

**SMALL BUSINESS DEVELOPMENT PROGRAM
IN HERZEGOVINA-NERETVA CANTON
2011. – 2015.**

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INTRODUCTION

Act on incentives to small business development and protection of traditional activities (trade) (hereinafter the Act), ("Official Gazette of the HNC," No. 4 / 2010), entered into force on 24.08.2010. and starts to apply in the Herzegovina-Neretva Canton (hereafter HNC) from 01.01.2011.

In accordance with the Act, the Government of HNC, on the recommendation of the HNC Ministry of Economy, brings *Small business development program* (hereinafter the Program), for a period of four years.

The law stipulated the holders of the program and it was made in collaboration with:

- **Local government,**
- **Chamber of commerce in HNC,**
- **Chamber of trade in HNC,**
- **Association for Entrepreneurship and Business „LiNK“Mostar, and**
- **Association for Herzegovina Regional Economic Development „REDAH“Mostar.**

Along with other development projects from the ministries of the Herzegovina-Neretva Canton, Program is a key strategic document for Canton, which determines:

- guidelines for the development of small and medium enterprises,
- incentives,
- holders of the implementation of incentive measures,
- enforcement actions,
- sources of funds,
- period of implementation of individual incentives,
- a methodology for monitoring the implementation of certain measures.

Program includes four units:

- I Analysis of the situation of small businesses in the HNC;**
- II The objectives of the Small Business Development in HNC;**
- III Measures to achieve goals;**
- IV Methodology for monitoring the implementation of the measures-"monitoring";**

The importance of the sector of small and medium enterprises (SMEs)

Small businesses and its entities, individuals and legal persons, especially small and medium enterprises, are a fundamental pillar of almost all developed countries, a source of employment and business ideas, the requirement of economic growth and prosperity, and thus the priority of any successful economy. Therefore, in these economies, the business environment is developing in line with the needs of SMEs.

The importance of the SME sector lays is the fact that SMEs make **99% of the total number of companies in Europe.**

There are approximately 160,000 registered companies in Bosnia and Herzegovina, out of which 99.7% of companies are SMEs (with less than 250 employees). Among them are:

- **93 % micro-enterprises (with 1-9 employed),**
- **only 6% are small enterprises (with 10-49 employed),**
- **only 1% are medium-sized enterprises (with 50-250 employed),**
- **SMEs in BiH provides approximately 70% of jobs**

The data indicate a negative structure of SMEs in BiH, which would clearly show that 93% of companies have the status of micro enterprises (with 1-9 employees), which means that the necessary assistance in terms of institutional support is required, in order to facilitate the transition of micro enterprises on higher level, or in a group of small or medium-sized enterprises.

Efforts to develop the competitiveness of SMEs are justified by the benefits it has, in relation to large companies, which are:

- interest owners for their own occupation, and simple structure of ownership,
- focus on achieving the maximum profit and quickly adjust the market,
- reasonable risk-taking, confidence, responsibility, independence in decision making,
- creation of new jobs,
- minor consequences for the environment in case of failure,
- ability to produce specific products in small batches, and hence less need for a means of financing.

The European Union is an entrepreneurship, along with innovation, set as priorities within the Lisbon Declaration of 2000 year. These goals are resulting policies that encourage the emergence and survival of small and medium-sized enterprises, including the European Charter for Small Enterprises (hereinafter the Charter). It's signed by BiH, also, which is thus obliged to make progress in the ten areas that Charter covers:

1. education and training for entrepreneurship
2. cheaper and faster start-up businesses
3. better legislation and regulation
4. availability of skills
5. improved electronic access
6. better utilization of the single market
7. financial and tax matters
8. Strengthening the technological capacity of small enterprises
9. Successful models of e-business and small business support
10. Developing a stronger and more effective representation of small enterprises at EU and at national level.

Having in mind the achievement of objectives outlined in the Charter, which implementation represent a strategic task in the way of BiH joining the EU, this Program primarily analyze the situation of SMEs in the HNC, with comparative indicators of SME development, as compared to neighboring countries. Based on the assessment of the situation in Canton, sought to identify the needs of small business and able to respond to these needs within the institutional and legislative framework in which that segment operates, and to determine the objectives to be achieved in the next four-year period.

For this purpose, local governments are also included in information – documentation Program preparation, which is initiated on developing their own plans and programs and in proposing development measures and projects. Beside them, suggestions and proposals of incentives are provided by others, above mentioned, holders of the Program.

A special chapter of Program contains a tabulation measures that can achieve the intended goals, while the last chapter deals with methodology for monitoring the implementation of these measures, so called. "Monitoring".

Small business - Definition and Classification

Act on incentives to small business development and protection of traditional activities (trade) determine that **small businesses** are businesses - individuals and legal persons, who permanently perform other lawful activity, for profit, including self-employment and family tasks associated with trade, registered with the competent authority, which are:

- a) Independent business,
- b) employing an annual average of less than 250 persons and
- c) an annual income of less than 95,000,000.00 KM, or their annual balance sheet is less than 86,000,000.00 KM.

The Act determines the criteria for classification of subjects of small economy, by size, in accordance with the adopted criteria for the division of the European Union, namely:

| | Legal status | Number of employees | Annual income in KM (less than:) | Balance sheet in KM (less than:) |
|--------------------------------|-------------------------------|------------------------|----------------------------------|----------------------------------|
| Micro businesses | Individuals and legal persons | 9 and less persons | 4.000.000,00 | 4.000.000,00 |
| Small businesses | Individuals and legal persons | From 10 to 49 persons | 20.000.000,00 | 20.000.000,00 |
| Medium-sized businesses | Individuals and legal persons | from 50 to 250 persons | 95.000.000,00 | 86.000.000,00 |

I SMALL BUSINESS ANALYSIS IN HNC

This chapter deals with the analysis of HNC small business through the basic macro-economic indicators for which data are given as at 31.12.2009. year, in the order:

- I - 1. Structure of the economy in HNC**
- I - 2. Basic indicators of economic trends**
- I - 3. Number of SMEs per 1000 residents**
- I - 4. Analysis of labor market in HNC**
- I - 5. Average net wages and pensions**
- I - 6. Gross domestic product (BDP)**
- I - 7. Index of physical volume of industrial production**
- I - 8. Export-import**
- I - 9. The index of development of municipalities**

Based on analysis of the situation of SMEs, guidelines for the implementation of incentives for the development of small businesses are given, and set goals to be achieved over a four year period.

The economy of HNC, as well as in the whole BiH, is still located in the socio-economic transition. Therefore, in the HNC, as well as in other transition economies in this region, the privatization of former social, now state-owned enterprises, is incomplete, or failed, the level of social and living standard is low and unemployment high, as the negative consequences of war that have not yet overcome.

The economic environment in HNC has been since 2009. marked by the strong influence of the global economic crisis, which had the effect of the weakening economy, causing in 2009. reduction in economic activity. The crises has led to lower lending to the economy, reduced capital inflows from other private sources, such as foreign direct investment, and reduce demand for products that BiH exports to the region and the EU.

Due to the reduced inflow of funds in the budgets at all levels of government, in 2009. and spending on behalf of public sector, social transfers and social protection spending are decreased. Incentives for small business development have been reduced, through grant funding support to SMEs.

Despite extremely difficult economic conditions in 2009, it is estimated that the key indicators of development in 2010 tend to increase slightly, as evidenced by the fact that in January 2010, compared to January 2009, there was an increase in physical volume of industrial production in the Federation by 0.1%.

I - 1. Structure of the economy in the HNC

HNC has a significant potential for development of small and medium enterprises that can support the activities of large companies, as the provision of raw materials, repro-materials and spare parts, and in the use of final products of large enterprises in further manufacturing.

However, most SMEs are still operating in the retail sector and catering.

The privileging of trade and some services, during the foundation of the company, is due to several reasons, primarily because it takes less capital to start a business, the need for strict standards and operating procedures were not marked as in the case of production, lower business risks, and greater opportunities for underground economy. Production, however, requires a higher degree of qualification of personnel, adequate and competitive level of technology and equipment and thus the greater volume of investments.

Lack of capital and its high price necessary have the effect that the number of registered enterprises in the production is lower than in other sectors. This problem will begin to address more effectively only if the HNC government's commitment is a strategy of incentives intensive use of complementary advantage of the resources available to HNC, such as water, energy, forests, mineral resources, tourism resources, etc. Such a strategy would certainly influence to increase the number of SMEs in the manufacturing sector, which is the intention of this program.

A special opportunity for further economic development of the HNC is to obtain construction of power and infrastructure.

The most developed industries in the HNC:

- metallurgy and metal processing industry
- construction
- agriculture
- energy production
- forestry and wood processing industry
- food industry

Approximately 80% of total economic activity in the field of production and exports are medium and large enterprises. This indicates that the small number of SMEs engaged in manufacturing, the export-oriented, so this should continue to encourage, because they contribute to faster economic prosperity of the County.

I - 2. Basic indicators of economic trends

According to available statistics for the HNC, businesses (legal persons and individuals-craftsmen) are shown in the following records:

- *Registered businesses by industry and*
- *Registered businesses by industry and municipalities.*

Cantonal Act on incentives to small business development, in order to ensure the statistical data needed for monitoring the development of small business, introduced a classification of its subjects into 4 categories, according to the number of employees. These data, in which the small businesses were classified by the criteria of size of the company, will in future be available through the database of the Ministry of Development, Entrepreneurship and Crafts FBiH.

The economies of highly industrialized countries dominated by number of employees and small and medium enterprises (SMEs) and similar data are in countries in the immediate and distant environment. In neighboring Croatia, the total number of companies, is approximately 99% of SMEs. At the same time, SMEs employ 66% of the total number of employees. These data were almost identical data on SMEs in Austria. But when it comes to investments, Austrian small and medium-sized businesses leading the way, and is approximately 60% of all investments made by small and medium

enterprises, while the same indicator in Croatia is 40%. This can explain the basic differences among firms in these two countries.

When the basic parameters for small and medium enterprises in FBiH compared to the Austrian and Croatian, in particular the share of SMEs in the number of employees in the economy, it is clear that the indicators for the Federation is considerably weaker, and that SMEs need stronger institutional and financial support. Of course, when talking about employment in SMEs, in the Federation, it should take into account the widespread underground economy, especially among smaller entrepreneurs. If the unregistered workers in small firms involved in the assessment, the indicators for the Federation would be much better.

We should emphasize the fact that in developed countries small entrepreneurs often decide to establish businesses in order to achieve good business opportunities, and in transition economies, such as our, entrepreneurship is often a sort of escape from a lower social status and unemployment (the GEM index of motivation).

Initial funds and funding sources are developed and widely available in the EU than in the transition economies and that is also one of the conditions for faster development of entrepreneurship.

These problems faced by small and medium-sized businesses require special attention and help, since the area of HNC is a small market, without the possibility of creation larger companies in shorter period of time. However, there are great opportunities for strengthening entrepreneurship in several activities. HNC has preserved the natural, cultural and historical values, has the potential for tourism development. Also, agriculture enables production of specific local products, especially in the area of food production. Great opportunities for entrepreneurship development arising from the experience gained in industrial production, and from experience in the manufacturing company. Therefore, and because of these opportunities, SMEs should be encouraged significantly, to make it more conducive overall economic development.

The HNC is registered total of 11,264 businesses, of which 5215 are legal persons and 6049 are individuals (trade).

Tabela 1.- Structure of businesses in HNC (individuals and legal persons)

| STRUCTURE OF BUSINESSES IN HNC | | |
|---|----------------------|--------------------|
| | Legal persons | Individuals |
| A - Agriculture, hunting and forestry | 131 | 106 |
| B - Fishing | 15 | 12 |
| C - Mining | 40 | 6 |
| D - Manufacturing | 605 | 519 |
| E - Electricity, gas and water supply | 30 | - |
| F - Construction | 319 | 255 |
| G - Trade | 1.457 | 2.267 |
| H - Catering | 125 | 1.460 |
| I - Transport, storage and communication | 273 | 356 |
| J - Financial intermediation | 32 | 3 |
| K - Real estate, renting and business activities | 434 | 458 |
| L - Public administration and defense, compulsory social security | 143 | - |
| M - Education | 133 | 58 |
| N - Health and social care | 214 | 87 |
| O - Other public, communal, social and service activities of their own | 1.263 | 462 |
| P - Private households with employed persons | 1 | - |
| Q - Extraterritorial organizations and bodies | - | - |
| Total in HNC: | 5.215 | 6.049 |
| Federation BiH: | 43.619 | 51.674 |

According to statistics, the number of registered legal persons in the Federation, in 31.12.2009, amounted to 43.619, which is higher for 1897 new registered or 4.5% compared to 2008.

, whereas in the HNC number of registered legal persons amounted to 5.215, which is higher for 286 or 5.8%, compared to 2008.

Number of registered legal persons in the HNC participates in the total number of registered legal persons in the Federation with **11.9%**.

The number of registered individuals-trades in the Federation, in 31.12.2009 was 51,674, which is 738 more for registered trades, or 2.9% over the previous year, while the HNC number of registered trade amounted to 6.049, which is 191 more for trade or by 3.3% compared to 2008.

Number of registered trades in HNC participates in the total number of registered trades in Federation BiH with **11,7%**.

From the total number of registered businesses (legal persons and individuals) the largest number is recorded in the (G)-trade (33.05%), followed by: (O)-other public, community, social and self service activities (15 , 31%), (H)-catering (14.07%), (D)-Manufacturing (9.98%), (K)-real estate, renting and business activities (7.92%), while 19.67% of businesses belong to all other activities.

Tabela 2. - Registered businesses by industry and municipalities in the HNC - legal persons

| Registered businesses by industry and municipalities in the HNC - on 31.12.2009 | | | | | | | | | | | | | | | | | | |
|---|------------------|-----------|-----------|------------|-----------|------------|--------------|------------|------------|-----------|------------|------------|------------|------------|--------------|----------|----------|--------------|
| Municipality | Area of activity | | | | | | | | | | | | | | | | | Total |
| | A | B | C | D | E | F | G | H | I | J | K | L | M | N | O | P | Q | |
| | Legal persons | | | | | | | | | | | | | | | | | |
| Čapljina | 18 | 0 | 7 | 42 | 2 | 13 | 150 | 8 | 28 | 1 | 21 | 31 | 5 | 13 | 106 | 0 | 0 | 445 |
| Čitluk | 13 | 0 | 5 | 100 | 4 | 32 | 218 | 23 | 70 | 2 | 47 | 27 | 9 | 29 | 86 | 1 | 0 | 664 |
| Jablanica | 3 | 1 | 3 | 23 | 1 | 8 | 26 | 5 | 9 | 0 | 10 | 6 | 4 | 9 | 51 | 0 | 0 | 159 |
| Konjic | 15 | 5 | 4 | 48 | 5 | 27 | 86 | 10 | 29 | 0 | 15 | 5 | 12 | 17 | 101 | 0 | 0 | 379 |
| Grad Mostar | 55 | 4 | 17 | 322 | 11 | 210 | 856 | 60 | 115 | 28 | 316 | 60 | 87 | 112 | 713 | 0 | 0 | 2.966 |
| Neum | 1 | 2 | 0 | 17 | 1 | 7 | 32 | 13 | 6 | 0 | 14 | 3 | 2 | 5 | 36 | 0 | 0 | 139 |
| Prozor | 15 | 3 | 0 | 22 | 6 | 12 | 55 | 4 | 10 | 0 | 3 | 4 | 8 | 16 | 66 | 0 | 0 | 224 |
| Ravno | 2 | 0 | 3 | 2 | 1 | 2 | 4 | 1 | 1 | 0 | 3 | 3 | 1 | 3 | 15 | 0 | 0 | 41 |
| Stolac | 9 | 0 | 1 | 29 | 1 | 8 | 30 | 1 | 5 | 1 | 5 | 4 | 5 | 10 | 89 | 0 | 0 | 198 |
| Total in HNC: | 131 | 15 | 40 | 605 | 30 | 319 | 1.457 | 125 | 273 | 32 | 434 | 143 | 133 | 214 | 1.263 | 1 | 0 | 5.215 |

In structure of legal persons activities, services that are dominated: (G)- trade, which represented 27.9% of legal persons, and (O)-other public, community, social and service activities of their own, which represented 24.2% legal persons, and only after the services there is (D) - manufacturing, which represented 11.6% of legal persons.

Tabela 3. - Registered businesses by industry and municipalities in the HNC – individuals (trade)

| Registered businesses by industry and municipalities in the HNC, on 31.12.2009 | | | | | | | | | | | | | | | | | | |
|--|--------------------|-----------|----------|------------|----------|------------|--------------|--------------|------------|----------|------------|----------|-----------|-----------|------------|----------|----------|--------------|
| Municipality | Area of activity | | | | | | | | | | | | | | | | | Total |
| | A | B | C | D | E | F | G | H | I | J | K | L | M | N | O | P | Q | |
| | Individuals-trades | | | | | | | | | | | | | | | | | |
| Čapljina | 20 | 1 | 1 | 56 | 0 | 23 | 292 | 175 | 22 | 2 | 31 | 0 | 3 | 9 | 53 | 0 | 0 | 688 |
| Čitluk | 9 | 0 | 0 | 72 | 0 | 15 | 209 | 110 | 76 | 0 | 17 | 0 | 7 | 8 | 21 | 0 | 0 | 544 |
| Jablanica | 6 | 4 | 1 | 35 | 0 | 34 | 119 | 104 | 10 | 0 | 20 | 0 | 6 | 3 | 31 | 0 | 0 | 373 |
| Konjic | 29 | 1 | 0 | 55 | 0 | 31 | 196 | 109 | 42 | 0 | 39 | 0 | 6 | 6 | 37 | 0 | 0 | 551 |
| Grad Mostar | 26 | 5 | 3 | 253 | 0 | 113 | 1.082 | 730 | 187 | 1 | 1.307 | 0 | 28 | 58 | 262 | 0 | 0 | 3.055 |
| Neum | 1 | 0 | 1 | 13 | 0 | 12 | 98 | 78 | 1 | 0 | 9 | 0 | 1 | 1 | 14 | 0 | 0 | 229 |
| Prozor | 8 | 1 | 0 | 18 | 0 | 20 | 124 | 68 | 9 | 0 | 13 | 0 | 3 | 1 | 19 | 0 | 0 | 284 |
| Ravno | 7 | 0 | 0 | 0 | 0 | 2 | 4 | 3 | 0 | 0 | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 20 |
| Stolac | 0 | 0 | 0 | 17 | 0 | 5 | 143 | 83 | 9 | 0 | 18 | 0 | 4 | 1 | 25 | 0 | 0 | 305 |
| Total in HNC: | 106 | 12 | 6 | 519 | 0 | 255 | 2.267 | 1.460 | 356 | 3 | 458 | 0 | 58 | 87 | 462 | 0 | 0 | 6.049 |

In structure of the individuals - trade, services that are dominated: (G)-trade, with 37.5% and (H)-catering, with 24.1%, followed by (D) - manufacturing, from 8.6 % and (O) - other public, community, social and service activities of their own, with 7.6%.

Tabela 4. - Businesses – legal persons, by municipalities, under the HNC Ministry of economy

| Legal persons - SMEs in the HNC under the Ministry of Economy | | | | | |
|---|--------------|-----------------------------------|--|---|------------------------------|
| No. | Municipality | Number of businesses "C" (Mining) | Number of businesses "D" (manufacturing) | Number of businesses "E" (Electricity, gas and water) | Total businesses „C”+”D”+”E” |
| 1. | Čapljina | 7 | 26 | 2 | 35 |
| 2. | Čitluk | 5 | 74 | 2 | 81 |
| 3. | Jablanica | 3 | 19 | 1 | 23 |
| 4. | Konjic | 4 | 40 | 5 | 49 |
| 5. | Neum | 0 | 13 | 1 | 14 |
| 6. | Prozor | 0 | 15 | 6 | 21 |
| 7. | Ravno | 3 | 1 | 1 | 5 |
| 8. | Mostar | 17 | 270 | 11 | 298 |
| 9. | Stolac | 1 | 20 | 1 | 22 |
| Total: | | 40 | 478 | 30 | 548 |

Table 4 provides an overview of businesses - legal persons, which are within the Ministry of Economy in HNC, and relates to activities: (C)-mining, (D) - manufacturing, and (E) - supply of electricity, gas and water. In these sectors a total of 548 legal persons are registered.

From the table above it can be concluded that, based on the number of businesses - legal persons, manufacturing industry dominated in Canton, which is most represented in Mostar, Konjic and Čitluk. This data also indicates the need for companies in the field of manufacturing industry to be encouraged in the future, given their overwhelming presence and importance for the development of small businesses in Canton, especially considering the fact that this sector employs approx. 5500 people, and that the increase in employment is among the priority objectives of this program.

Tabela 5. – Economic entities – individuals (trades), by municipalities, under the HNC Ministry of economy

| Individuals (trades) in HNC under the Ministry of economy | | | | | | | | | | | | |
|---|--------------|-----------------------------------|-----------|----------|----------------|--------------|------------|--------------------------------------|-----------------------------------|-----------|---------------|-------------------------|
| No. | Municipality | "A" | "B" | "C" | "D" | "F" | "G" | "I" | "K" | "M" | "O" | Total trade by activity |
| | | Agriculture, hunting and forestry | Fishing | Mining | Manufacturing. | Construction | Trade | Transport, storage and communication | Real estate, renting and business | Education | Other public, | |
| 1. | Čapljina | 10 | 1 | 1 | 56 | 23 | 28 | 19 | 23 | 3 | 49 | 213 |
| 2. | Čitluk | 3 | 0 | 0 | 72 | 15 | 10 | 76 | 10 | 6 | 21 | 213 |
| 3. | Mostar | 10 | 5 | 3 | 253 | 112 | 112 | 184 | 171 | 24 | 257 | 1.131 |
| 4. | Jablanica | 3 | 4 | 1 | 35 | 32 | 19 | 10 | 13 | 6 | 31 | 154 |
| 5. | Konjic | 21 | 1 | 0 | 55 | 31 | 24 | 42 | 26 | 5 | 36 | 241 |
| 6. | Neum | 1 | 0 | 1 | 13 | 12 | 8 | 1 | 6 | 1 | 14 | 57 |
| 7. | Prozor | 6 | 1 | 0 | 18 | 20 | 15 | 10 | 10 | 3 | 19 | 102 |
| 8. | Ravno | 7 | 0 | 0 | 0 | 2 | 0 | 0 | 2 | 0 | 0 | 11 |
| 9. | Stolac | 0 | 0 | 0 | 17 | 5 | 12 | 9 | 10 | 4 | 25 | 82 |
| Total: | | 61 | 12 | 6 | 519 | 252 | 228 | 351 | 271 | 52 | 452 | 2.204 |

The economic entities-individuals are under the Ministry of Economy (trades), and 2.204 of them are registered in HNC. From Table 5 is seen that, according the number of trades, City of Mostar is leading, followed by municipalities of Konjic, Čapljina and Čitluk. According to the representation of trade in certain sectors leads (D)-processing industry, (O)-other public, community, social and service

activities of their own, (I)-transportation, storage and communication, and (K)-real estate, renting and business activities.

Tabela 6. – Economic entities- legal persons (SMEs), by HNC municipalities (without L, M, N, O activities –non-economic activities)

| No. | Municipality | Number of residents | Legal persons (SMEs) |
|----------------------|--------------|---------------------|----------------------|
| 1. | Čapljina | 23.251 | 290 |
| 2. | Čitluk | 15.852 | 513 |
| 3. | Jablanica | 11.810 | 89 |
| 4. | Konjic | 28.535 | 244 |
| 5. | Neum | 4.605 | 93 |
| 6. | Prozor | 16.064 | 130 |
| 7. | Ravno | 1.400 | 19 |
| 8. | Mostar | 111.186 | 1.994 |
| 9. | Stolac | 13.227 | 90 |
| Total in HNC: | | 225.930 | 3.462 |

Table 6 shows the structure of businesses - legal persons, by HNC municipalities and cities, without the administration (non-economic activity) or without (L)-Public administration and defense, compulsory social security (M)-Education, (N)-Health and Social protection, and (O)-other state, municipal, social and treasury services.

The figure of 3462 the legal person-SMEs, which exclude legal persons, engaged in the so-called. non-economic activities, in relation to the total number of 5215 businesses and legal persons in the HNC gives a more realistic picture, from which it can be concluded that in the Canton the economic activity are represented nearly twice as much. This information is also guidance for the further direction of development of the Canton.

I - 3. Number of small and medium enterprises (SMEs) per 1000 residents

Tabela 7.- Legal persons- SMEs (economic activity) in the HNC and legal persons within the jurisdiction of Ministry of Economy (C, D, E) on 1000 residents

| Number | Municipality | Number of residents | Legal persons (SMEs) | Legal persons (SMEs) C,D,E | The share of legal persons-SME (C, D, E) in the total number of entities in the HNC-SMEs (%) |
|----------------------|--------------|---------------------|----------------------|----------------------------|--|
| 1. | Čapljina | 23.251 | 290 | 35 | 12,07 |
| 2. | Čitluk | 15.852 | 513 | 81 | 15,79 |
| 3. | Jablanica | 11.810 | 89 | 23 | 25,84 |
| 4. | Konjic | 28.535 | 244 | 49 | 20,08 |
| 5. | Neum | 4.605 | 93 | 14 | 15,05 |
| 6. | Prozor | 16.064 | 130 | 21 | 16,15 |
| 7. | Ravno | 1.400 | 19 | 5 | 26,32 |
| 8. | Mostar | 111.186 | 1.994 | 298 | 14,94 |
| 9. | Stolac | 13.227 | 90 | 22 | 24,44 |
| Total in HNC: | | 225.930 | 3.462 | 548 | 15,83 |

Table 7 shows that the total number of legal persons - SMEs in the HNC, the legal persons under the Ministry of Economy is approx. 16%.

Tabela 8. – Legal persons-SMEs (economic activity) in the HNC and legal persons within the jurisdiction of Ministry of economy (C, D, E) on 1000 residents

| Number | Municipality | Number of residents | Number of legal persons (SMEs) on 1000 residents | Number of legal persons (SMEs) C,D,E on 1000 residents |
|--------------------|--------------|---------------------|--|--|
| 1. | Čapljina | 23.251 | 12,5 | 1,5 |
| 2. | Čitluk | 15.852 | 32,4 | 5,1 |
| 3. | Jablanica | 11.810 | 7,5 | 1,9 |
| 4. | Konjic | 28.535 | 8,6 | 1,7 |
| 5. | Neum | 4.605 | 20,2 | 3,0 |
| 6. | Prozor | 16.064 | 8,1 | 1,3 |
| 7. | Ravno | 1.400 | 13,6 | 3,5 |
| 8. | Mostar | 111.186 | 17,9 | 2,7 |
| 9. | Stolac | 13.227 | 6,8 | 1,6 |
| Ukupno HNK: | | 225.930 | 15,3 | 2,4 |

Table 8 was conceived by the European indicator of development of SMEs, which takes for criterion the number of firms per 1000 residents, in a particular area. The European average is 70 businesses per 1,000 residents, while in the HNC is 15.3, therefore, has about 15 companies per 1000 residents. This means that the development of SMEs had fallen for Europe, which is why the priority objectives of the program should be included just by increasing the number of SMEs in the region.

In addition, only 2.4 business units - legal persons, under the HNC Ministry of Economy, which are in the field (C)-mining, (D)-processing industry, or (E)-supply of electricity, gas and water come in 1000 the population of Canton, which is far below the European average. This figure is all the more devastating when it is known that these areas are crucial to economic prosperity of any economy. Successful completion of this program would contribute to a growing number of SMEs in these important economic sectors.

I - 4. Analysis of labor market in HNC

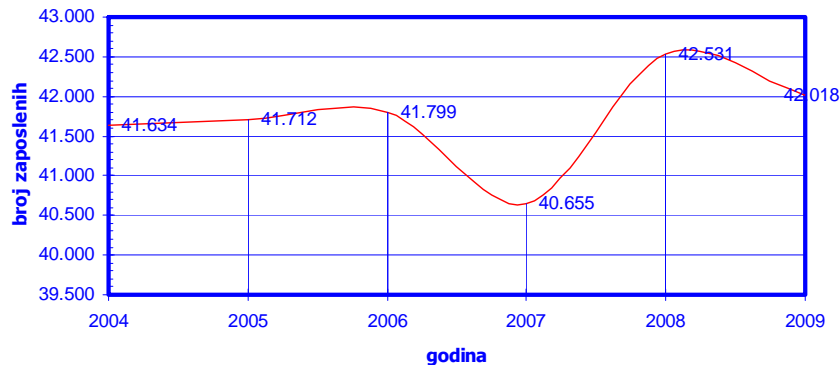
Among the indicators of the state of the economy, significant the data on the number of employed / unemployed in the HNC, whose changes and trends, by year, are shown in Table 9, the diagram 1 and the diagram 2.

Tabela 9.- The number of employed / unemployed in the HNC, by years

| YEAR | NUMBER OF EMPLOYED | NUMBER OF UNEMPLOYED |
|------|--------------------|----------------------|
| 2004 | 41.634 | 25.642 |
| 2005 | 41.712 | 26.794 |
| 2006 | 41.799 | 28.632 |
| 2007 | 40.655 | 30.838 |
| 2008 | 42.531 | 29.403 |
| 2009 | 42.018 | 29.596 |

Dijagram 1.

Pregled broja zaposlenih po godinama u HNK



Dijagram 2.

Pregled broja nezaposlenih po godinama u HNK

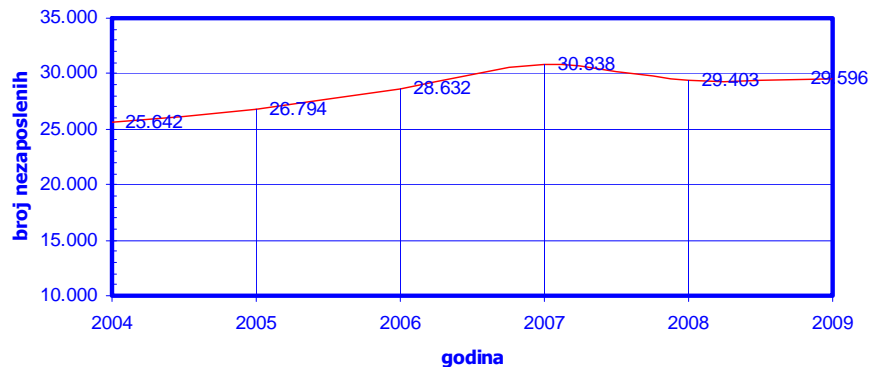


Table 10 - Number of employees in legal persons (SMEs), who belong to the sectors under the HNC Ministry of Economy, are shown in tables by municipalities, as at 31.12.2009. and totals 7.820, of which 5.340 are employed in the manufacturing industry.

Tabela 10.- Number of employees in legal persons under the HNC Ministry of Economy

| Number of employees in legal persons (SMEs) under the HNC Ministry of Economy | | | | | |
|--|---------------------|---|--|--|--------------------------------|
| No. | Municipality | Number of employed in "C" (mining) | Number of employed in "D" (manufacturing) | Number of employed in "E" (Electricity, gas and water supply) | Total of employed C+D+E |
| 1. | Čapljina | 25 | 100 | 75 | 200 |
| 2. | Čitluk | 77 | 313 | 51 | 441 |
| 3. | Jablanica | 5 | 552 | 44 | 601 |
| 4. | Konjic | 67 | 1.600 | 60 | 1.727 |
| 5. | Neum | 0 | 9 | 50 | 59 |
| 6. | Prozor | 0 | 106 | 2 | 108 |
| 7. | Ravno | 2 | 2 | 3 | 7 |
| 8. | Mostar | 36 | 2.398 | 1.971 | 4.405 |
| 9. | Stolac | 0 | 260 | 12 | 272 |
| Total in HNC: | | 212 | 5.340 | 2.268 | 7.820 |

SMALL BUSINESS DEVELOPMENT PROGRAM IN HNC 2011. – 2015.

In 2009, in the Federation of BiH, there is the average number of employees in the amount of 426.556, which is, compared to 2008, less than 1.0% or 4.189 employees. The HNC average employment is 42,018, as compared to 2008. year, less for the 513 employees or less by 1.2%. Number of employees in HNC is participating in total employment in the Federation with 9.85%.

Tabela 11. – Level of employment in HNC municipalities in 2009. year

| Municipality | Number of residents | Number of employed | Active resident | Level of unemployment in % (3/4) | Level of unemployment in % F BiH=100 |
|------------------------|---------------------|--------------------|-----------------|----------------------------------|--------------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 |
| Čapljina | 23.251 | 3.274 | 6.038 | 54,2 | 99,3 |
| Čitluk | 15.852 | 3.525 | 5.561 | 63,4 | 116,1 |
| Jablanica | 11.810 | 1.999 | 3.881 | 51,5 | 94,3 |
| Konjic | 28.535 | 4.078 | 7.749 | 52,6 | 96,4 |
| Neum | 4.605 | 966 | 1.298 | 74,4 | 136,3 |
| Prozor | 16.064 | 1.325 | 3.198 | 41,4 | 75,9 |
| Ravno | 1.400 | 53 | 84 | 63,1 | 115,6 |
| Mostar | 111.186 | 25.910 | 40.685 | 63,7 | 116,6 |
| Stolac | 13.227 | 888 | 3.120 | 28,5 | 52,1 |
| HNC : | 225.930 | 42.018 | 71.614 | 58,7 | 107,46 |
| Federation BiH: | 2.327.318 | 426.556 | 781.133 | 54,6 | 100,00 |

Table 11 shows that the average employment in the HNC, in relation to the Federation, was higher in 2009. year, to 7.46% (it is possible to make comparisons for each municipality individually, in relation to FBiH).

Tabela 12. – Level of unemployment by HNC municipalities in 2009. year

| Municipality | Number of residents | Number of unemployed | Active residents | Level of unemployment in % (3/4) | Level of unemployment in % F BiH=100 |
|------------------------|---------------------|----------------------|------------------|----------------------------------|--------------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 |
| Čapljina | 23.251 | 2.764 | 6.038 | 45,8 | 100,8 |
| Čitluk | 15.852 | 2.036 | 5.561 | 36,6 | 80,6 |
| Jablanica | 11.810 | 1.882 | 3.881 | 48,5 | 106,8 |
| Konjic | 28.535 | 3.671 | 7.749 | 47,4 | 104,3 |
| Neum | 4.605 | 332 | 1.298 | 25,6 | 56,3 |
| Prozor | 16.064 | 1.873 | 3.198 | 58,6 | 129,0 |
| Ravno | 1.400 | 31 | 84 | 36,9 | 81,3 |
| Mostar | 111.186 | 14.775 | 40.685 | 36,3 | 80,0 |
| Stolac | 13.227 | 2.232 | 3.120 | 71,5 | 157,6 |
| HNC: | 225.930 | 29.596 | 71.614 | 41,3 | 91,0 |
| Federation BiH: | 2.327.318 | 354.577 | 781.133 | 45,40 | 100,00 |

The number of unemployed persons in FBiH, determined as at 31.12.2009, amounted to 354.577, which is more by 4.7% compared to 2008. At the same time, **unemployment in the HNC** is expressed as a figure of 29.596, which means that less of 193 people seeking employment; it means that unemployment in HNC is lower by 0.65% compared to the previous, 2008.

The unemployment rate in HNC, in 2009, compared to the F BiH, was lower by 9%.

Looking at the municipalities, the largest number of unemployed persons is located in the City of Mostar (14.775 or 49.9%), followed by the municipality of Konjic (3.671 or 12.5%), Čapljina (2.764 or 9.3%), Stolac (2.232 or 7.5%), Čitluk (2.036 or 6.9%), Jablanica (1.882 or 6.4%), Prozor-Rama (1.873 or 6.3%), Neum (332 or 1.1%) and municipality Ravno with 31 unemployed persons (0.1%).

Tabela 13. – Qualification structure of unemployment by HNC municipalities in 2009.year

| Unemployment according to the degree of vocational education in HNC in 2009. year | | | | | | | | | |
|--|---------------------------------------|------------|--------------|------------|------------|---------------|--------------|--------------|---------------|
| Municipality | DEGREE OF VOCATIONAL EDUCATION | | | | | | | | Total: |
| | VSS | VŠS | SSS | NSS | VKV | KV | PKV | NKV | |
| Čapljina | 115 | 88 | 709 | 0 | 17 | 1.151 | 406 | 278 | 2.764 |
| Čitluk | 87 | 64 | 610 | 0 | 0 | 941 | 331 | 3 | 2.036 |
| Jablanica | 71 | 35 | 501 | 0 | 11 | 772 | 66 | 426 | 1.882 |
| Konjic | 83 | 49 | 764 | 0 | 8 | 1.296 | 22 | 1.449 | 3.671 |
| Neum | 15 | 8 | 96 | 0 | 1 | 150 | 60 | 2 | 332 |
| Prozor | 66 | 38 | 366 | 0 | 0 | 744 | 43 | 616 | 1.873 |
| Ravno | 2 | 0 | 12 | 0 | 1 | 9 | 0 | 7 | 31 |
| Mostar | 964 | 403 | 4.328 | 0 | 122 | 5.611 | 1.449 | 1.898 | 14.775 |
| Stolac | 84 | 38 | 505 | 0 | 16 | 947 | 634 | 8 | 2.232 |
| Total: | 1.487 | 723 | 7.891 | 0 | 176 | 11.621 | 3.011 | 4.687 | 29.596 |

The qualification structure of unemployed persons, which is shown in Table 13, **the largest number goes on skilled workers -11 621**, which represents a share of **39.3%**, followed by the SSS - 7891 persons, or 26.6%, NK workers - 4687, or 15.9%, semi-skilled workers - 3011, or 10.2%, VSS - 1487, or 5.0%, VSS - 723, or 2.4%, and highly skilled - 176, or 0.6%.

From the total number of persons who is seeking employment, in 2009. year, there were 14,707 women, and in sex structure of the unemployed, women occupy 49.7%.

Unemployed people looking for their first employment were 12.778, making the total number of unemployed as 43.2%.

The number of women who is seeking employment for the first time was 6.773 or 22.9% of the total number of unemployed persons.

In the total unemployment in the HNC, the proportion of young people is extremely high as is the case with other European countries, where youth unemployment is much higher compared to adults.

Young people are defined as members of the age group 15-30 years, mean those who are looking for their first job, or potentially active labor. Given the lack of compliance with the educational system to labor market needs, the youth is very difficult to find a job, regardless of the attained level of education.

The share of unemployed persons under the age of 30 years, in 2009, was 30.5% and compared to 2008. increased by 0.4%.

Most young people are long-term unemployed and nearly 80% of young people waiting for employment for more than a year. A disturbing fact is that every third person from the list waiting for work for more than 5 years (10 650 or 36%), while 17.5% (0.5% higher than 2008.) unemployed waiting for job more than 9 years.

The reasons for the high rate of youth unemployment are: insufficient alignment of education with the labor market, underground economy, and to a lesser extent postponement of work due to schooling, low levels of qualifications or inadequate education for those who did not acquire during their education, or have dropped out, but did not establish a connection with the labor market. Therefore, the program particularly encourages the employment of this population.

Activities in which the largest number of undocumented persons have traditionally been: catering, trade and construction.

Businesses engaged in production activity showed the largest loss of jobs, mainly as a result of the global economic crisis, which is felt in the last quarter of 2008. and in the 2009.

I - 5. Average net wages and pensions**Tabela 14. – Average net wages (in KM) in 2009. year by HNC municipalities**

| Municipality | Average net wages (KM) | F BiH = 100 |
|---------------|------------------------|--------------|
| Čapljina | 835,50 | 105,5 |
| Čitluk | 680,31 | 85,9 |
| Jablanica | 867,15 | 109,5 |
| Konjic | 698,39 | 88,2 |
| Neum | 678,17 | 85,6 |
| Prozor | 838,85 | 105,9 |
| Ravno | 1.013,94 | 128,0 |
| Mostar | 963,75 | 121,7 |
| Stolac | 831,64 | 105,0 |
| HNC: | 891,63 | 112,6 |
| F BiH: | 792,08 | 100,0 |

In 2009., the average monthly net salary in FBiH amounted to 792,00 KM or 5.45% more compared to 2008. year.

The HNC average salary amounted to 892,00 KM, which is higher by 8.5% compared to 2008. year, and also more for 12.62%, compared to the average of F BiH.

These data are necessary and important for both employers and potential foreign investors.

Tabela 15. - Overview of the relation between the number of employed, unemployed and pensioners in HNC, in 2009. year

| Relation between the number of employed, unemployed and pensioners in 2009. year | | | | | | | |
|--|---------------------|--------------------|----------------------|----------------------|---|--|--|
| Municipality | Number of residents | Number of employed | Number of unemployed | Number of pensioners | Number of employed on 1 unemployed (3/4) | Number of employed on 1 pensioner (3/5) | Relation of employed/n umber of residents (%) (3/2) |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| Čapljina | 23.251 | 3.274 | 2.764 | 3.504 | 1,18 | 0,93 | 14,1 |
| Čitluk | 15.852 | 3.525 | 2.036 | 2.253 | 1,73 | 1,56 | 22,2 |
| Jablanica | 11.810 | 1.999 | 1.882 | 1.604 | 1,06 | 1,25 | 16,9 |
| Konjic | 28.535 | 4.078 | 3.671 | 4.381 | 1,11 | 0,93 | 14,3 |
| Neum | 4.605 | 966 | 332 | 338 | 2,91 | 2,86 | 20,9 |
| Prozor | 16.064 | 1.325 | 1.873 | 1.033 | 0,71 | 1,28 | 8,2 |
| Ravno | 1.400 | 53 | 31 | 53 | 1,71 | 1,00 | 3,8 |
| Mostar | 111.186 | 25.910 | 14.775 | 19.947 | 1,75 | 1,30 | 23,3 |
| Stolac | 13.227 | 888 | 2.232 | 1.670 | 0,40 | 0,53 | 6,7 |
| Total in HNC: | 225.930 | 42.018 | 29.596 | 34.783 | 1,42 | 1,21 | 18,6 |
| Federation BiH: | 2.327.318 | 426.556 | 354.577 | 316.314 | 1,20 | 1,35 | 18,3 |

The total number of pensioners in the BiH Federation, in XII/2009., amounted to 356.063, while the average pension was KM 353,83, while the minimum pension was 296.36 KM.

The HNC number of pensioners in the same period amounted to 34,783 or 9.8% of the total number of pensioners in FBiH.

Statistically speaking, on 1.21 employees comes one pensioner, or on one unemployed comes 1.42 employed, which is in reality unsustainable and therefore form a critical mass, which, among other things, prevents the increase in the amount of wages and pensions. Therefore it is necessary to

constantly work to create opportunities for new employment. In this way, the economic order to relieve the population of employees, which makes 18.6% of the total population of HNC in reporting period.

I - 6. Gross domestic product (GDP)

Gross domestic product (GDP) is a macroeconomic indicator that shows the value of final goods and services produced in a specific area during one year, expressed in monetary units.

Tabela 16. – GDP per capita in the municipalities of HNC

| Municipality | Number of residents | GDP in thousands (KM) | GDP per capita in KM (3/2) | GDP per capita in F BiH=100 |
|------------------------|---------------------|-----------------------|----------------------------|-----------------------------|
| 1 | 2 | 3 | 4 | 5 |
| Čapljina | 23.251 | 106.152 | 4.565 | 70,1 |
| Čitluk | 15.852 | 98.570 | 6.218 | 95,4 |
| Jablanica | 11.810 | 75.823 | 6.420 | 98,5 |
| Konjic | 28.535 | 151.646 | 5.314 | 81,6 |
| Neum | 4.605 | 45.494 | 9.879 | 151,6 |
| Prozor | 16.064 | 30.329 | 1.888 | 29,0 |
| Ravno | 1.400 | 3.033 | 2.166 | 33,2 |
| Mostar | 111.186 | 1.061.519 | 9.547 | 146,5 |
| Stolac | 13.227 | 30.329 | 2.293 | 35,2 |
| HNC: | 225.930 | 1.602.895 | 7.095 | 108,9 |
| Federation BiH: | 2.327.318 | 15.164.553 | 6.516 | 100,0 |

According to previous data of the Federal Bureau of Statistics, in 2009., we achieved a GDP (current prices) in the Federation, in the amount of 15,182,308 thousand KM, and GDP per capita (per capita) was 5.322,00 KM.

There are slight variations in the level of GDP in 2009. year, compared to the above, the data available to the Federal Institute for development programming, whereby the total GDP generated in the FBiH amounted to 15.164,553 thousand KM, while the GDP per capita (this is the present population) was 6516 KM .

According to the same source data, **GDP per capita in HNC** was 7.095.00 KM, or 108.9%, compared to the GDP of the Federation. It is estimated that the HNC realized GDP of approx. 1.603,000 thousands KM, which compared to GDP of the Federation is 10.6%

Here are presented the data, or GDP estimates by municipalities, because they did not take all the components that affect the calculation of real GDP.

I - 7. Index of physical volume of industrial production

Index of physical volume of industrial production is an important indicator of short-term business cycle that measures the monthly results of the industrial sector. Due to its periodicity, the speed in which it is available and an analysis of sections of the industrial sector of the economy (C, D and E), it is a central and up to date indicator of the development of the industrial sector, which is one of the most unstable component of the economy.

Tabela 17. – Index of physical volume of industrial production

| Description | 2009 / 2008 | |
|---|-------------|--------------|
| | F BiH | HNC |
| Industry in total | 88,4 | 102,6 |
| C) Mining | 96,4 | 78,9 |
| D) Manufacturing | 83,9 | 78,1 |
| - Food and beverages | 93,1 | 73,0 |
| - Chemicals and chemical products | 103,0 | - |
| E) Electricity, gas and water supply | 95,7 | 128,1 |

In Table 17 comparative data on the physical volume of industrial production of HNC and the Federation are listed. **Industrial production in the 2009 in Federation fell by 11.6%** compared to 2008. year.

Participation of the physical volume of industrial production of HNC in the industrial production of the Federation is 11.5%.

The HNC has recorded an increase of physical volume of industrial production by 2.6% in 2009. year as a result of increased production and supply of electricity, gas and water - (E)

I - 8. Export-import

Foreign trade, by definition, includes goods and services that one country do with foreign countries, while in the popular sense under these terms imply all forms of economic cooperation with a country's foreign.

The need for participation in international trade exists in all countries in the world; moreover, there is a growing integration of national economies into a unified system of world economy, based on the globalization of goods, services, capital, technology and manpower.

In countries where imports exceed exports, which include the BiH and Federation of BiH, there is a constant outflow of money. To prevent this it is necessary to achieve lower prices for products that achieve greater competitiveness in the region, and strive to harmonize the system IMPORT / EXPORT, and to achieve the conditions for export growth, improving product quality.

Measures of state economic policy (monetary, fiscal, exchange rate policy) it is possible to balance or influence on creation of a balanced system of IMPORT / EXPORT. Alternative options are the reduction of imports, higher import controls (control smuggling), the reduction of consumption (reducing government spending, increase taxes, etc.), redirecting spending toward domestic goods.

Looking widely, the indicator of IMPORT-EXPORT in HNC also has a significant place in this analysis.

Tabela 18.- Foreign trade of HNC, by municipalities in 2009. year

| FOREIGN TRADE IN HNC IN 2009. YEAR | | | | | | |
|---|---------------------------------|----------------------------------|---------------------------------|----------------------------------|---|--------------------------------------|
| Municipality | Import in thousands (KM) | Share in import F BiH (%) | Export in thousands (KM) | Share in export F BiH (%) | The coverage of imports by exports (%) (4/2) | Balance of trade (KM) (4 – 2) |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Čapljina | 65.932 | 0,83 | 39.786 | 1,05 | 60,34 | -26.146 |
| Čitluk | 163.560 | 2,07 | 32.660 | 0,86 | 19,97 | -130.900 |
| Jablanica | 2.227 | 0,03 | 3.152 | 0,08 | 141,55 | 925 |
| Konjic | 21.968 | 0,28 | 42.505 | 1,12 | 193,48 | 20.537 |
| Neum | 1.747 | 0,02 | 359 | 0,01 | 0,00 | -1.388 |
| Prozor | 2.704 | 0,03 | 1.235 | 0,03 | 45,69 | -1.469 |
| Ravno | 77 | 0,00 | 0 | 0,00 | 0,46 | -77 |
| Mostar | 608.551 | 7,70 | 368.161 | 9,72 | 60,50 | -240.390 |
| Stolac | 5.184 | 0,07 | 5.163 | 0,14 | 99,59 | -21 |
| HNC: | 871.950 | 11,03 | 493.021 | 13,01 | 56,54 | -378.929 |
| Federation BiH: | 7.903.637 | 100,00 | 3.786.298 | 100,00 | 47,91 | -4.117.338 |

In the Federation in 2009, we achieved an **export** value of **3.786,298 thousands KM**, which is less by 19.9% over exports in 2008. year, whereas **in the HNC** achieved exports of **493.021 thousand KM**.

HNC accounts for **13.01%** of total exports of the Federation, in 2009. year.

In 2009, **the Federation** has made an **import** value of **7.903,637 thousands KM**, which is less by 28.1% compared to the imports in 2008, whereas in the **HNC** value of imports amounted to **871.950 thousand KM**, which means that the HNC participated in the total imports of the Federation in 2009, with **11.03%**.

The coverage of imports by exports in BiH Federation in 2009 amounted to **47.91%** and **56.54% in HNC**.

It is evident that the trade balance is negative, both in Federation and in HNC, with a **HNC in export-import ratio increased by 8.63% compared to the F BiH**.

In any case, this program should plan measures to encourage those SME's that are export-oriented.

I - 9. Index of municipality development

Criteria to be taken into account for calculating the indices of development are: the level of employment, unemployment and GDP per capita.

Table 19 the index shows the development in municipalities HNC.

One of the goals, and also the guidelines, is the balanced development of Canton, a development index is an indicator of how that area (municipality) above or below the average development of the Federation (where the basic parameters, numbered "100").

Tabela 19. - Index of municipality development in HNC

| INDEX OF MUNICIPALITY DEVELOPMENT IN HNC | | | | |
|---|---|---|---|---|
| Municipality | Level of employment in % F BiH=100 | Level of unemployment in % F BiH=100 | GDP per capita in KM F BiH=100 | Development index ($\frac{2+3+4}{3}$) |
| 1 | 2 | 3 | 4 | 5 |
| Čapljina | 99,3 | 100,8 | 70,1 | 90,1 |
| Čitluk | 116,1 | 80,6 | 95,4 | 97,4 |
| Jablanica | 94,3 | 106,8 | 98,5 | 99,9 |
| Konjic | 96,4 | 104,3 | 81,6 | 94,1 |
| Neum | 136,3 | 56,3 | 151,6 | 114,7 |
| Prozor | 75,9 | 129,0 | 29,0 | 78,0 |
| Ravno | 115,6 | 81,3 | 33,2 | 76,7 |
| Mostar | 116,6 | 80,0 | 146,5 | 114,4 |
| Stolac | 52,1 | 157,6 | 35,2 | 81,6 |
| HNC: | 107,46 | 91,0 | 108,9 | 102,5 |

According to the data, based on which the index of HNC municipalities development is calculated, it appears that the fastest-growing municipality of Neum and the City of Mostar, while extremely undeveloped municipalities are Ravno and Prozor.

From the comparative data in a tabular view shows which municipalities in HNC have above average level of employment in the Federation (Neum, Mostar, Čitluk, Ravno) i.e. where the unemployment rate more pronounced as compared to the average of the Federation, and according to the criterion level unemployment are among the most vulnerable (Stolac, Prozor, Jablanica, Konjic, Čapljina).

II SMALL BUSINESS DEVELOPMENT GOALS IN HNC

The main objectives to be achieved by this program, in period of 2011 – 2015, are increasing in the number of SMEs and increasing employment in the HNC. These key objectives will be done through the following strategic objectives:

- 1. „COMPETITIVENESS“** - strengthening the competitive capacity of SMEs;
- 2. „EMPLOYMENT“** - increase employment by increasing the number of SMEs;

Small Business Development Program aims to, through the implementation of incentive measures, create an environment that will favorably affect on the appearance of new development and existing small business operators, their stable and successful business, and especially to their further growth and development (STRATEGIC GOAL "Competitiveness"). The achievement of this target can also be opened up opportunities for new jobs (strategic goal "Employment").

1. Strategic goal **„COMPETITIVENESS“** includes following priorities:

PRIORITY 1 – Continuous improvement of businesses productivity;
PRIORITY 2 – Strengthening cluster initiatives;
PRIORITY 3 – Building a modern scientific-technological and business base;
PRIORITY4 – Improving the business environment;

2. Strategic goal **„EMPLOYMENT“** includes following priorities:

PRIORITY 1 - Improving conditions for the development of existing SMEs;
PRIORITY 2- Improving conditions for the creation of new SMEs;
PRIORITY 3- Reducing long-term and structural unemployment;
PRIORITY4- Improving the functioning of labor markets through the development of an entrepreneurial culture;

III MEASURES TO ACHIEVE GOALS

The planned objectives of the Program will be achieved through the implementation of eight (8) priority and fourteen (14) measures.

In the following measures are proposed: *the activities, expected results of activities, institutions - bearers of activities, the period of implementation and funding sources.*

1. Strategic goal „COMPETITIVENES“

PRIORITY1. – Continuous improvement of businesses productivity

MEASURE 1: ENCOURAGE THE MODERNIZATION AND STANDARDIZATION OF BUSINESS

| Activity | Expected results of activities | Institution (holders of the activities) | Period of implementation | Source of financing |
|--|--|---|---------------------------------|---|
| Incentives for rehabilitation and modernization drive through the construction of strategic management in companies and co-financing the costs of introducing ISO and CE standards | Increased productivity and competitiveness, increasing the number of firms with ISO and CE standards | Ministry of Economy in HNC(Department of Energy, Industry and Mining, Department of Development) local governments, Associoation LiNK, REDAH | continounosly | HNC Budget, local governments budgets, LiNK,REDAH,International organizations |

MEASURE 2: SUPPORT FISCAL OPERATIONS IMPROVEMENT

| Activity | Expected results of activities | Institution (holders of the activities) | Period of implementation | Source of financing |
|--|---|---|---------------------------------|--|
| The possibility of forming guarantee organizations / agencies in the HNC | Establishment of the guarantee fund to guarantee the banking sector, regular repayment of credit obligations SMEs | Ministry of Economy in HNC (Development Sector), Association LiNK, local government | 2011. | HNC Budget, local governments budgets, international organizations |
| Establishing a revolving loan fund for SMEs in the HNC | Ease access to affordable finance for SME operators | Ministry of Economy in HNC (Development Sector) | 2011. | |

PRIORITY 2. – Strengthening cluster initiatives

MEASURE 1: Develop a incentive policy use of advanced technologies

| Activity | Expected results of activities | Institution (holders of the activities) | Period of implementation | Source of financing |
|--|---|--|---------------------------------|--|
| Strengthening the capacity of SMEs, through the availability of information about new technologies and technological processes and the procurement of the same | Provides access to information about new technologies, and assistance in obtaining new technologies and technological undertakings in HNC | Ministry of Economy in HNC (Development Sector), Chamber of Commerce in HNC, Chamber of trade in HNC | continuously | HNC Budget, local governments budgets, international organizations |
| Activity | Expected results of activities | Institution (holders of the activities) | Period of implementation | source of financing |

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| | | | | |
|--|-----------------|--|-------------|---|
| Development and the formation of clusters in the HNC | formed clusters | Chamber of Commerce in HNC, REDAH, Ministry of Economy in HNC, Association LiNK | 2011.-2013. | HNC Budget,local governments budgets,international organizations,Association LINK |
|--|-----------------|--|-------------|---|

PRIORITY 3. – Building a modern scientific-technological and business base

MEASURE 1: Establish, develop and network all scientific-research and development institute

| Activity | Expected results of activities | Institution (holders of the activities) | Period of implemen tations | Source of financing |
|---|--|---|-----------------------------------|---|
| Establish a technology park to ensure the conditions for the growth of existing businesses in the HNC | Founded itechnology park (improving research, development, business, innovation, logistics functions of interest to increase the competitiveness and employment) | Ministry of economy in HNC (Development Sector), local governments, REDAH, Chamber of Commerce in HNC | 2011.- 2015. | HNC budget, the budgets of local governments, the EU funds, and other donor funds |

MEASURE 2: ENCOURAGE THE DEVELOPMENT OF BUSINESS ZONES

| Activity | Expected results of activities | Institution (holders of the activities) | Period of impemen tation | Source of financing |
|-----------------|---------------------------------------|--|---------------------------------|----------------------------|
|-----------------|---------------------------------------|--|---------------------------------|----------------------------|

SMALL BUSINESS DEVELOPMENT PROGRAM IN HNC 2011. – 2015.

| | | | | |
|---|---|--|-------------|--|
| Develop a plan for the establishment and support in construction of business zones in the HNC | Completed study (REDAH) adopted an Action Plan on the establishment and support of business zones of the Assembly of HNC and on local levels, and improvement of the environment for entrepreneurship | HNC Government, local governments, REDAH, Association LiNK, Chamber of Commerce in HNC | 2011. | HNC budget, the budgets of local governments, international institutions, private partners (PPP) |
| Encouraging the construction of business zones according to the level of equipment in the HNC | The rapid completion of the construction of business zones | Ministry of Economy in HNC, local governments, Association LiNK, Chamber of Commerce in HNC, Chamber of trade in HNC | 2011.-2015. | HNC budget, the budgets of local governments, international institutions, business entities |

**MEASURE 3: ENCOURAGE THE APPLICATION OF MODERN INFORMATION AND COMMUNICATION TECHNOLOGY
(RAPID DEVELOPMENT OF INFORMATION SOCIETY IN BIH)**

| Activity | Expected results of activities | Institution (holders of the activities) | Period of informati on | Source of financing |
|---|---|---|---------------------------------------|---|
| Applications of electronic services for businesses | Simpler and faster business entrepreneurs | Ministry of Economy in HNC (Development Sector), Chamber of Commerce in HNC, REDAH, local governments, Association LiNK, Faculty of Information Technology Mostar | 2011. | HNC budget, budgets of local governments, Chambers of Commerce in HNC |
| Training of employees in SMEs in using of modern information technology at ECDL methodology | Trained and certified 100 employees in SMEs in applying modern information technology | Ministry of Economy in HNC (Development Sector), Chamber of Commerce in HNC, REDAH, local governments, Association LiNK, Faculty of Information Technology Mostar | 2011. | HNC budget, budgets of local governments, Chambers of Commerce in HNC |

PRIORITY 4. – Improving the business environment

MEASURE 1: REMOVE OBSTACLES OF ADMINISTRATIVE BUSINESSES

| Activity | Expected results of activities | Institution (holders of the activities) | Period of implemen tation | Source of financing |
|---|--|--|--|--------------------------------|
| Undertake a comprehensive and effective action to create the incentive conditions, environments and mechanisms for promoting and developing the economy, especially SMEs (elimination of the slowness, procedures, outdated laws, etc.) | Completion of regulatory reform (guillotine of regulations) in the HNC | Government HNC, All ministries in HNC | 2011.- 2012. | HNC budget |

2. Strategic goal „EMPLOYMENT“

PRIORITY1. – Improving conditions for the development of existing SMEs

MEASURE 1: DEVELOP INSTRUMENTS FINANCIAL SUPPORT OF SMEs

| Activity | Expected results of activities | Institution (holders of the activities) | Period of implementation | Source of financing |
|--|---|---|--------------------------|--|
| Support the work of the guarantee agency / organization for SMEs in the HNC | Insurance guarantee incentives for SMEs when seeking funds, the banking sector as a guarantee for timely servicing of loan obligations of SMEs in the HNC | Ministry of Economy in HNC (Development Sector), Association LiNK, Chamber of Commerce in HNC | continuously | HNC budget, budgets of local governments |
| Adopt a plan to train and enable entrepreneurs to create programs and applications for EU funds | Adopted plan | Ministry of Economy in HNC (Development Sector), Association LiNK, REDAH | continuously | HNC Budget |
| Develop a mechanism to create favorable conditions for financing of SME development (revolving loan funds) | Established a revolving fund for lending to SMEs in the HNC | Ministry of Economy in HNC (Development Sector) | continuously | HNC Budget |
| Establish a fund to finance SMEs | Founded Fund (CREDO Herzegovina - establish a development fund for municipalities and SMEs) | Ministry of Economy in HNC (Development Sector), local governments, REDAH | 2011. | Budget HNC, budgets of local governments The Government of the Kingdom of |

SMALL BUSINESS DEVELOPMENT PROGRAM IN HNC 2011. – 2015.

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| | | | | Sweden |
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MEASURE 2: DEVELOP HUMAN RESOURCES THROUGH CONSULTANCY AND TRAINING SUPPORT

| Activity | Expected results of activities | Institution (holders of the activities) | Period of implementation | Source of financing |
|---|--|---|---------------------------------|--|
| Improving the quality of training students for occupations in demand in the SME | Trained 50 people a year for occupations in demand | Ministry of Economy in HNC (business and trade sector), Association LiNK, Chamber of trade in HNC | continuously | Employment services, HNC Budget. international organizations |
| Adopt a program to support educational programs for occupations in demand in the economy (LINK) | Adopted program (encouraging youth to professional occupations) | Ministry of Economy HNC (business and trade sector), Association LiNK, Chamber of trade in HNC | continuously | HNC Budget |
| Creating conditions for the formation of a permanent center for specialization and retraining the workforce, training and consultancy services in all relevant areas of business SMEs | Insurance requirements for training workforce | Ministry of Economy HNC (Sector Development), Association LiNK, Chamber of Commerce in HNC, Chamber of Crafts in HNC | continuously | HNC Budget |
| Adopt a program to support the training of staff who will make applying for EU funds | Adopted program (as many qualified persons to apply, increasing the number of successful applications) | Ministry of Economy in HNC (Development Sector), Association LiNK, REDAH, Chamber of Commerce in HNC, Chamber of trade in HNC, FMRPO (in coordination) | 2011.-2012. | HNC Budget, local government |

PRIORITY 2. – Improving conditions for the creation of new SMEs

MEASURE 1: ENSURE FINANCIAL SUPPORT OF SME'S

| Activity | Expected results of activities | Institution (holders of the activities) | Period of implementation | Source of financing |
|---|--|---|---------------------------------|----------------------------|
| Financing entrepreneur-beginners through the financing of the Fund for the registration of businesses | Ease of access to the Fund for the registration of business entrepreneurs-beginners (only persons who receive training in "Run your own business") | Association LiNK, Ministry of Economy in HNC (Development Sector) | continuously | HNC Budget, LiNK |
| Stimulation of export-oriented SMEs | The increased volume of exports, improving the balance of import-export, deficit reduction | Ministry of Economy in HNC, Chamber of Commerce in HNC, Chamber of trade in HNC | continuously | HNC Budget |

MJERA 2: ENCOURAGE THE DEVELOPMENT OF INCUBATOR

| Activity | Expected results of activities | Institution (holders of the activities) | Period of implementation | Source of financing |
|--|--|--|---------------------------------|--|
| Make a plan for the development of incubators as a support to technological development and the development of business infrastructure | Made a plan, the implementation of HNC incubator network | Association LiNK, Ministry of Economy in HNC (Development Sector), local governments | 2011.-2012. | HNC Budget, budgets of local governments |

SMALL BUSINESS DEVELOPMENT PROGRAM IN HNC 2011. – 2015.

| | | | | |
|---|--|---|-------------|---|
| Prepare a program to facilitate access to enterprise-premises | The possibility of renting space at the local level under the best conditions in incubators and business zones | Association LiNK, Ministry of Economy in HNC (Development Sector),local governments | continously | HNC Budget,budgets of local governments |
|---|--|---|-------------|---|

MEASURE 3: ENCOURAGE THE DEVELOPMENT OF CONSULTING AND TRAINING SERVICES

| Activity | Expected results of activities | Institution (holders of the activities) | Period of implementation | Source of financing |
|--|---|---|---------------------------------|--|
| Establish and strengthen a network of advisory services for SME (voucher scheme training and consulting) | Established network (regularly providing consulting services) | Association LiNK, Ministry of Economy in HNC (Development Sector),REDAH | 2011.-2013. | HNC Budget,REDAH,international organizations |
| To organize seminars, trainings and workshops for existing SMEs | More effective support for the development of SMEs | Ministry of Education, Science, Culture and Sport in HNC, Ministry of Economy in HNC (Development Sector), Association LiNK, REDAH, Chamber of Commerce and in HNC, Chamber of trade in HNC | continously | HNC Budget,budget of local governments |

PRIORITY 3. – Reducing long-term and structural unemployment

MEASURE 1: ENCOURAGE SELF-EMPLOYMENT

| Activity | Expected results of activities | Institution (holders of the activities) | Period of implementation | Source of financing |
|--|---|---|---------------------------------|----------------------------|
| Develop programs to encourage traditional trades | Ensuring the survival of traditional trades | Ministry of Economy HNC (Department for Entrepreneurship and Crafts, Development Sector) Chamber of trade in HNC | 2011.-2015. | HNC Budget |
| Develop a training program for unemployed people interested in developing business plans for starting their own businesses | To strengthen the entrepreneurial initiative of the interested unemployed | Ministarstry of Economy in HNC (Development Sector), Association LiNK, Chamber of trade in HNC | continounsly | HNC Budget |

PRIORITY 4. – Improving the functioning of labor markets through the development of an entrepreneurial culture

MEASURE 1: INCLUDING PLANS OF ENTREPRENEURIAL EDUCATION IN EDUCATIONAL PROGRAMS

| Activity | Expected results of activities | Institution (holders of the activities) | Period of implementation | Source of financing |
|--|--|---|---------------------------------|----------------------------|
| Initiation of introduction into the plans of educational institutions, entrepreneurial skills and providing passing the retraining exams | Raising awareness of the young population about the importance of SMEs through the curriculum and enabled passing retraining exams | Ministry of Education, Science, Culture and Sport in HNC, Ministry of Economy in HNC (Development and trade Sector), Association LiNK, REDAH, Chamber of Commerce and in HNC, Chamber of trade in HNC | 2011.-2012. | HNC Budget |

METHODOLOGY FOR THE MONITORING OF IMPLEMENTATION OF INDIVIDUAL MEASURES - „MONITORING“

Financial resources for implementation of small business development (for a four-year period) are provided through the HNC budget for each calendar year.

The provision of Article 10 Paragraph 2 Act on incentives to small business development, it was found that the amount of funding, planned to carry out the program, amounts to **2% of the ordinary budget revenues from the previous year.**

Consistent application of this statutory provision, which is the basis for the adoption of the Programme, will ensure its successful completion. If the HNC budget is allocated fewer resources, compared to those that have been determined by law, or the resources to be significantly reduced or symbolic (even within the legal limit), there will, inevitably, reduction, or even completely failure to implement measures that have programs planned to achieve strategic objectives - competitiveness and increase the number of SMEs and employment growth in the Herzegovina-Neretva Canton.

Based on this program, the Ministry of Economy, on the proposal of HNC carrier program, adopts an annual plan for the implementation of the Programme (hereafter Annual Plan), adopted by the Government of HNC.

The annual plan contains: a plan of individual incentives and activities (priorities, incentives for that year), required resources, funding sources, criteria, conditions and manner of use of resources.

A report on the execution of the annual plan submitted to the Government and to HNC Assembly for adoption.

Government of HNC, which is the leading carrier of the program, is responsible to provide annually a sufficient amount of funds from the cantonal budget, which will enable the implementation of this Programme, and Ministry of economy, on the other hand, is responsible, in cooperation with other holders of the program (local government, Chamber of Commerce HNC, Chamber of trade in HNC, Association of small Business and Entrepreneurship and regional development agencies), supervises and monitors the implementation of the Programme and the Annual Plan, analyzes results and prepares reports. For this purpose, local governments, chambers and associations ("Link" and "REDAH") immediately implement measures and projects within their jurisdiction and their proposal incorporated into this program and continuously reported the Ministry about results.

Monitoring is the final part of the Programme, starting immediately after taking the program activities.

According to the legal authority given to the Ministry, as a carrier of the program for monitoring the implementation of certain measures, it is an internal monitoring.

Its importance lies in the fact that the creators of the program, as well as its customers, assist and provide verification, in terms of the planned procedure and the implementation of policy measures. It is a systematic and continuous collecting, analysis and use of information useful for management and decision making within the program.

Monitoring benefits are:

- assessment of whether the program developing is according to plan (whether the activities and results are in accordance with the approved documents);
- providing opportunities for improved management of future programs (what can be done better);
- objective planned resource budget / resources used within the program (financial and human resources).

Monitoring involves constant communication between the holder of the Program, through interviews, analysis and use of information regarding the progress of the program. That, ultimately, should result in the development of a mechanism by which the appropriate information is going to

submit to responsible persons and institutions at the right time, in order to make good decisions. The goal of monitoring is also highlighting the strengths and weaknesses in the program itself, as well as in its implementation.

To determine how the program fit the needs of SMEs as end-users, economic entities should be allowed to express their opinion. This opinion should be based on facts that are related to program activities and the pre-defined monitoring criteria (not in their assessment).

Monitoring criteria are: relevance, efficiency, effectiveness, impact and sustainability.

Program objectives to be achieved by its implementation compared with the actual results are applying by these five criteria.

Finally, without the coordination of government policies in creating supportive environments for entrepreneurial activities, i.e., without coordination in promoting entrepreneurship among institutions at the federal level with those at the cantonal level, and without measuring the success of incentive programs and their compliance with the regional development needs, goals that guided the legislator when passing the Act on incentives to small business development and protection of traditional activities (crafts) will not be realized.

DATA SOURCES:

1. Federal Institute for Development Programming:

- "Macroeconomic indicators for the cantons in 2009. year "
- "Socio-economic indicators for municipalities in FBiH in 2009. year "
- "Strategy of Development of the Federation in 2010 - 2020. year "

2. Federal Ministry of Development, Entrepreneurship and Crafts:

- Project: "Development of Small and Medium Enterprises" of the XII/2008

3. Federal office of statistics:

- „Federal Statistical Yearbook / Annual data 2009 “
- „Herzegovina-neretva canton in numbers “

4. Ministry of economy in Herzegovina-neretva canton:

- Database of businesses in the HNC
- "Information - Business and trade of the Herzegovina-Neretva Canton"

5. Foreign Trade Chamber in Bosnia and Herzegovina

- The volume of foreign trade exchange of Bosnia and Herzegovina in 2009. year