

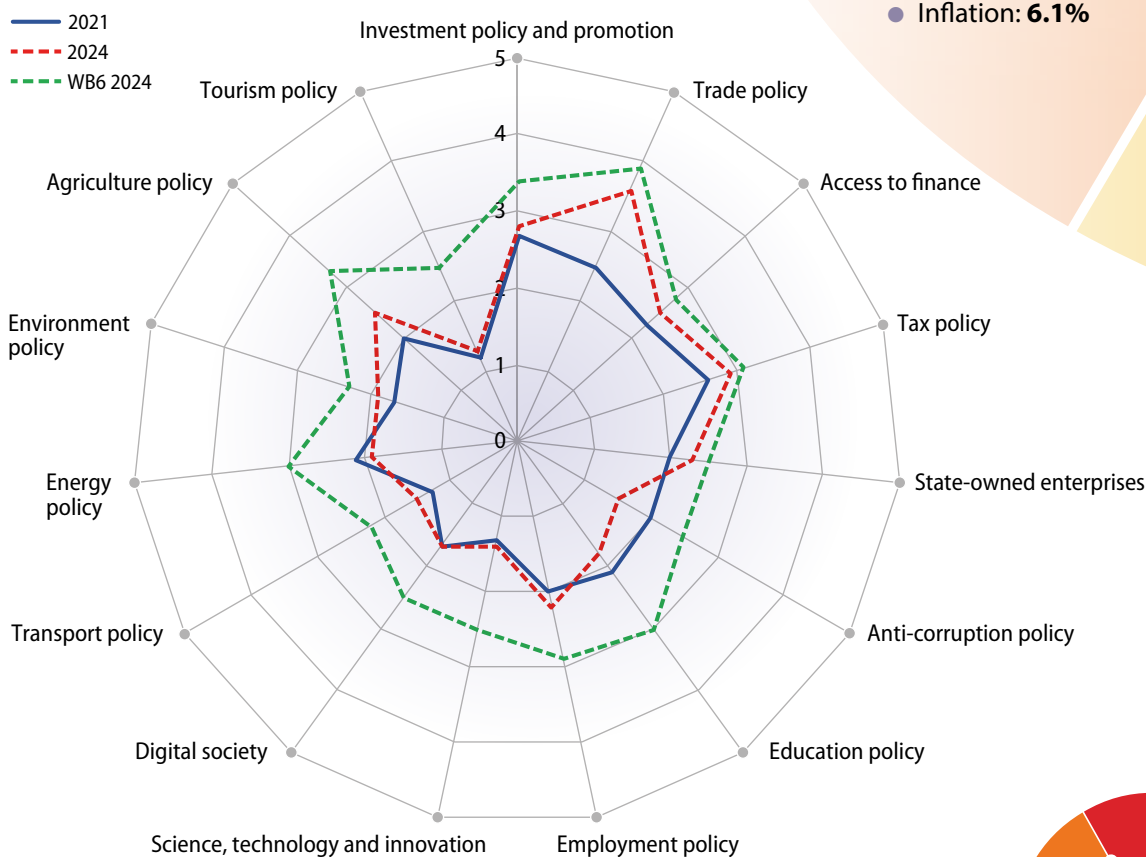
Western Balkans Competitiveness Outlook 2024

OECD SOUTH EAST EUROPE REGIONAL PROGRAMME

Bosnia and Herzegovina

Since the 2021 *Competitiveness Outlook*, Bosnia and Herzegovina has advanced in 11 of 15 policy dimensions, showing the strongest score increases in the areas of trade and agriculture policies. However, the economy's overall performance remains below the average of the six Western Balkan (WB6) economies across most dimensions with significant enhancements needed in digital society, agriculture, education, and tourism policies for EU convergence. For additional insights into Bosnia and Herzegovina's performance across various dimensions, trends over time or comparisons with other economies, please refer to the Western Balkans Competitiveness Data Hub at: westernbalkans-competitiveness.oecd.org.

Bosnia and Herzegovina's Competitiveness Outlook performance (2021 and 2024)



Note: Dimensions are scored on a scale of 0 to 5. See the reader's guide and the Data Hub at westernbalkans-competitiveness.oecd.org for information on the assessment methodology and the individual score assigned to indicators.

1. **Source:** OECD (2024), *Western Balkans Competitiveness Outlook 2024: Bosnia and Herzegovina*, Competitiveness and Private Sector Development, OECD Publishing, Paris, <https://doi.org/10.1787/82e0432e-en>. Data concerning exports of goods and services and net FDI is based on figures available for 2022.



Key facts¹

(2023 estimate)

- GDP growth: **1.8%**
- Unemployment rate: **13.3%**
- Exports of goods and services: **48.25% of GDP**
- Net FDI: **3.26% of GDP**
- Inflation: **6.1%**



Western Balkans
Competitiveness
Data Hub



Main achievements

- **Trade** has benefited from increased digitalisation, including rollout of the New Computerised Transit System for streamlined customs processing. Enhanced customs legislation and the Authorised Economic Operators program further boost efficiency and security by promoting compliance with standards.
- Ongoing rural development initiatives are boosting **agriculture** productivity and competitiveness with improved policy support, financing, and expanded road networks. Despite limited improvements in irrigation and drainage, donor-funded projects have enhanced rural incomes and living standards, significantly supporting small agrifood businesses.
- **Tax** administration has strengthened significantly with e-filing for most taxes in both entities, reaching 64% coverage in the Federation and 90% in Republika Srpska (RS). Both entities developed audit plans for large taxpayers and adopted risk-based strategies, improving compliance, risk management, and resource allocation.
- Strengthened legal frameworks in Bosnia and Herzegovina have improved businesses' **access to finance** by aligning banking regulations with international standards, including the EU acquis. SME loans now constitute around 45% of total loans, above regional averages. Both entities offer credit guarantee schemes and credit lines to support SMEs, essential as banks hold 88% of the economy's financial assets as of June 2022.

Main priorities

- **Anti-corruption** efforts in Bosnia and Herzegovina need reinforcement as corruption in Bosnia and Herzegovina consistently exceeds the regional average and has worsened in recent years. The absence of a comprehensive policy, limited resources, and inadequate systems for managing conflicts of interest and whistleblower protection contribute to low public confidence, with only 20% believing in effective government action, the lowest in the region.
- Accelerated efforts are essential to modernise Bosnia and Herzegovina's **science, technology and innovation** (STI) system, challenged by outdated policies, constitutional limits on coordination, and limited implementation capacity. Establishing dedicated agencies for policy implementation and boosting R&D investment, while enhancing business-academia linkages, are crucial to combat brain drain and advance scientific research.
- Bosnia and Herzegovina should prioritise **education** quality across all levels. Varying learning standards complicate outcome assessment, while limited participation in international assessments like PISA hampers benchmarking. High youth unemployment and inactivity reveal skill deficiencies. Moreover, underdeveloped policies for teacher professional development and decentralised pre-university education funding impact education quality and equity, especially in early childhood education.
- Despite notable growth, Bosnia and Herzegovina's **tourism** sector lacks robust policies to fully capitalise on its potential. Shortcomings in establishing a unified tourism brand, state-level organisation, reliable data, and a comprehensive destination management framework have limited strategic development and cooperation. Enhancing competitiveness through attracting foreign investment, fostering innovation, and diversifying offerings is essential.

Western Balkans Competitiveness Outlook 2024

Inclusive and sustainable economic growth in the six Western Balkan (WB6) economies requires enhanced economic competitiveness. Although the gap is closing gradually, the standards of living in WB6 are well below those of the OECD and EU. Accelerating the rate of socio-economic convergence will require a holistic, growth-oriented approach to policy making.

This report is the fourth study of the region, and it comprehensively assesses policy reforms in the WB6 economies across 15 policy areas key to strengthening their competitiveness. It enables WB6 economies to compare performance against regional peers, as well as EU-OECD good practices and standards, and to design future-

oriented policies based on rich evidence and actionable policy recommendations.

Economy-specific profiles offer each WB6 economy an in-depth analysis of their policies supporting competitiveness. In addition to tracking the implementation of the previous 2021 study's recommendations, these profiles provide additional recommendations tailored to the economies' evolving challenges. These recommendations aim to inform structural economic reforms and facilitate the region's socio-economic convergence towards the standards of the EU and OECD.

