

Competitiveness in South East Europe 2021

A Policy Outlook

Bosnia and Herzegovina



Bosnia and Herzegovina has improved its performance since the 2018 Competitiveness Outlook report in 11 of the 15 policy areas scored in this assessment. Although this clearly indicates progress in the design of policies to enhance its competitiveness – at least in about two-thirds of the dimensions covered in this assessment – if they are to have a lasting impact then their effective and continuous implementation, monitoring and upgrading should remain a key priority.

Key facts (2020)



GDP growth:

-4.5%



Unemployment:

18%
of total labour force



Exports of goods and services:

32.1%
of GDP



Net FDI:

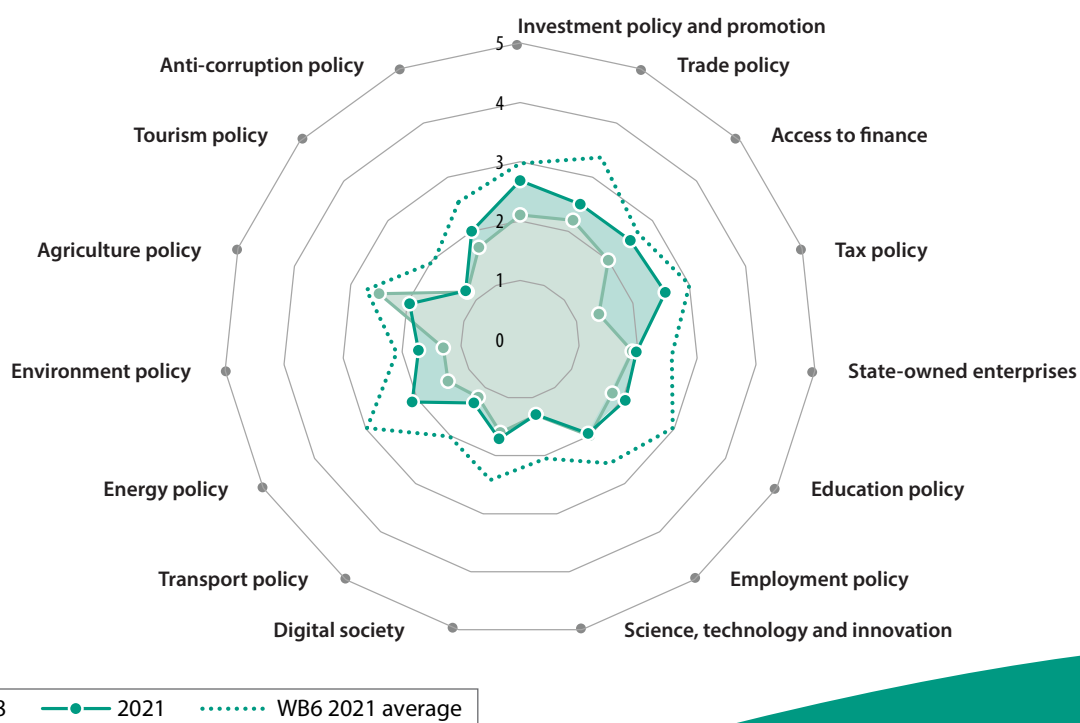
1.8%
of GDP



Personal remittances received:

9.2%
of GDP

Bosnia and Herzegovina's Competitiveness Outlook performance (2018 and 2021)



Main achievements



According to the OECD FDI Regulatory Restrictiveness Index, Bosnia and Herzegovina is less restrictive to FDI than the average OECD economy.



The OECD Services Trade Restrictiveness Index (STRI) analysis shows that Bosnia and Herzegovina is less restrictive in air transport services and rail freight transport services compared to the WB6 economies.



In July 2019, Bosnia and Herzegovina became a member of the Inclusive Framework on Base Erosion and Profit Shifting (BEPS) and in October 2019, it signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS.



In 2018, Bosnia and Herzegovina adopted a common core curriculum at the state-level, which provides a framework for common learning standards and outcomes across the economy.

Main priorities



With an annual mean exposure to particulate matter (PM_{2.5}) of 30 micrograms per cubic metre (µg/m³) the air pollution is three times higher than the World Health Organization recommendation (10 µg/m³). Reducing emissions from transport and energy sectors would help to improve the air quality.



Gross domestic spending on research and development has remained low, at 0.2% of GDP in 2018. Moreover, brain drain is reducing human capital for research and development and efforts to counter this should be increased, including additional funding incentives.



The employment rate of women increased from 29.5% in 2015 to 33% in 2018 and 35.6% in Q2/2019. However, it is still very low, at 10.2 percentage points below the WB6 average and 27.7 percentage points below the EU average. Increasing access to affordable and quality childcare and implementing measures to reduce gender stereotypes in education and the workplace would help to increase employment rates of women and the total workforce of the economy.



While the regulatory framework for factoring and leasing is in place, the financial sector remains bank-dominated (89% of financial sector assets, considerably more than in the euro area around 45%). Diversifying financing sources would provide funding to firms from outside of the traditional lending schemes.

Competitiveness in South East Europe 2021

A Policy Outlook

The third edition of *Competitiveness in South East Europe: A Policy Outlook* comprehensively assesses policy reforms in the WB6 economies across 16 policy dimensions crucial to their competitiveness. It leverages a highly participatory assessment process, which brought together the views of OECD experts, WB6 policy makers and local non-governmental stakeholders to create a balanced and realistic depiction of their performance. The report seeks to provide WB6 policy makers with a multi-dimensional benchmarking tool, enabling them to compare performance against regional peers as well as OECD good practices, and to design future policies based on rich evidence and actionable policy recommendations. Economy-specific profiles complement the regional assessment and provide each WB6 economy with an in-depth analysis of their competitive potential as well as policy recommendations tailored to their specific challenges to inform their structural economic reforms and sustainable development agenda.

