1, 2692-2712, DOI: 10.1080/1331677X.2019.1706602

UNFPA BiH, 2021. Survey on youth emigration in Bosnia and Herzegovina.

World Bank, 2018. Access to finance for female-led micro, small & medium-sized enterprises in Bosnia and Herzegovina

