



Western Balkans Competitiveness Outlook 2024

Fact-finding Meeting

Sarajevo, Bosnia and Herzegovina

27 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

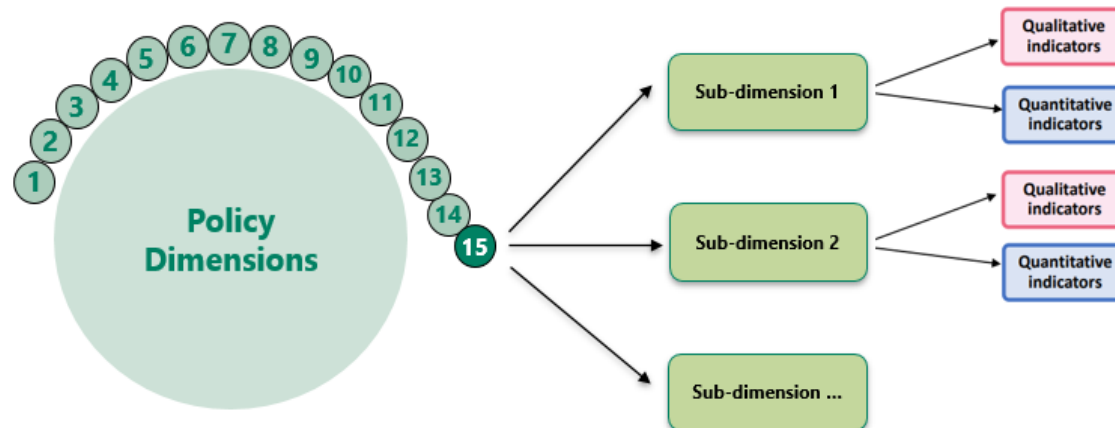


Assessment Approach and Methodology

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).
-  A **draft / pilot policy framework** with government activity exists addressing the policy area concerned.
-  **No framework** (e. g. law, institution, project, initiative) exists addressing the policy area concerned.

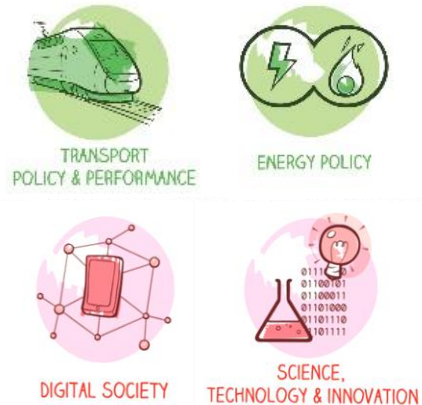
Regional assessment **Five distinct clusters**

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.

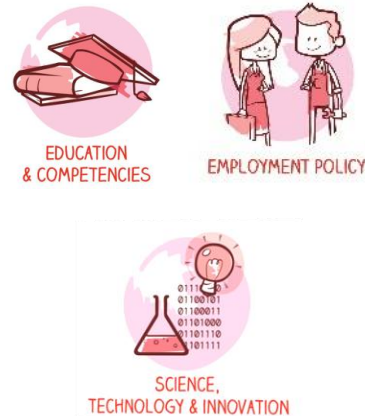
Business Environment



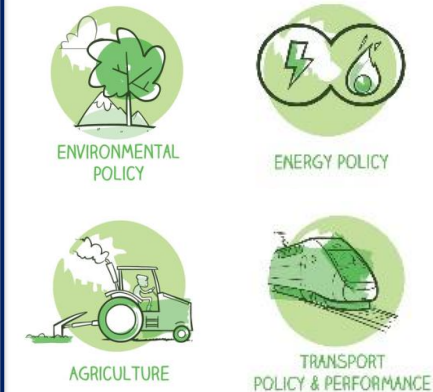
Connectivity & infrastructure



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



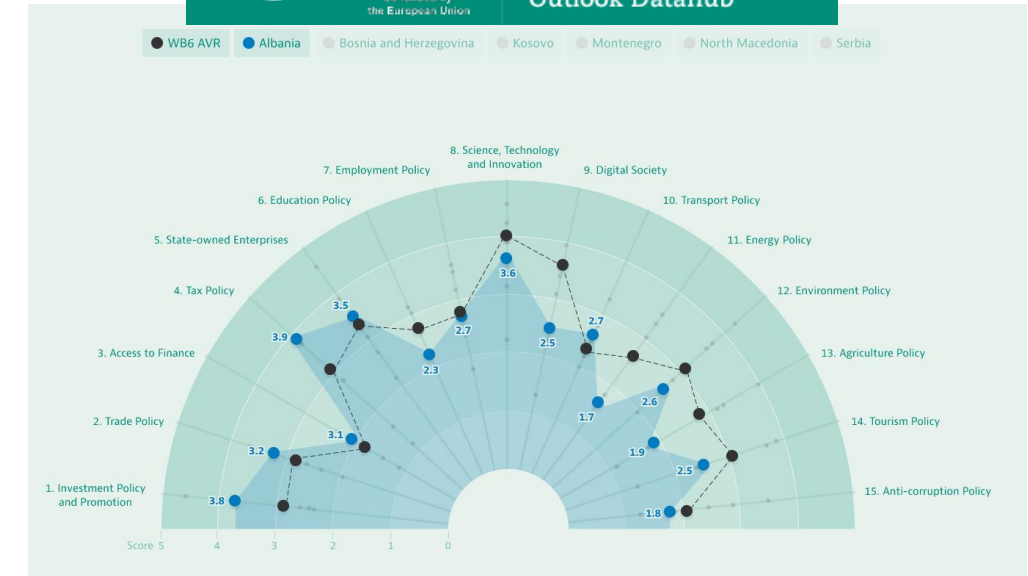
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Economy-specific profiles

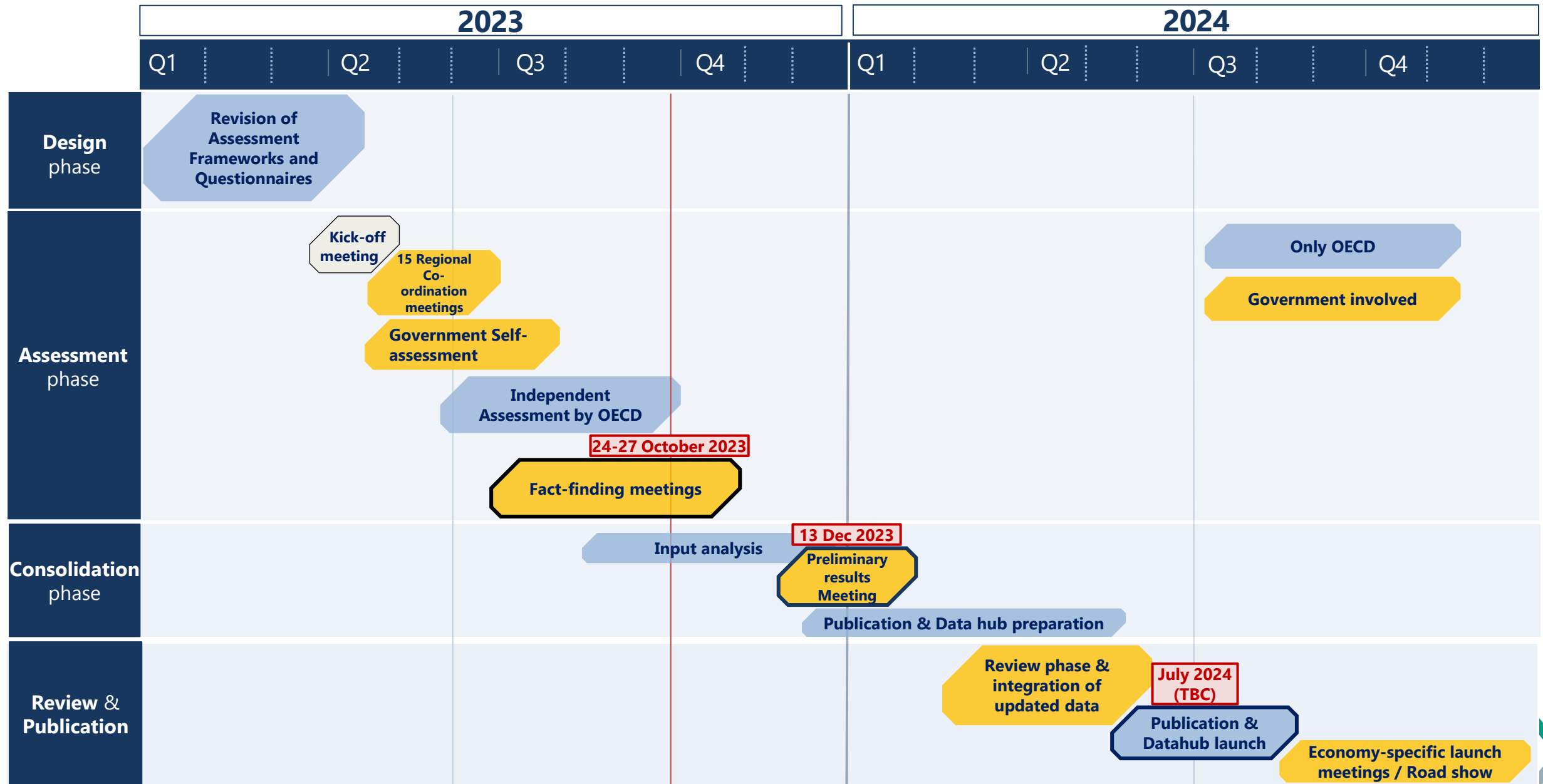
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Competitiveness Outlook 2024 Timeline



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 STATE LEVEL DATA GAPS

Sarajevo, Bosnia and Herzegovina
27 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	Partial gaps	Not received	Gaps in QL.1 and 3.
Trade Policy	Minor gaps	Minor gaps	
Access to Finance	Minor gaps	Major gaps	
Tax Policy	Minor gaps	N/A	
Environment Policy	Minor gaps	Partial gaps	
Agriculture Policy	Major gaps	Partial gaps	Missing inputs from QLs 7, 8, 9, 10 Statistical sheet missing Sub-dimension 3
Tourism Policy	Partial gaps	Partial gaps	QL. 6, QL. 7, QL. 9 and QL. 10 missing.
State-owned Enterprises	N/A	N/A	
Education Policy	Minor gaps	Minor gaps	
Employment Policy	Minor gaps	Not received	
Science, Technology and Innovation	Minor gaps	Partial gaps	Missing quantitative indicators for sub-dimension 3
Digital Society	Minor gaps	Partial gaps	Data missing for all sub-dimensions.
Transport Policy	Not received	Partial gaps	Data missing for all sub-dimensions.
Energy Policy	Minor gaps	Partial gaps	Data missing for all sub-dimensions.
Anti-Corruption	Minor gaps	Minor gaps	



Business environment - Data gaps

	Minor information gaps	Partial information gaps	Largely incomplete
Investment Policy & Promotion			
<i>Sub-dimension 1: Investment Policy Framework</i>			
<i>Sub-dimension 2: Investment Promotion and Facilitation</i>			
<i>Sub-dimension 3: Mobilising Sustainable Investment</i>			
Trade Policy			
<i>Sub-dimension 1: Trade Policy Framework</i>			
<i>Sub-dimension 2: Digital Trade</i>			
<i>Sub-dimension 3: Export Promotion</i>			
Tax Policy			
<i>Sub-dimension 1: Tax Policy Framework</i>			
<i>Sub-dimension 2: Features of Tax Administration</i>			
<i>Sub-dimension 3: International Cooperation</i>			

Business environment - Data gaps

Investment Policy and Promotion

- Revision of expropriation orders by an independent authority.
- Investment promotion strategy
- “Silence is consent” clause

Trade Policy

- Digital trade policy
- Digital trade facilitation measures

Tax Policy

- Environmentally related taxes, tax incentives, and subsidies



Western Balkans Competitiveness Outlook 2024

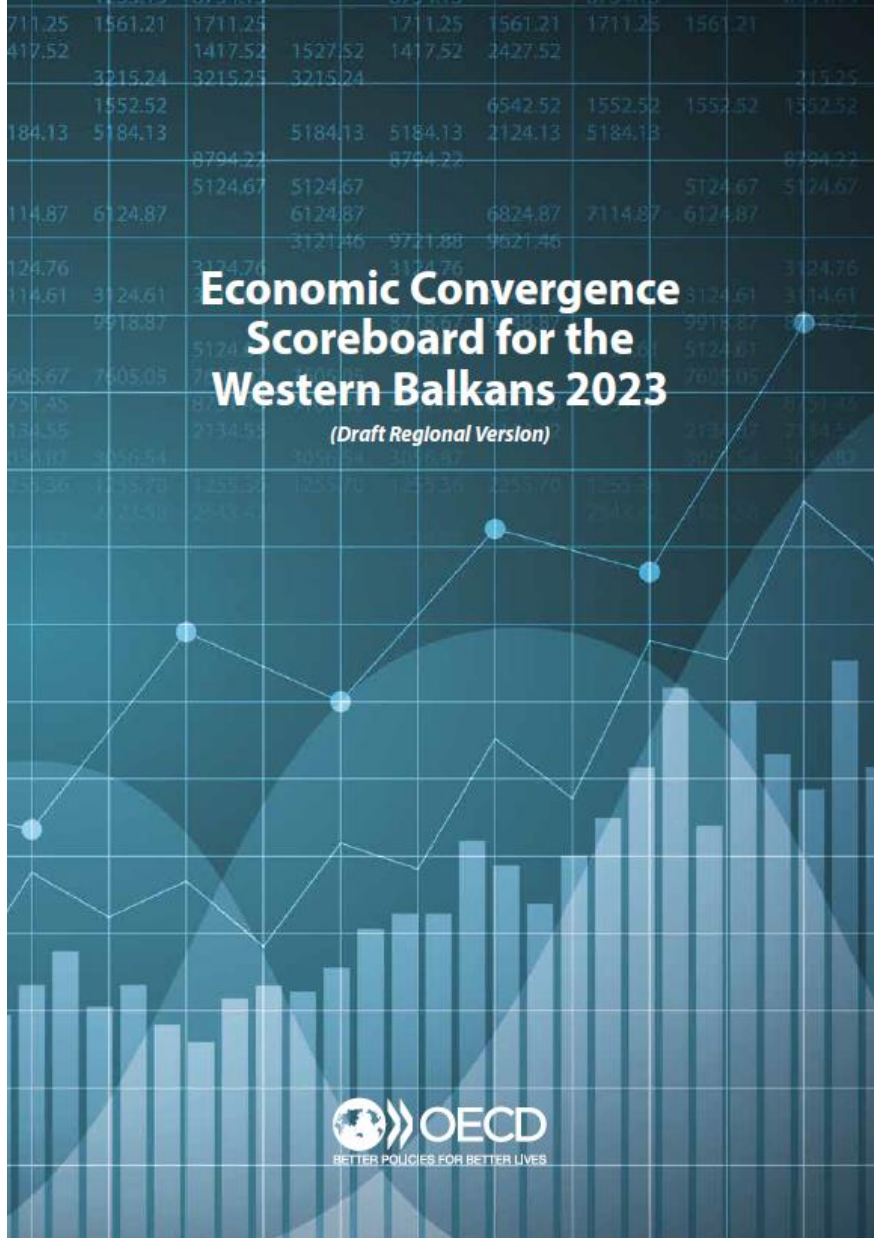
BUSINESS ENVIRONMENT IN BOSNIA AND HERZEGOVINA – FOCUS ON STATE LEVEL KEY CHALLENGES & POLICY SOLUTIONS

Sarajevo, Bosnia and Herzegovina
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OECD South East Europe Regional Programme



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.

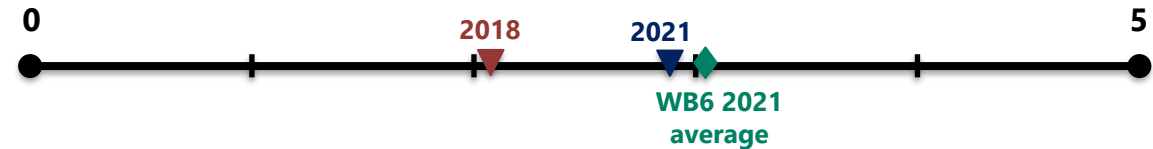
- Convergence of policy outcomes:
- Net inflows of foreign direct investment as a share of GDP strongly improved** and surpassed the EU level by over 40% by 2022. **Estimated informal employment decreased** and made gradual progress in converging to the EU level.
 - Significant room for improvement remains** 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

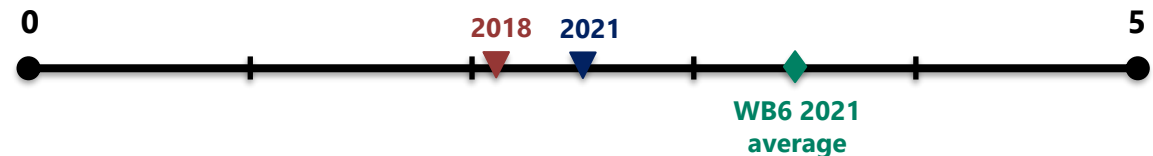
- From 2018 to 2021, Bosnia and Herzegovina **improved** its performance in **all policy dimensions related to the business environment**
- In 2021, Bosnia and Herzegovina achieved its **biggest improvement in score in the tax policy dimension**, and also achieved considerable progress in **access to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



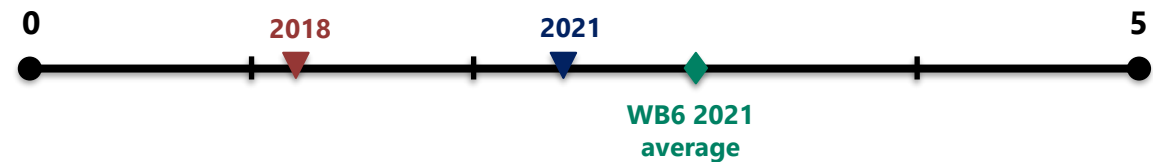
Investment Policy and Promotion



Trade Policy



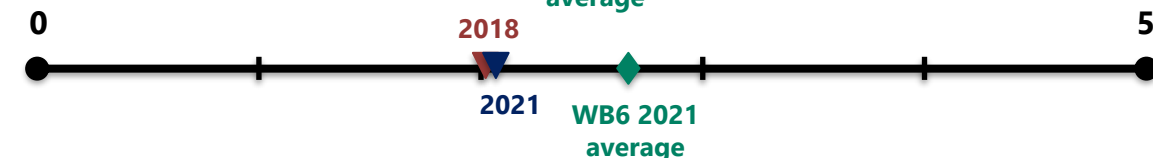
Tax Policy



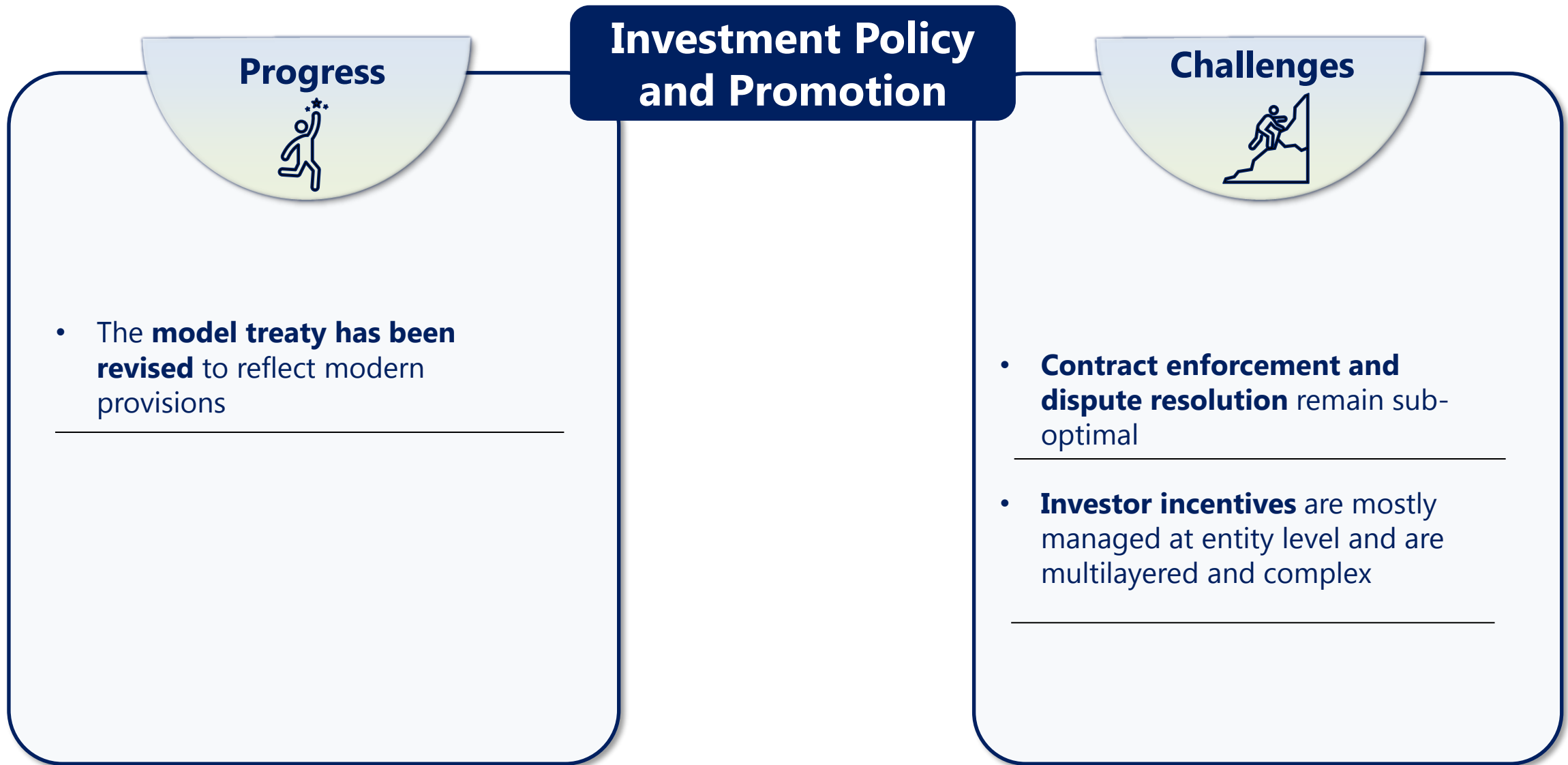
Access to Finance



SoEs



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



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

Trade Policy

Progress



- New **Computerized Transit System** has been implemented to **facilitate and digitalise customs procedures**
- The new **Law on Customs** envisages the expansion of the **Authorised Economic Operator programme**.

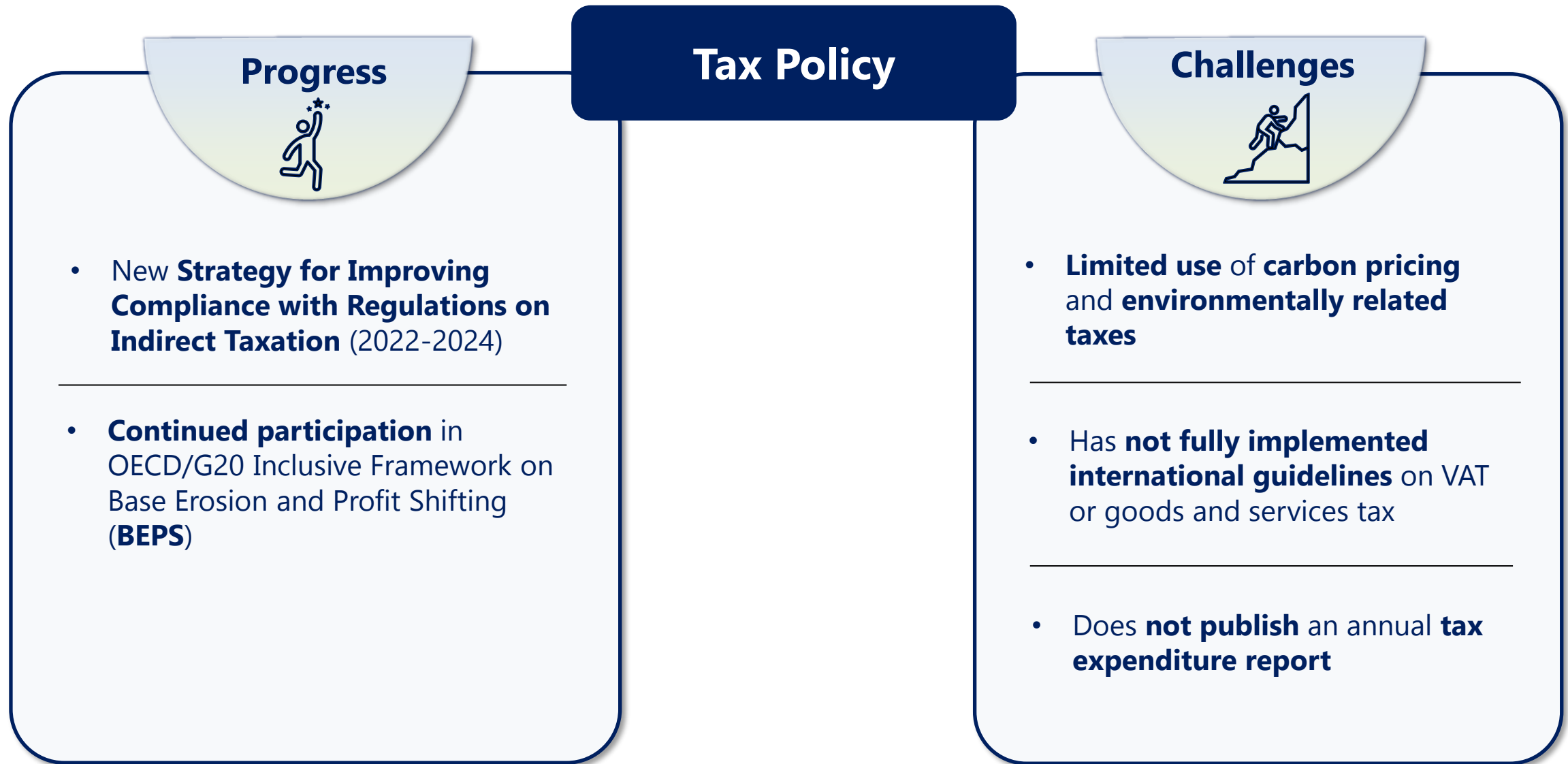
Challenges



- Digital trade policies and strategies are **not subject to monitoring nor evaluation**.
- Export Council of Bosnia and Herzegovina has **not been active in the past years**.

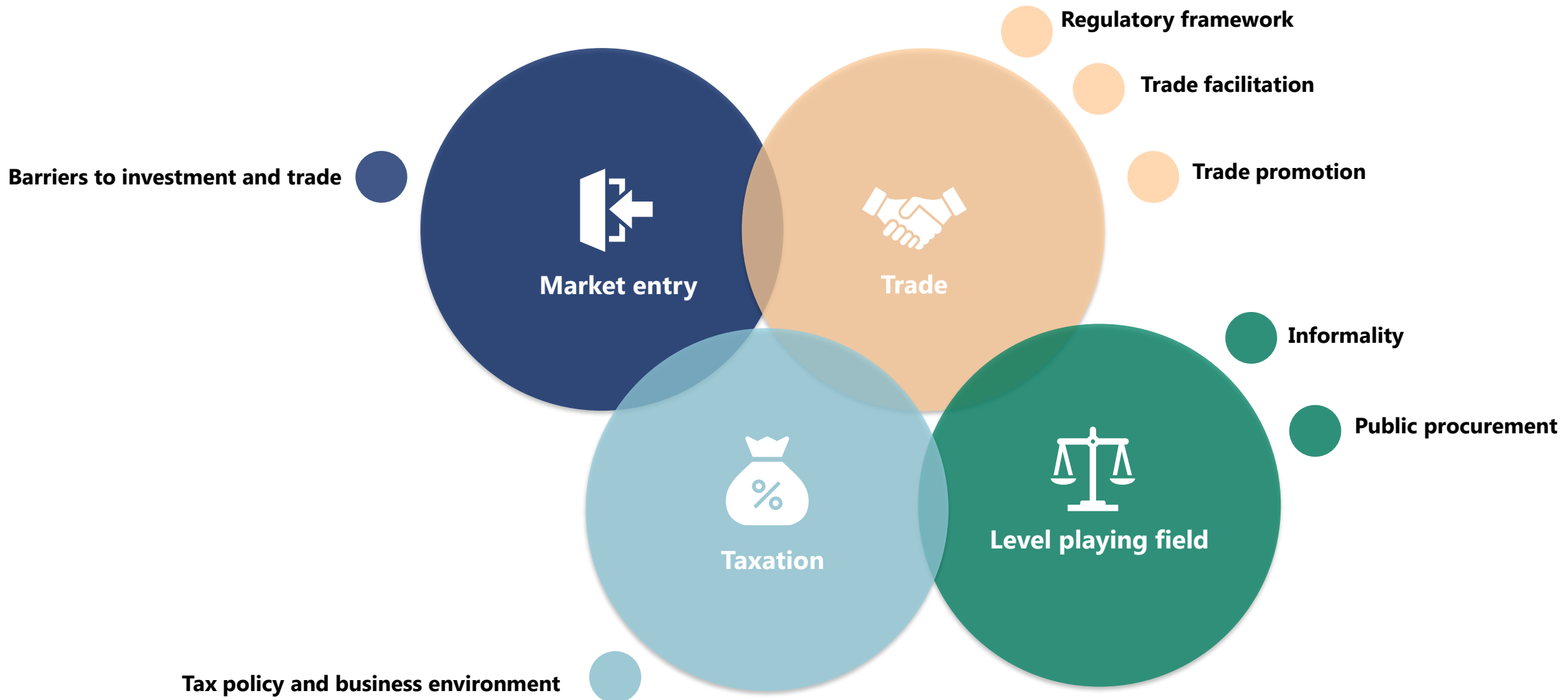


Business environment cluster – Key progress and remaining challenges since CO2021 (at the state level)



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.**



Barriers to investment and trade

Are investment promotion policies effective? How could they be further improved?

How easy is it for a business to start exporting?

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

**Select
priorities**



Regulatory framework

Do you find the regulatory framework for trade cumbersome?
How easy is it to export or import goods in Bosnia and Herzegovina?

Trade facilitation

What are the main challenges faced by business when exporting?

Trade promotion

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

**Select
priorities**



Tax policy and business environment

How does the indirect taxation policy at the state level affect the business environment?

What are some of the potential challenges related to the introduction of carbon pricing and trading, planned to be introduced by 2026?

**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?

Public procurement

Do public procurement procedures ensure equal treatment of all businesses?

**Select
priorities**



Thank you for your attention!

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