

# Annex A. The Competitiveness Outlook 2021 scoring model for Bosnia and Herzegovina

## Constitutional set-up of Bosnia and Herzegovina

The governance structure of Bosnia and Herzegovina (BiH) is highly decentralised, comprising the state-level institutions of Bosnia and Herzegovina, the governments of the two entities – the Federation of Bosnia and Herzegovina (FBiH) and the Republika Srpska (RS) – as well as the autonomous Brčko District. The FBiH and the RS have significant constitutional autonomy and responsibility for the matters which the Constitution of Bosnia and Herzegovina has not assigned to the state-level government.<sup>1</sup> The entities have jurisdiction over a range of policies including health care, education, agriculture, culture, labour, police and internal affairs. Both entities have a president, prime minister and their own governments. The FBiH is furthermore divided into ten federal units (cantons), each with its own government and constitution that defines the institutions and functioning of government authorities.

## The 2021 Competitiveness Outlook assessment of Bosnia and Herzegovina

Bosnia and Herzegovina submitted questionnaire responses from the state level and both entities for the Competitiveness Outlook (CO) 2021 assessment. Information from all three sources has been taken into account in the analysis.

Policy making in Bosnia and Herzegovina is much more decentralised than in the other Western Balkan economies covered by the CO 2021 assessment. Therefore, information from the state level, FBiH and RS has been taken into account in the calculation of the assessment scores for the different policy dimensions. Following the changes to the CO assessment framework (see Assessment framework sections in the 16 policy dimension chapters), the scoring model for Bosnia and Herzegovina has been revisited to allow for a more accurate assessment of the different policy dimensions at the different levels of governance.

However, policy recommendations have in many cases been formulated to emphasise the importance of policy co-ordination in Bosnia and Herzegovina in order to strengthen the single domestic market and avoid imbalances in competitiveness between the entities.

Based on these considerations, a scoring system with three models has been developed (Table A A.1).

**Table A A.1. Overview of the three scoring models**

Model 1	Model 2	Model 3
1/3 (state) + 1/3 (FBiH) + 1/3 (RS)	1/2 (FBiH) + 1/2 (RS)	State-level only

Table A A.2 shows which scoring model has been applied in which CO 2021 policy dimension, as well as a rationale for its selection. For most of the 16 policy dimensions, a score has been derived by giving one-third of the weight to the state and both entities (Model 1). This reflects a more balanced division of competencies and responsibilities in the policy area between the state level and the entities. For five dimensions (Access to finance, Tax policy, State-owned enterprises, Employment policy and Environment

policy) a score has been derived by calculating a simple average of the two entities' scores. This approach (Model 2) reflects that major policies, mechanisms and institutions in these policy areas exist mainly at the level of the entities. Lastly, the Competition policy dimension only takes state-level information into consideration as it is an exclusively state-level competence (Model 3).

**Table A A.2. Application of the scoring models to the CO 2021 policy dimensions**

Policy dimension	CO 2021 assessment	Rationale
1. Investment policy and promotion	Model 1	Investment policy and promotion is managed at both the entity and state level. The Ministry of Foreign Trade and Economic Relations (MoFTER) regulates the economy's overall investment policy, while the entities follow supplemental legislation on topics such as expropriation, contract enforcement and alternative dispute mechanisms. Although the economy's investment promotion agency exists at the state level, promotion activities, incentive regimes and investor targeting also occur at the entity level.
2. Trade policy	Model 1	Trade policy is guided by the jurisdiction, framework laws and priorities put in place at the state level by MoFTER. However, the entities have an important role to play as they adopt their own sectoral laws and regulations governing and affecting various aspects of trade. Moreover, in various services sectors (i.e. road and rail transport, courier services or telecommunications) the entities control and operate key publicly-owned enterprises.
3. Access to finance	Model 2	Responsibilities under this dimension are largely at the entity level, with legal and regulatory frameworks mostly put in place at the entity level (and FBiH cantons in the specific case of public-private partnerships). However, the state level also plays a role in this area given that the Central Bank of Bosnia and Herzegovina oversees the central registries.
4. Tax policy	Model 2	While the Indirect Tax Authority collects indirect taxes and is managed at the state level, the entities define their own taxation framework for direct taxes and are in charge of tax collection. As scoring was not provided at the state level, and the majority of tax policies remain at the entity level, scores for the tax policy dimension's indicators and averages are based solely on FBiH and RS scores.
5. Competition policy	Model 3	Competition policy is within the competencies of the state level. The Bosnia and Herzegovina Competition Council has exclusive competence and decision-making power in competition matters. Three out of the six members of the Competition Council are designated by the Council of Ministers of Bosnia and Herzegovina, two members by the FBiH Government and one member by the RS Government.
6. State-owned enterprises	Model 2	Bosnia and Herzegovina's performance in the state-owned enterprises dimension is based on FBiH and RS activities. The assessment focuses mostly on enterprises held by the central levels of FBiH and RS rather than by cantons and municipalities.
7. Education policy	Model 1	Education policy is primarily under the responsibility of the entities (and cantons in FBiH). However, the state level does play a role by adopting important framework laws and through the Agency for Pre-school, Primary and Secondary Education, which is a state-level institution responsible for developing learning standards and common core curricula, as well as evaluating learning achievements for pre-primary, primary and secondary education.
8. Employment policy	Model 2	Employment, labour and social policy is within the remit of the entities. The state level is not responsible for labour, employment and social policy, nor social protection. The Ministry of Civil Affairs of Bosnia and Herzegovina is assigned only a co-ordinating role when representing the economy's interests abroad.
9. Science, technology and innovation	Model 1	The strategic and institutional frameworks on science, technology and innovation (STI) are highly decentralised, with dedicated ministries in the two entities, as well as at the canton-level in FBiH. However, the state level plays a role as the Ministry of Civil Affairs co-ordinates STI policy across Bosnia and Herzegovina and represents the economy internationally.
10. Digital society	Model 1	Digital society encompasses a number of different policy areas, such as data accessibility, digital skills development and privacy protection, in which policy frameworks are developed at the state or entity levels. Policies in different areas are guided by state and/or entity-level institutional and regulatory frameworks.
11. Transport policy	Model 1	Transport policy is guided by state-level framework laws and investment priorities. However, the entities have a significant role to play as they adopt their own laws and regulations governing different transport modes, make their own investments and operate key publicly-owned enterprises.
12. Energy policy	Model 1	Energy policy is guided by legal and regulatory frameworks at both the state and entity levels. The state-level MoFTER plays an important role in co-ordinating energy policy between the entities, as well as in international co-operation and trade.
13. Environment	Model 2	Responsibility for environment and climate policy rests with the two entities. In the FBiH,

Policy dimension	CO 2021 assessment	Rationale
policy		responsibility is shared between the entity level and the ten cantons. At the state level, MoFTER is responsible for defining policies and basic principles, co-ordinating activities and consolidating entity plans with those of international institutions in the areas of energy, agriculture, protection of environment and use of natural resources, and tourism. Entity-level institutions are responsible for strategic frameworks, policy setting, data exchange and reporting.
14. Agriculture policy	Model 1	Agricultural policy is guided by framework laws and priorities established at the state level by MoFTER. The ministry is responsible for defining and co-ordinating the state agricultural policy framework in co-operation with the relevant entity institutions. The entity institutions are responsible for the management and implementation of policies, programmes and measures in their respective territories.
15. Tourism policy	Model 1	Tourism is under the jurisdiction of the two entities. Accordingly, the entities are responsible for the adoption of their own tourism strategies and the establishment of the governance structure and institutional set up, which differ in each entity. While the tourism governance framework in the RS is similar to the most commonly established governance frameworks in other Western Balkan economies, the governance structure in the FBiH is divided among the Federal Ministry of Environment and Tourism and the ministries of the cantons responsible for tourism, which have also adopted their own legislation and regulation. At the state level, the Tourism Working Group was established by MoFTER to co-ordinate tourism activities among the entities.
16. Anti-corruption policy	Model 1	The state-level Agency for Prevention of Corruption and Co-ordination of the Fight Against Corruption focuses primarily on countering the corruption of state-level public officials and on co-ordinating the anti-corruption efforts of the entities. The entities are responsible for most aspects of the prevention and repression of corruption at their level.

## Notes

<sup>1</sup> Paragraph (3) of Article III of the Constitution of Bosnia and Herzegovina stipulates that all government competences not expressly assigned to the state-level government belong to the entities.

## Competitiveness and Private Sector Development

# Competitiveness in South East Europe 2021

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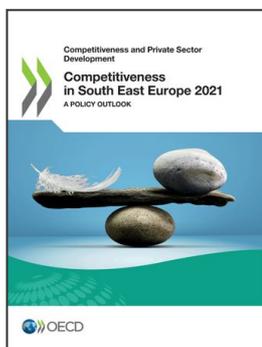
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