



# Western Balkans Competitiveness Outlook 2024

**Fact-finding Meeting**  
**Banja Luka, Bosnia and Herzegovina**  
24 October 2023

**OECD South East Europe** Regional Programme



# The OECD SEE Competitiveness Outlook: A tool for building competitive economies

## ABOUT

The Competitiveness Outlook (CO) assesses reform progress across multiple **policy areas crucial to competitiveness** in the six Western Balkan economies: Albania, Bosnia and Herzegovina, Kosovo\*, Montenegro, North Macedonia, and Serbia.

Competitiveness Outlook 2024 is the 4<sup>th</sup> edition of this assessment, following the publication of the [Competitiveness Outlook 2021](#).



The **Competitiveness Outlook** supports the Western Balkan governments' **EU integration efforts** by providing analytical contributions supporting the Economic Reform Programmes and the EU progress reports and recommendations.

## APPLICATION

- **Guiding policy reform** and acting as a change management tool through government self-evaluation methodology
- **Benchmarking performance** between peer economies using internationally comparable databases
- **Providing a source of information** on international standards, databases and other tools across several policy areas
- **Enabling gradual adherence** to the OECD standards
- Supporting monitoring of **Sustainable Development Goals'** implementation.



\* This designation is without prejudice to positions on status, and is in line with United Nations Security Council Resolution 1244/99 and the Advisory Opinion of the International Court of Justice on Kosovo's declaration of independence

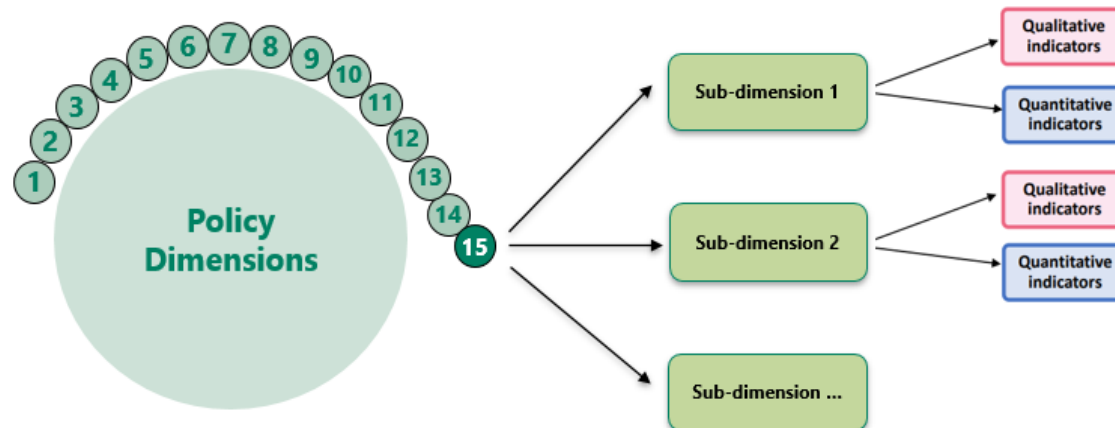


# Assessment Approach and Methodology

The CO 2024 methodology is designed to provide an evidence-based assessment of progress in the design, implementation and monitoring across **15 policy dimensions** key to economic competitiveness

Each of the 15 policy dimensions is split up into **several sub-dimensions**, reflecting the key areas of that policy dimension

Sub-dimensions are composed of both **qualitative** and **quantitative indicators**



# Scoring methodology – Qualitative indicators

According to the level of policy development and implementation, the qualitative indicators are assigned a **numerical score between “0” and “5”** to permit comparison of performance across WB6 economies.

- 5** An **independent impact evaluation** of policy measures is executed.  
Results of monitoring and impact evaluation inform policy framework design and implementation updates towards **OECD and international good practices**.
- 4** The policy framework is **monitored** and, if necessary, adjusted accordingly.  
The policy framework includes **more advanced features** to increase its impact.
- 3** The adopted policy framework is effectively being **implemented**.  
The policy framework **includes key features** which make it impactful.
- 2** A policy framework specifically addressing the policy area concerned has been **officially adopted** by the government or parliament (where applicable).
- 1** A **draft / pilot policy framework** with government activity exists addressing the policy area concerned.
- 0** **No framework** (e. g. law, institution, project, initiative) exists addressing the policy area concerned.





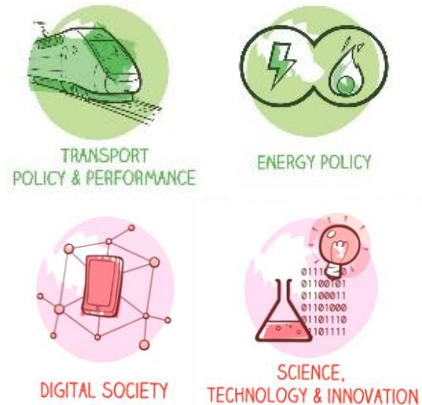
# Regional assessment **Five distinct clusters**

The CO 2024 will introduce an **enhanced regional profile methodology**, built around **five distinct clusters**, to effectively encompass and show the policy landscape of the Western Balkans.

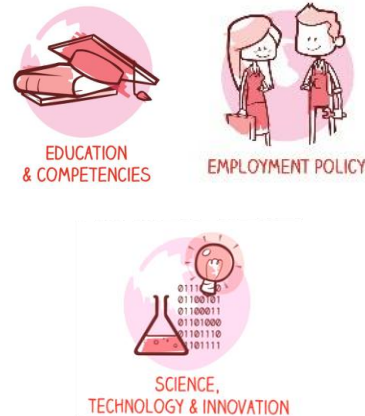
## Business Environment



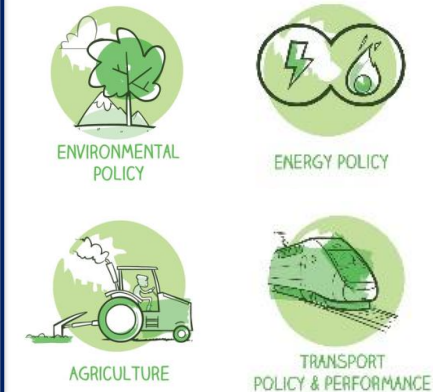
## Connectivity & infrastructure



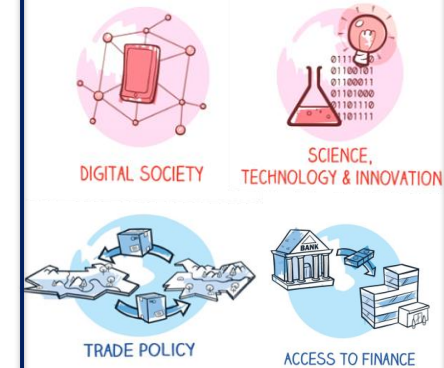
## Skills



## Greening



## Digitalisation



# Competitiveness Outlook 2024 Useful components



## Datahub

Complement the publication with the underlying **wealth of qualitative and quantitative data** in a visual and easily accessible way



## Economy-specific profiles

Access an **economy-specific set of policy recommendations** and source of information on international standards, databases and other tools across several policy areas



\*The image shown is for illustration purposes only and will not be the exact representation of the final product.



# Competitiveness Outlook 2024 Useful components



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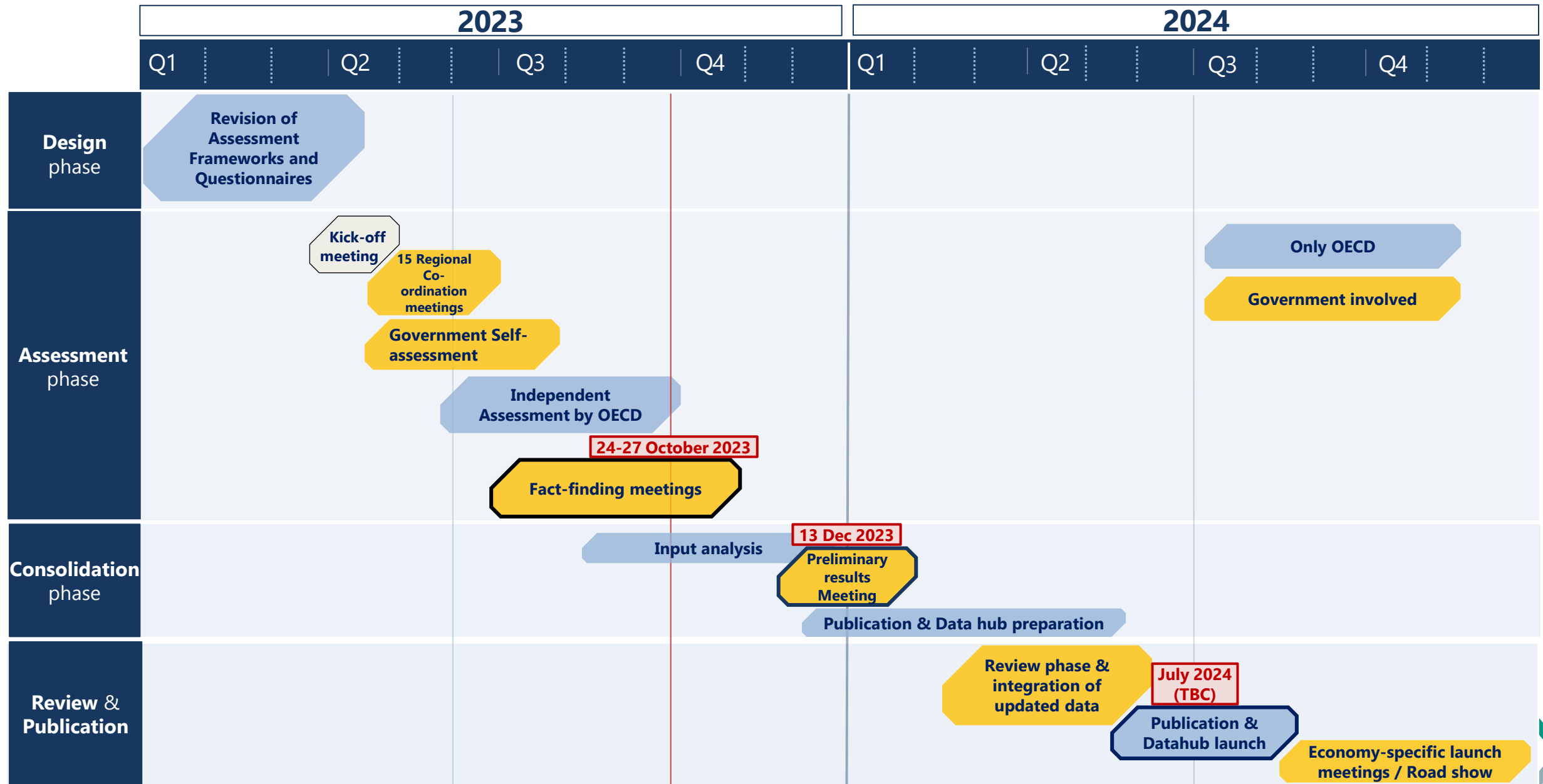
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# Competitiveness Outlook 2024 Timeline

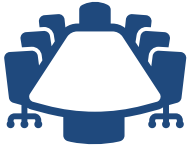




# Competitiveness Outlook 2024 **Next Steps**



**14 July 2023**  
Second round of  
input collection



**24-27 October 2023**  
Fact-finding  
meetings in BiH



**13 December 2023**  
Presentation of  
preliminary findings



**February 2024**  
Draft publication  
shared



- ☐ **Respond** to OECD comments and update the demanded information
- ☐ **Send** the final qualitative and quantitative questionnaire

- ☐ Contribute to **closing information gaps** in policy dimensions related to the skills system by sharing additional information
- ☐ **Identify** achievements, challenges, and policy priorities

- ☐ Contribute to **discussion and validation** of the preliminary results
- ☐ Provide **updated data** if available
- ☐ **Comment** on initial OECD policy recommendations

- ☐ Provide **updated data** if available
- ☐ Provide **final comments** on the draft outputs

**Publication & Datahub release in July 2024 (TBC)**  
&  
**Economy-specific launch meetings in Q3 2024**





# Western Balkans Competitiveness Outlook 2024

## **BUSINESS ENVIRONMENT IN BOSNIA AND HERZEGOVINA – FOCUS ON REPUBLIKA SRPSKA DATA GAPS**

**Banja Luka, Bosnia and Herzegovina**  
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# Data gaps across 15 assessed policy dimensions as of 20 October 2023

Dimension	Questionnaire	Statistical sheet	Remarks
Investment Policy and Promotion	Minor gaps	Not received	
Trade Policy	Partial gaps	Not received	Second sub-dimension largely incomplete, unanswered questions
Access to Finance	Minor gaps	Partial gaps	Statistical sheet: Subdimension 3 is missing.
Tax Policy	Minor gaps	N/A	
Environment Policy	Minor gaps	Minor gaps	
Agriculture Policy	Minor gaps	Minor gaps	
Tourism Policy	Minor gaps	Partial gaps	Many quantitative indicators missing.
State-owned Enterprises	Minor gaps	Minor gaps	
Education Policy	Minor gaps	Minor gaps	
Employment Policy	Minor gaps	Minor gaps	
Science, Technology and Innovation	Minor gaps	Minor gaps	
Digital Society	Minor gaps	Minor gaps	
Transport Policy	Minor gaps	Minor gaps	
Energy Policy	Major gaps (only 1 <sup>st</sup> round received)	Minor gaps	Responses to follow-up questions and reviewed version pending
Anti-Corruption	Partial gaps (only 1 <sup>st</sup> round received)	Not received	Responses to follow-up questions and reviewed version pending



# Business environment - Data gaps

	Minor information gaps	Partial information gaps	Largely incomplete
<b>Investment Policy &amp; Promotion</b>			
<i>Sub-dimension 1: Investment Policy Framework</i>			
<i>Sub-dimension 2: Investment Promotion and Facilitation</i>			
<i>Sub-dimension 2: Mobilising Sustainable Investment</i>			
<b>Trade Policy</b>			
<i>Sub-dimension 1: Trade Policy Framework</i>			
<i>Sub-dimension 2: Digital Trade</i>			
<i>Sub-dimension 3: Export Promotion</i>			
<b>Access to Finance</b>			
<i>Sub-dimension 1: Bank Financing Framework</i>			
<i>Sub-dimension 2: Access to Alternative Financing Sources</i>			
<i>Sub-dimension 3: Digital Finance</i>			
<b>Tax Policy</b>			
<i>Sub-dimension 1: Tax Policy Framework</i>			
<i>Sub-dimension 2: Features of Tax Administration</i>			
<i>Sub-dimension 3: International Cooperation</i>			
<b>SOEs</b>			
<i>Sub-dimension 1: Efficiency and Performance Through Improved Governance</i>			
<i>Sub-dimension 2: Transparency and Accountability</i>			
<i>Sub-dimension 3: Ensuring a Level Playing Field</i>			

# Business environment - Data gaps (qualitative)

## Investment Policy and Promotion

- Strategic framework and governance for sustainable investment
- **Digital trade**

## Trade Policy

- Main policies envisaged in the Trade Development Strategy of the Republic of Srpska 2022-2028
- Changes in the regulatory framework for public-private consultations

## Access to finance

- Fintech firms and crowdfunding providers.
- Regulatory requirements on digital payment service providers.

## Tax Policy

No data gaps have been identified.

## State-owned enterprises

- Details on new SOE performance-monitoring unit
- Information on SOEs that operate as “public enterprises”
- Details on composition of boards and SOE board nomination procedures





# Western Balkans Competitiveness Outlook 2024

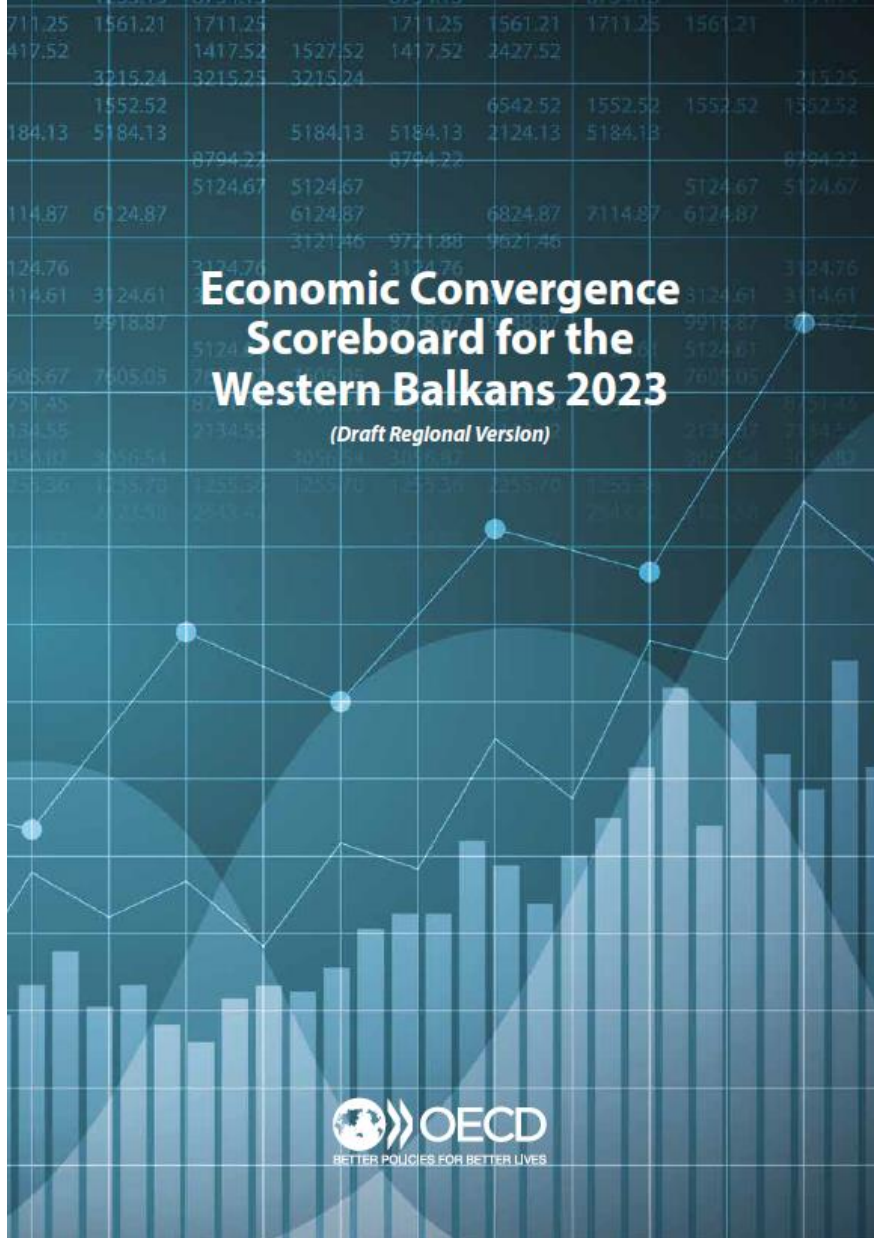
## **BUSINESS ENVIRONMENT IN BOSNIA AND HERZEGOVINA – FOCUS ON REPUBLIKA SRPSKA KEY CHALLENGES & POLICY SOLUTIONS**

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# Economic convergence with OECD standards over five CO policy clusters



- New **OECD scoreboard** to assess **economic convergence with EU and OECD standards**
- Presented at the **Berlin Process Western Balkan Summit 2023** in Tirana
- Scoreboard highlights each economy's convergence relative to **EU policy outcomes** and **OECD good practices across five clusters**:



# Economic convergence of Bosnia and Herzegovina in the business environment cluster

The data related to the outcome indicators show the BIH performance relative to the EU, i.e., EU = 1. (OECD= 1 for the OECD good policy practices, standards, and tools).

0

1/3

2/3

1

Score

Policy outcomes	Performance relative to the EU			Change	OECD good policy practices, standards, and tools	Performance relative to the OECD			Change
	2008-2012	2013-2017	2018-2022	2008-12 to 2018-22		2016-2017	2018-2019	2020-2022	2016-17 to 2020-22
<div> <div>BUSINESS ENVIRONMENT</div> </div>									
Trade openness (% of GDP)	1.03	1.03	1.02	-0.01	Services Trade Restrictiveness Index	0.83	0.86	0.88	+0.05
					Trade Facilitation Index	0.63	0.70	–	+0.07
					CO Trade Policy	0.48	0.44	0.50	+0.02
SMEs in total exports (% of exports)	–	1.41	1.21	-0.20	SME Policy Index	0.56	0.59	0.65	+0.09
FDI net inflows (% of GDP)	0.63	0.54	1.41	+0.78	FDI Restrictiveness Index	1.73	1.70	1.70	-0.03
Private gross fixed capital formation (% of GDP)	0.91	0.91	0.85	-0.06	CO Investment Policy and Promotion	0.54	0.42	0.54	0.00
New business density (registrations per 1,000 people)	–	0.36	0.31	-0.05					
Domestic credit to private sector (% of GDP)	0.61	0.63	0.61	0.00	CO Access to Finance Policy	0.26	0.38	0.46	+0.20
Bank nonperforming loans (% of total gross loans)	0.86	0.74	0.62	-0.24					
Estimated informal employment (% of total employment)	0.33	0.35	0.44	+0.11	CO Anti-corruption Policy	0.32	0.34	0.40	+0.08
Control of corruption	0.63	0.61	0.54	-0.07					

## Convergence with OECD good practice:

- Overall, **policies in Bosnia and Herzegovina are gradually aligning with OECD good practices** in most dimensions of the business environment cluster.
- However, while **advancements** exist, they **remain modest**; as of 2021, none of the four examined policy areas had achieved more than **54% convergence with OECD standards**.
- The strongest and most consistent progress was made in the **access to finance policy dimension**, as well as in **polycymaking for SMEs**, under the SBA assessment.
- While Bosnia and Herzegovina remains **open to trade in services**, it remains restrictive compared to regional peers.

## Convergence of policy outcomes:

- Net inflows of foreign direct investment as a share of GDP strongly improved** and surpassed the EU level by over 40% by 2022. **Estimated informal employment decreased** and made gradual progress in converging to the EU level.
- Significant room for improvement remains** to boost convergence across all policy outcome indicators. **Strengthening policies** to improve SME exports, performance of loans, business creation and control of corruption will be key in this regard.

# Bosnia and Herzegovina's Competitiveness Outlook performance since 2018

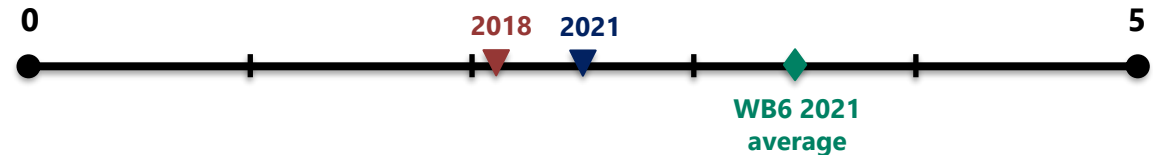
- From 2018 to 2021, Bosnia and Herzegovina **improved** its performance in **all policy dimensions related to the business environment**
- In 2021, Bosnia and Herzegovina achieved its **biggest improvement in score in the tax policy dimension**, and also achieved considerable progress in **access to finance and investment policy and promotion**.
- However, Bosnia and Herzegovina's performance remains **below the regional average in all dimensions of the business environment cluster**.



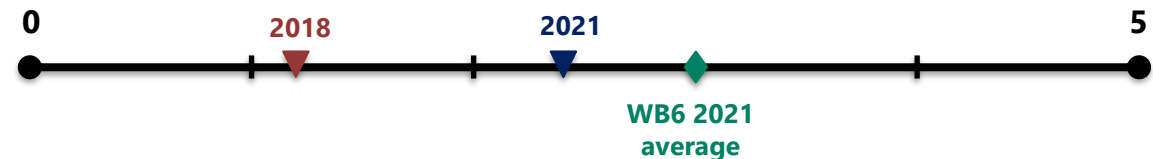
## Investment Policy and Promotion



## Trade Policy



## Tax Policy



## Access to Finance



## SoEs



# Business environment cluster – Key progress and remaining challenges since CO2021 (at the level of RS)

## Progress



- New guidelines for consultations in the drafting of regulations have been adopted in 2022 including **digitalisation of the process** through **the eConsultation web application**.
- In November 2021, RS adopted its **Strategy for Attracting Foreign Investments 2021-2027**.
- Legal basis for the establishment of an **autonomous investment promotion agency** has been adopted.

## Investment Policy and Promotion

## Challenges

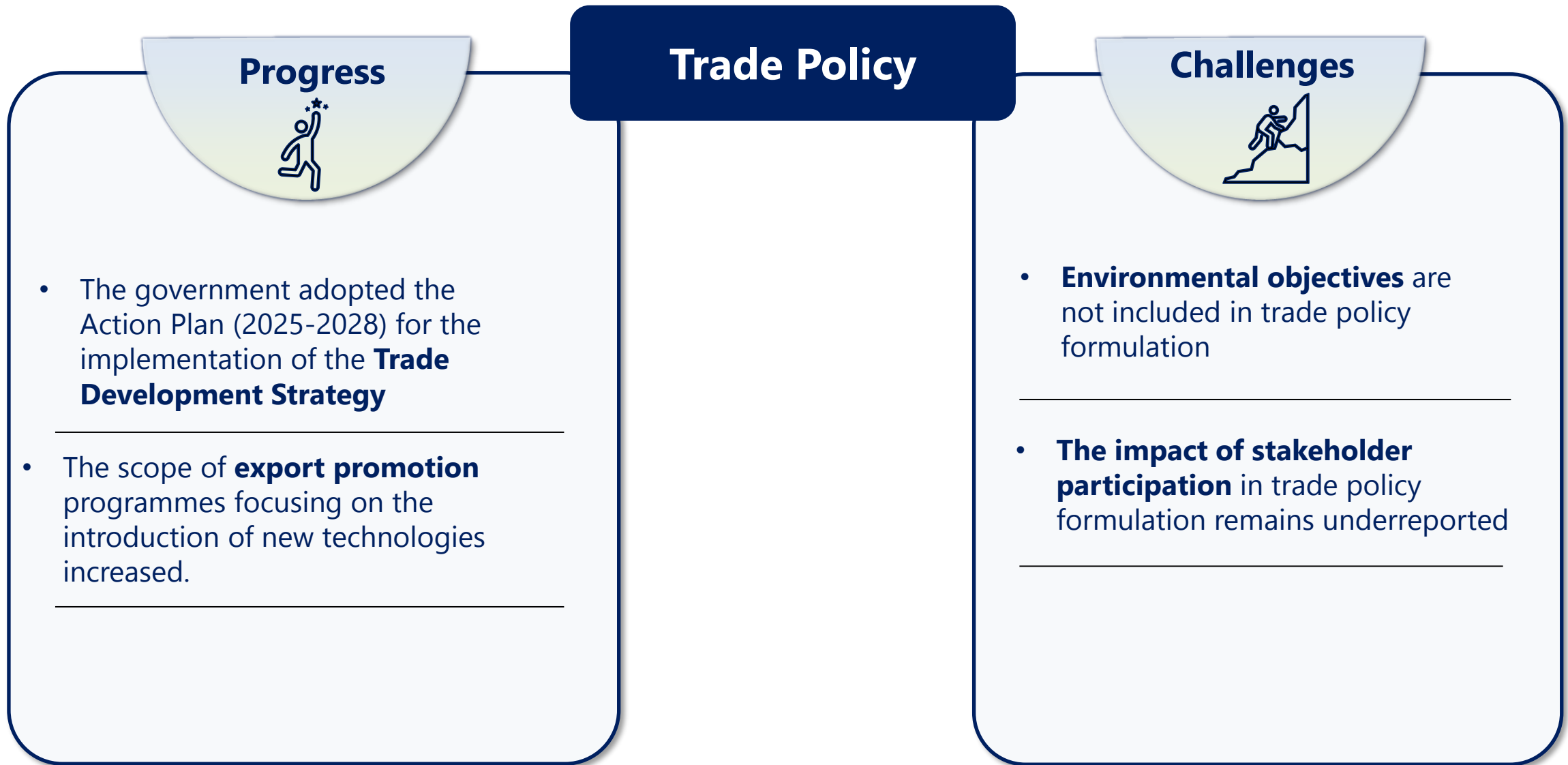


- **Intellectual property rights enforcement and awareness raising** remain challenging.
- **Provisions governing arbitration** are underdeveloped.

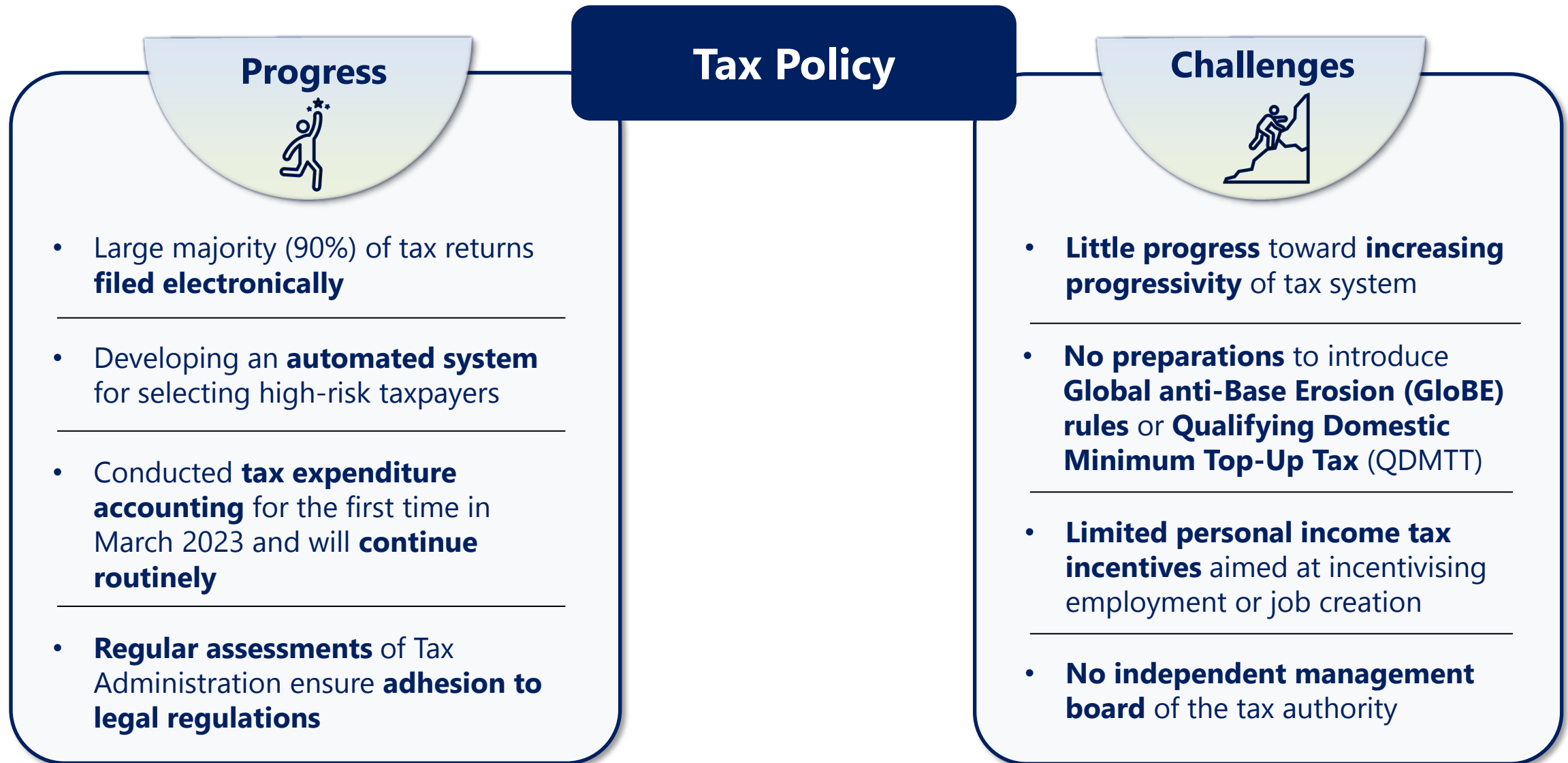




# Business environment cluster – Key progress and remaining challenges since CO2021 (at the level of RS)



# Business environment cluster – Key progress and remaining challenges since CO2021 (at the level of RS)



# Business environment cluster – Key progress and remaining challenges since CO2021 (at the level of RS)

## Progress



- The Banking Agency of the RS has **adopted a new Decision on banks' liquidity risk management** for further harmonization with the **Basel III liquidity standards**.
- The European Commission confirmed that the **BiH** has **aligned** its **banking regulations** and **supervision** with **EU standards**.
- Substantial legal progress with the implementation of the **amendments** to the **Laws on Securities Market** and **Investment Funds** to **develop capital markets and private equity**.

## Access to Finance

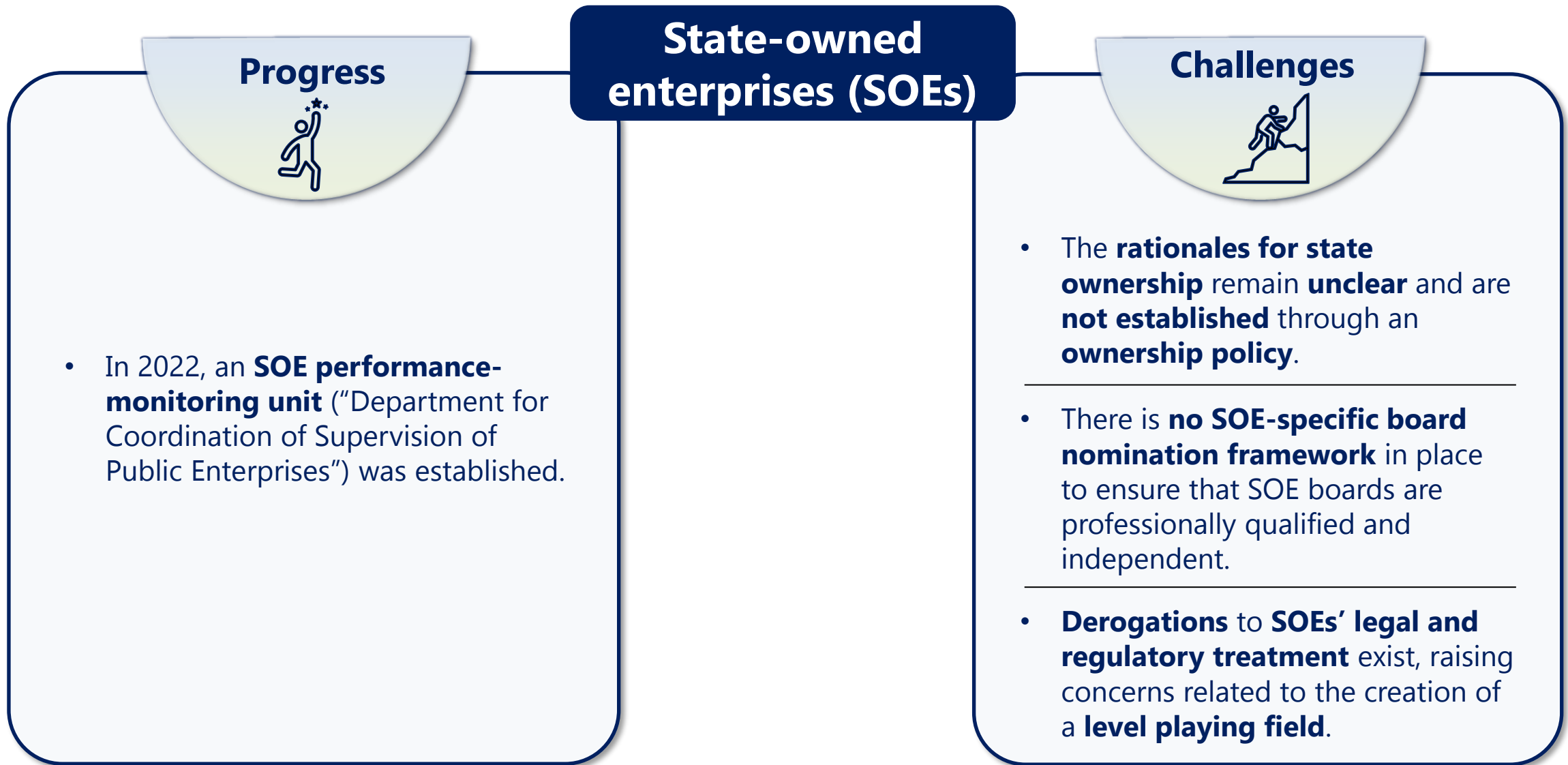
## Challenges



- The adoption of **Basel III standards** has **not been fully implemented** yet.
- The current **definitions of collateral** are **too restrictive** and **not customized** to meet **SMEs' needs**.
- The **capital markets' legal framework** remains **unaligned** to the *EU acquis*.
- The **legal framework** for **digital finance** remains **incomplete**.

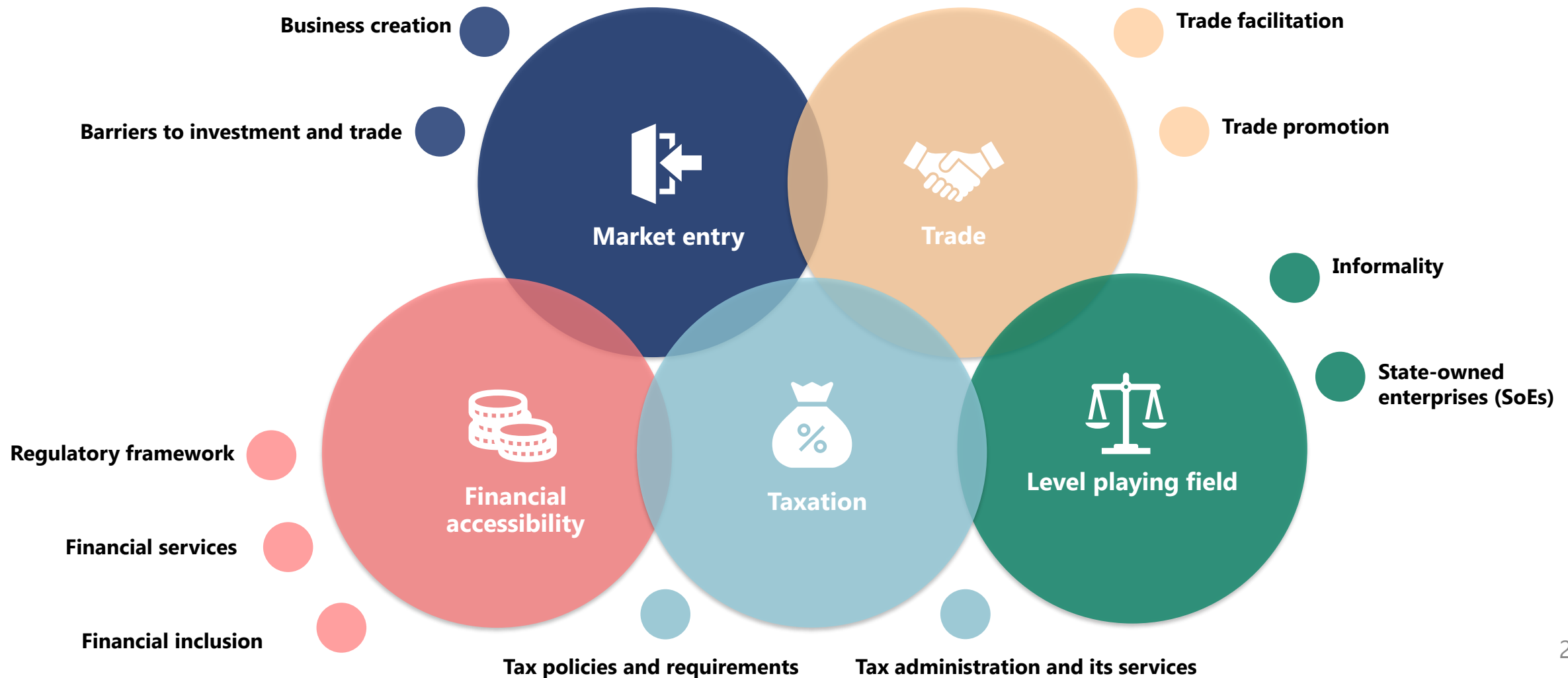


# Business environment cluster – Key progress and remaining challenges since CO2021 (at the level of RS)



# Competitiveness Outlook 2024 **Business environment cluster**

The business environment cluster includes the various factors that ultimately **shape the landscape in which businesses emerge and expand.**





# Market entry

## Business creation

How easy and cheap is it to start a business, and how supportive are the government services?

How easy and cheap is it to get business licensing and permits?

## Barriers to investment and trade

Do trade policies restrict market access/foreign entry for certain sectors?

How easy is it for a business to start exporting?

**Select priorities**



## Trade facilitation

Are digital trade facilitation measures widely enforced and used among businesses? (e-signature, electronic customs, e-certificates)

## Trade promotion

Does the government actively promote businesses' participation in international trade? (through trade fairs, capacity building, trade missions)

**Select  
priorities**



# Financial accessibility

## Regulatory framework

Are credit information systems sufficiently advanced, and can individuals easily access this information?

Does the existing regulatory framework support the development of capital markets and digital finance?

## Financial services

Are bank financing conditions easy and favourable for businesses? (interest rate, collateral requirements etc)

Are alternative sources of financing well-developed? Do business have enough capacity to leverage them?

## Financial inclusion

Are there sufficient efforts to reduce the cost of financing for businesses?

Are policies ensuring that all individuals and businesses have access and can effectively use financial services in place?

**Select  
priorities**





## Tax policies and requirements

Are tax regulations clear and transparent for businesses?

Are there any tax incentives fostering business activities?

## Tax administrations and its services

Do tax administration systems lower administrative compliance burden?

How do tax compliance requirements and processes affect businesses?

**Select  
priorities**



# Level-playing field

## Informality

Is the current level of informality a serious challenge to the business environment?

Do policies incentivize firms to formalize and workers to be formally employed?  
What more can be done in this area?

## State-owned enterprises (SoE)

Are public enterprises subject to the same treatment as private companies? Do they compete on equal footing?

**Select  
priorities**





## Thank you for your attention!

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