



Western Balkans Competitiveness Outlook 2024

Fact-finding Meeting
Mostar, Bosnia and Herzegovina
26 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 4th 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

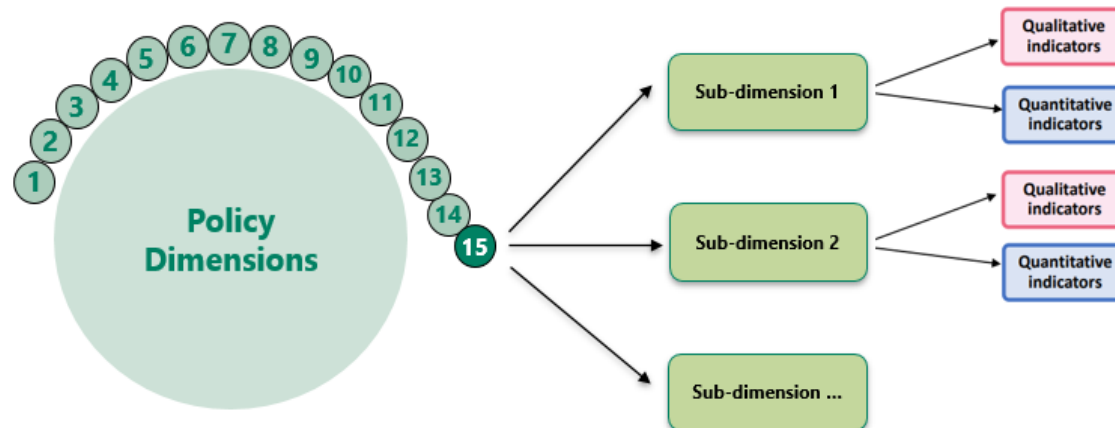


Assessment Approach and Methodology

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.


- 

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**.
- 

The policy framework is **monitored** and, if necessary, adjusted accordingly.
The policy framework includes **more advanced features** to increase its impact.
- 

The adopted policy framework is effectively being **implemented**.
The policy framework **includes key features** which make it impactful.
- 

A policy framework specifically addressing the policy area concerned has been **officially adopted** by the government or parliament (where applicable).
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A **draft / pilot policy framework** with government activity exists addressing the policy area concerned.
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No framework (e. g. law, institution, project, initiative) exists addressing the policy area concerned.

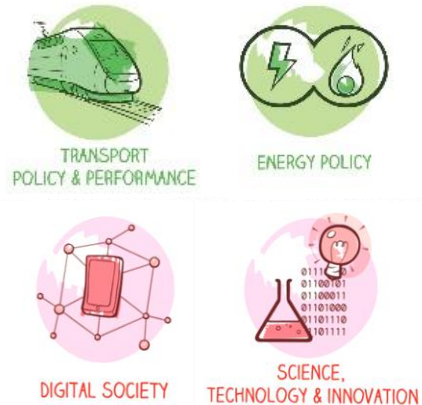
Regional assessment **Five distinct clusters**

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.

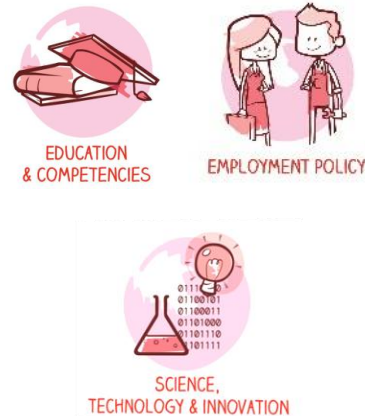
Business Environment



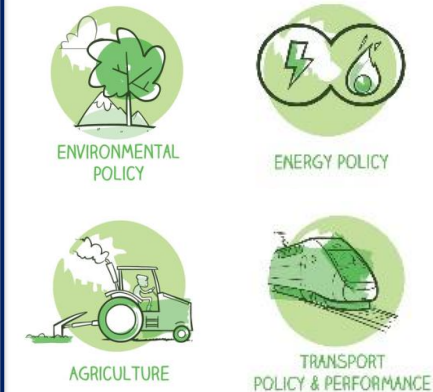
Connectivity & infrastructure



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.



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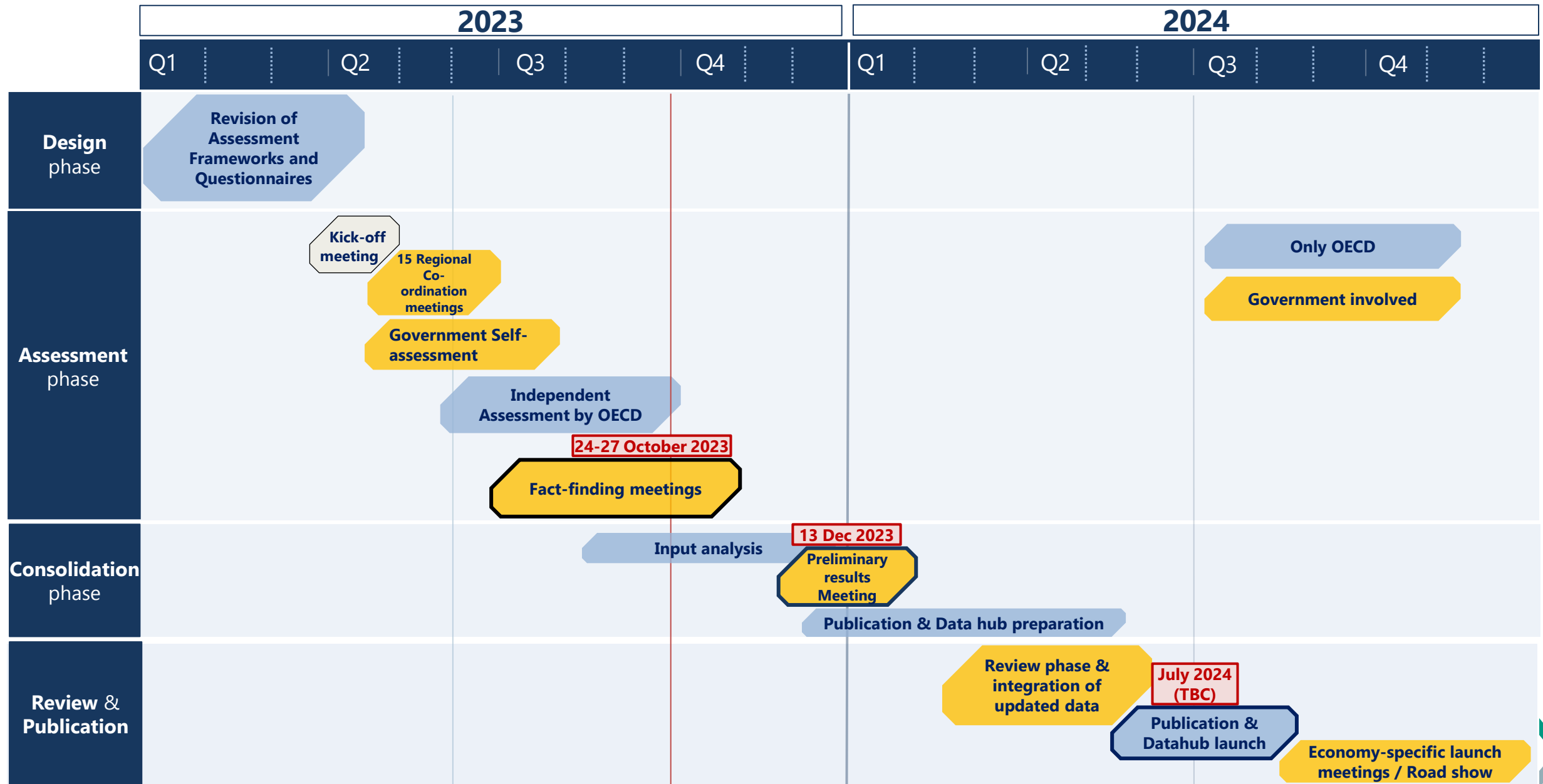
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Competitiveness Outlook 2024 Timeline



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 FEDERATION OF BIH DATA GAPS

Mostar, Bosnia and Herzegovina
26 October 2023

OECD South East Europe Regional Programme



Data gaps across 15 assessed policy dimensions as of 20 October 2023

Dimension	Questionnaire	Statistical sheet	Remarks
Investment Policy and Promotion	Major gaps	Major gaps	Received questionnaire is almost empty
Trade Policy	Not received	Not received	
Access to Finance	Partial gaps	Major gaps	Statistical sheet Subdimensions 2 and 3 indicators mostly empty.
Tax Policy	Minor gaps	N/A	
Environment Policy	Partial gaps	Major gaps	QL7 missing: land-use management Statistical sheet almost empty
Agriculture Policy	Minor gaps	Major gaps	Statistical sheet is missing outcome indicators and Subdimensions 2 and 3
Tourism Policy	Minor gaps	Major gaps	
State-owned Enterprises	Partial gaps (only 1 st round received)	Not received	Responses to follow-up questions pending; self-assessed scores missing
Education Policy	Minor gaps	Minor gaps	
Employment Policy	Partial gaps	Minor gaps	QL9-QL12 almost all incomplete.
Science, Technology and Innovation	Minor gaps	Partial gaps	Quantitative indicators of sub-dimension 3 missing
Digital Society	Minor gaps	Partial gaps	
Transport Policy	Not received	Partial gaps	Majority of data not collected by the institute for statistics.
Energy Policy	Not received	Major gaps	Quantitative: Nearly all indicators are empty.
Anti-Corruption	Partial gaps (only 1 st round received)	Not received	Data gaps in qualitative questionnaire (sub-dimension 4 almost empty)



Business environment - Data gaps

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

Business environment - Data gaps (qualitative)

Investment Policy and Promotion

- **Significant data gaps identified under every sub-dimension.**

Trade Policy

- Extent and scope of the amendments of the Law on internal trade of FBiH, the Price Control Law and the Law on consumer protection
- **Digital trade**
- **Export promotion**

Access to finance

- Credit information services
- Credit guarantee schemes

Tax Policy

No data gaps have been identified.

State-owned enterprises

- Update on informal SOE coordinating unit
- Division of ownership responsibilities
- Details on SOE board nomination procedures
- Information on activities of Agency for Privatisations



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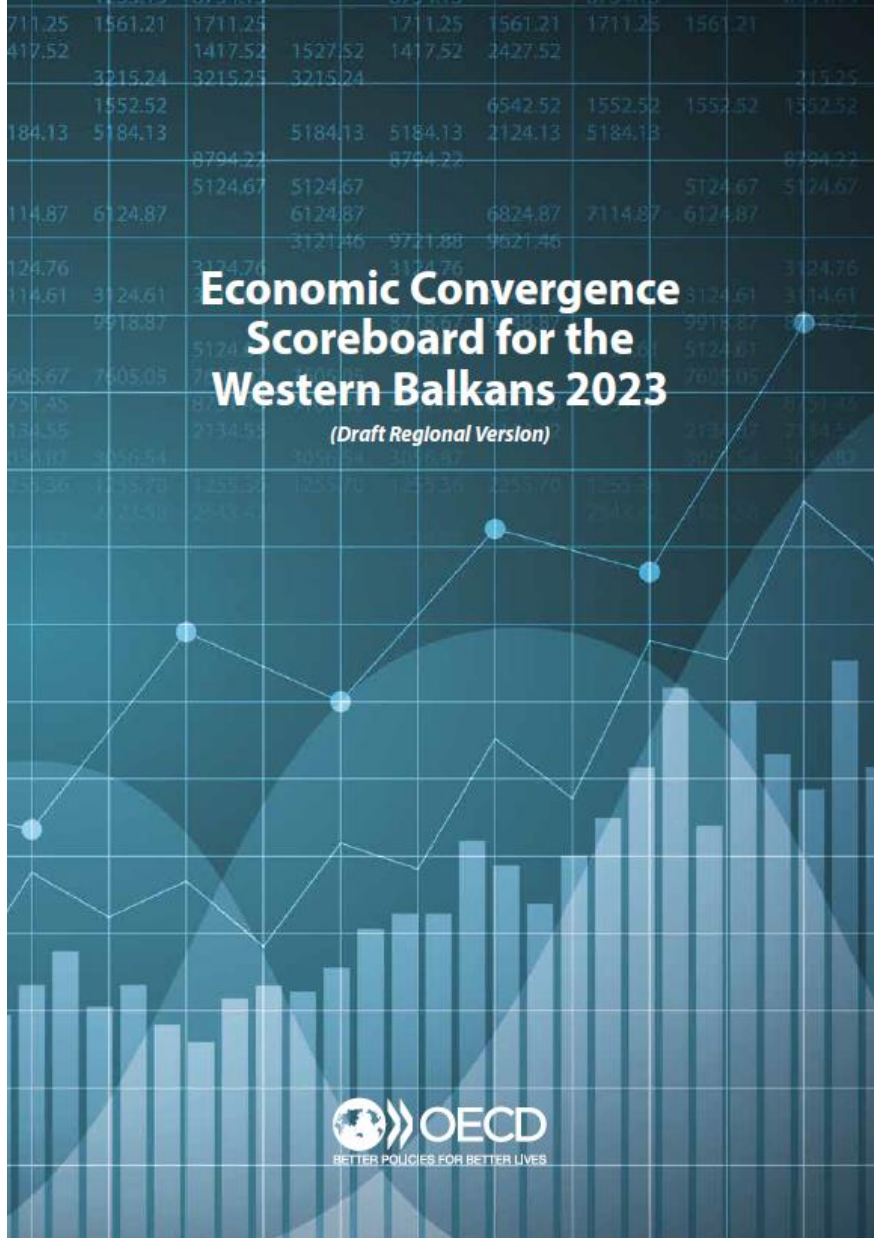
BUSINESS ENVIRONMENT IN BOSNIA AND HERZEGOVINA – FOCUS ON FEDERATION OF BIH KEY CHALLENGES & POLICY SOLUTIONS

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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** are promising, 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 **policymaking 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

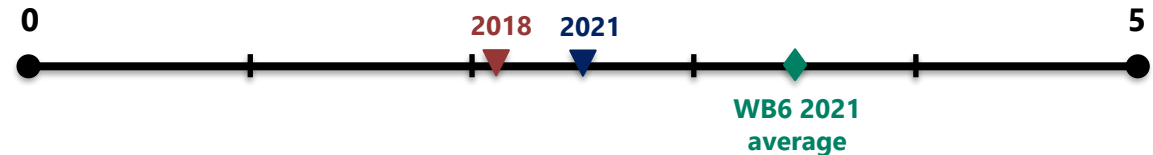
- From 2018 to 2021, Bosnia and Herzegovina **improved** its performance in **all policy dimensions related to the business environment**
- In 2021, Bosnia and Herzegovina achieved its **biggest improvement in score in the tax policy dimension**, and also achieved considerable progress in **access to 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**.



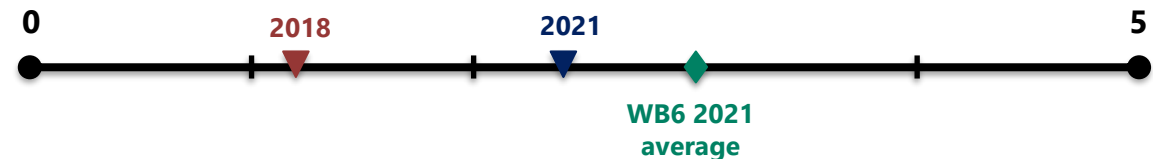
Investment Policy and Promotion



Trade Policy



Tax Policy



Access to Finance

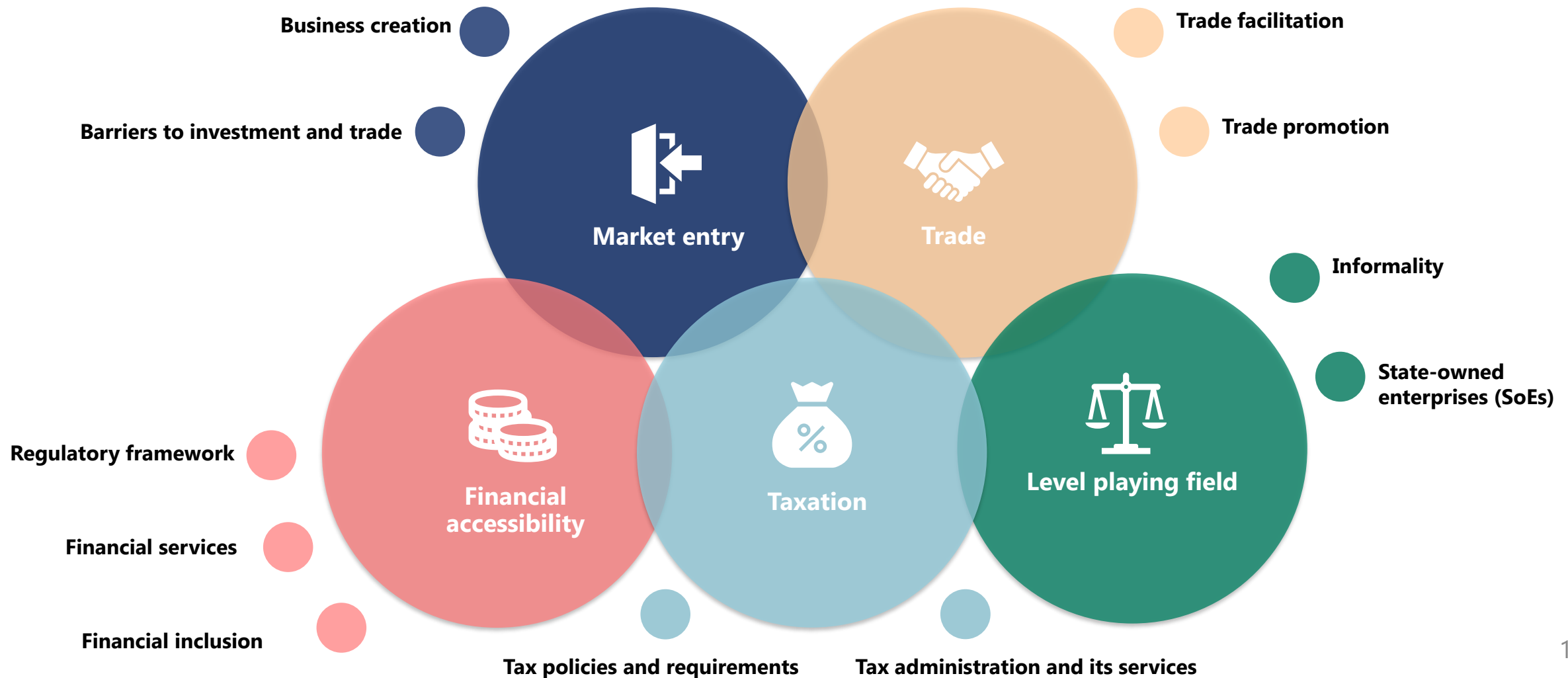


SoEs

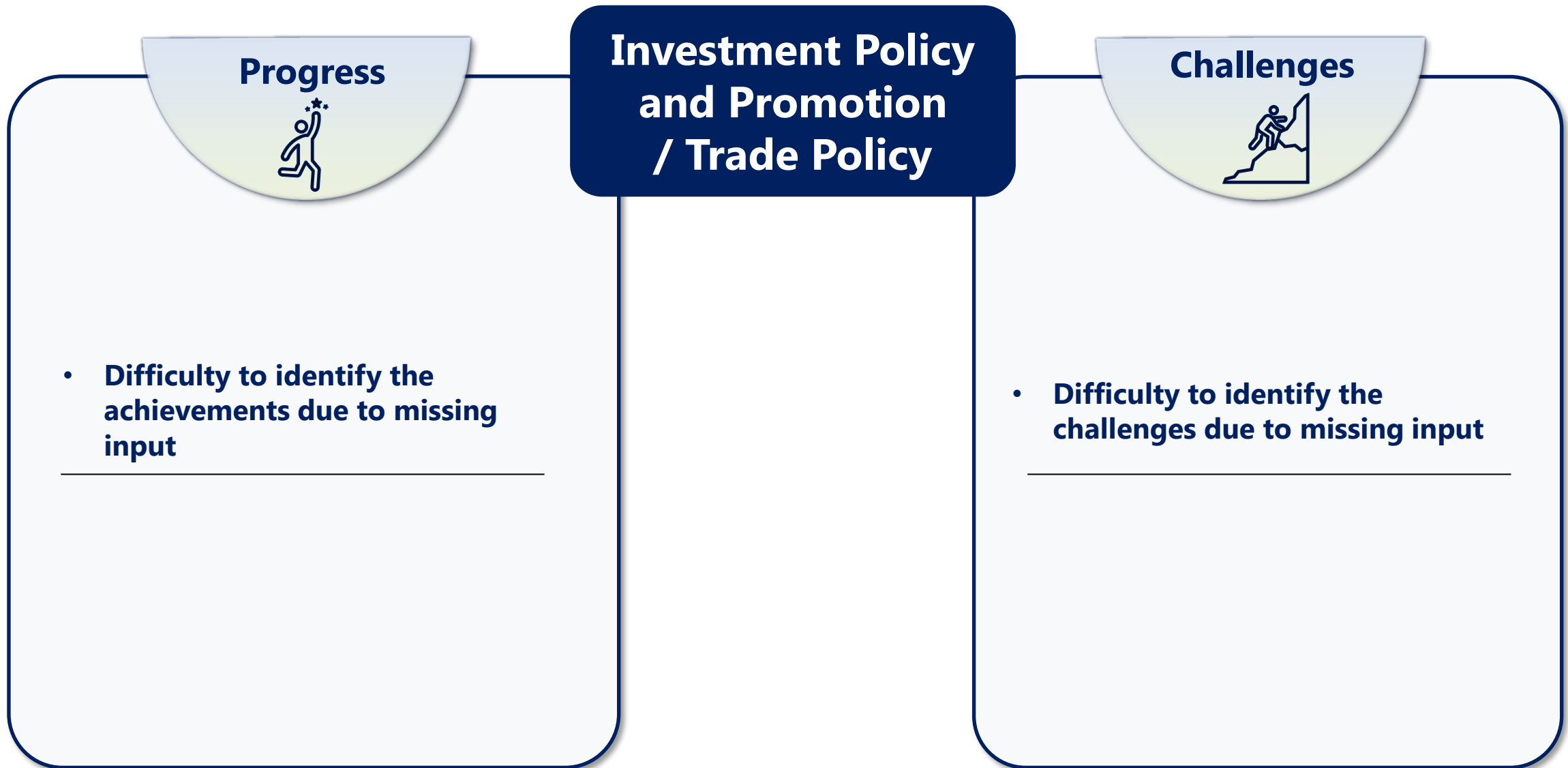


Competitiveness Outlook 2024 **Business environment cluster**

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



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



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

How easy is it to find out and benefit from the government's export promotion programmes?

To what extent 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

What are the main challenges faced by business when exporting?

To what extent do businesses have access to digital trade facilitation tools (ex. e-signature, electronic customs, e-certificates)

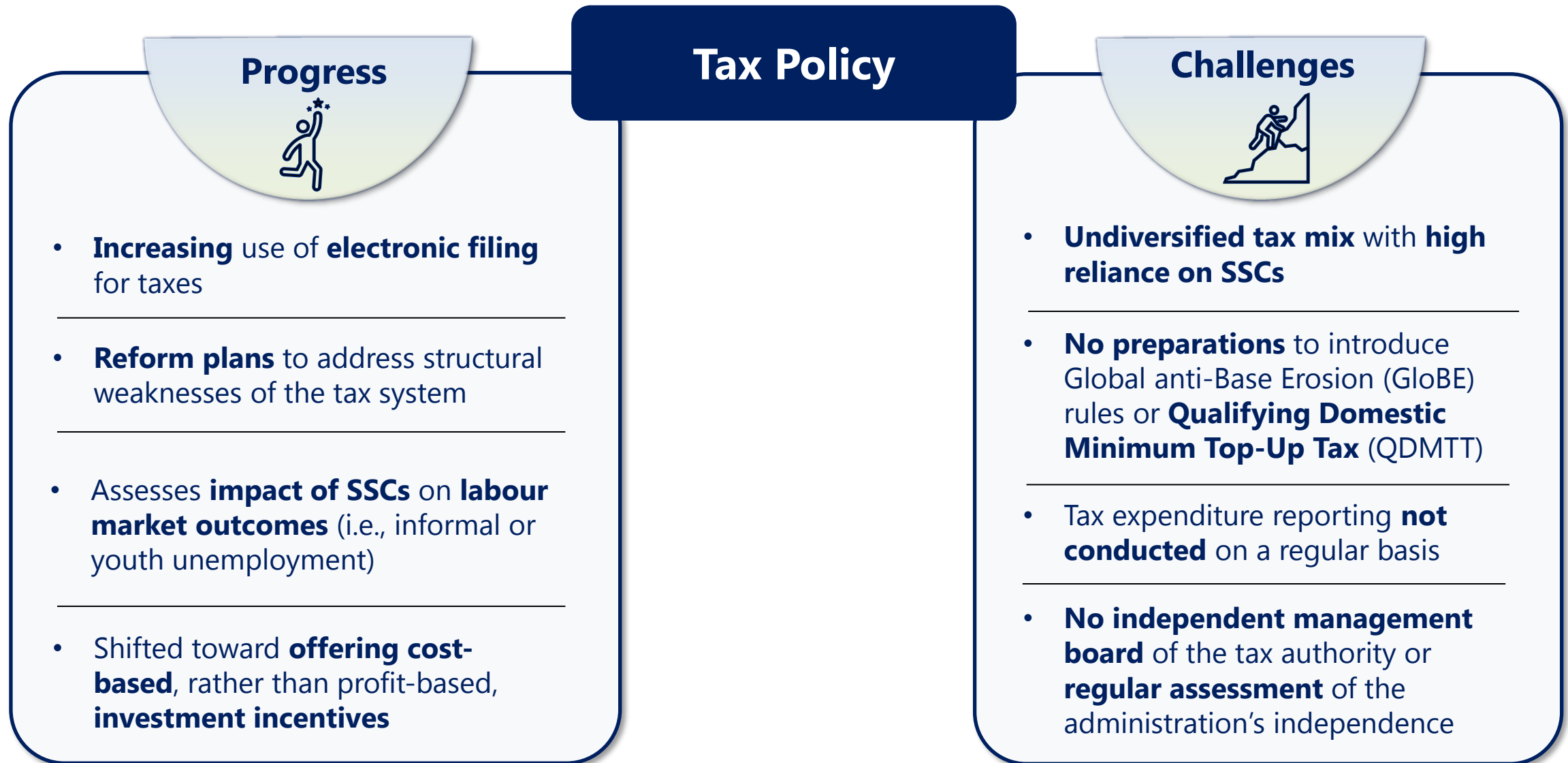
Trade promotion

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

Select priorities



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





Tax policies and requirements

To what extent are tax regulations clear and transparent for businesses?

Are there any tax incentives fostering business activities?

Are there any envisioned reforms of corporate and income taxes, aiming to stimulate business activity?

Tax administrations and its services

Do tax administration systems lower administrative compliance burden?

How do tax compliance requirements and processes affect businesses?

**Select
priorities**



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

Progress



- The Banking Agency of the FBiH 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**.
- **Markets for financial leasing and hire purchases** substantially **developed**.

Access to Finance

Challenges



- The adoption of **Basel III standards** has **not been fully implemented** yet, notably Pillar 2 "*Risk management and supervision*".
- 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*.
- **No legal framework** for **digital finance** in place.



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

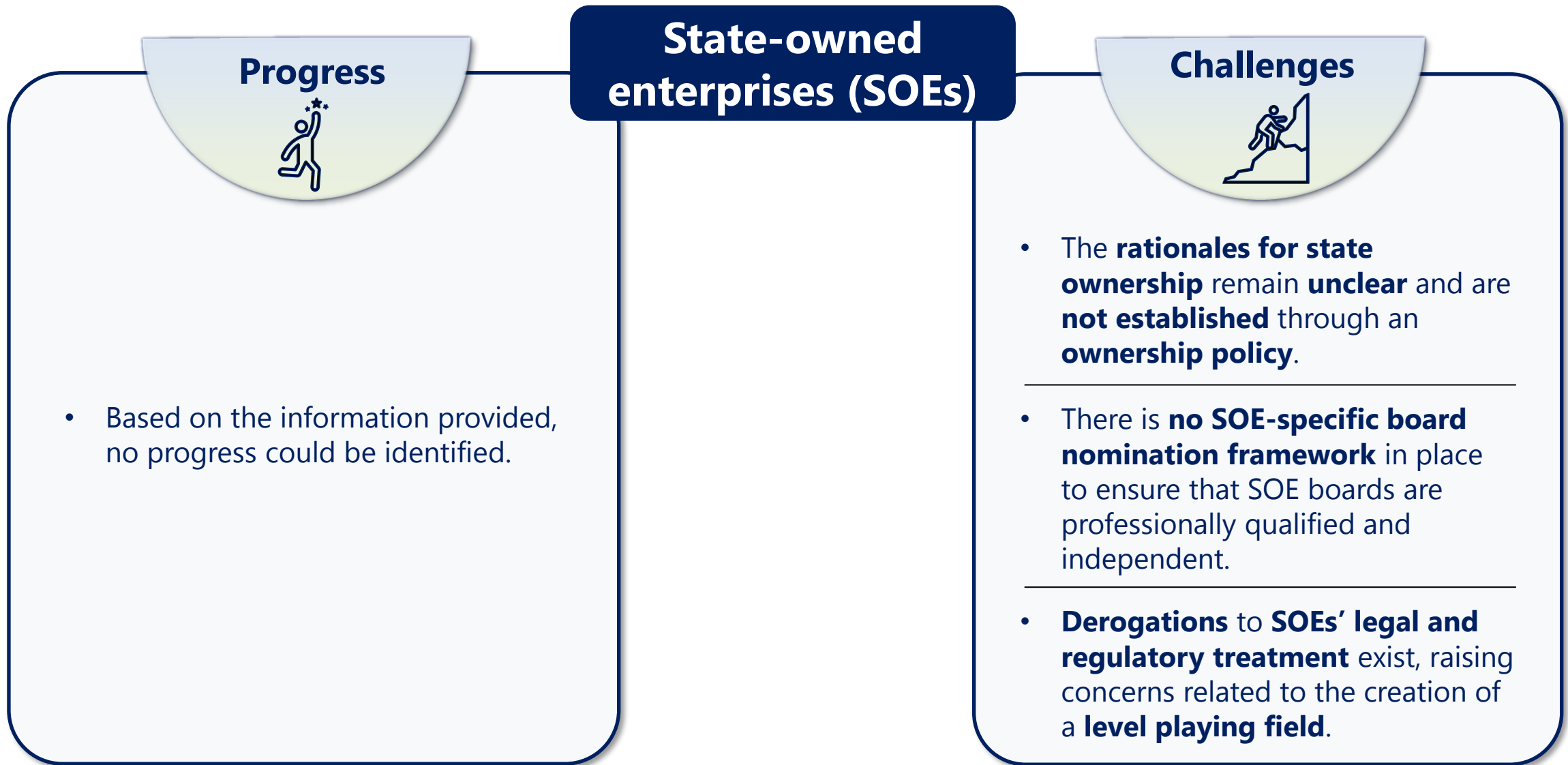
Are there sufficient efforts to reduce the cost of financing for businesses?

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

**Select
priorities**



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



Level-playing field

Informality

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

To what extent do policies incentivize firms to formalize and workers to be formally employed? What more can be done?

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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