

2021 SME COUNTRY FACT SHEET

BOSNIA AND HERZEGOVINA

Brief introduction

- Bosnia and Herzegovina's economy has been badly affected by the COVID-19 pandemic. The *transportation and storage* sector and the *wholesale and retail trade* sector were impacted in particular, with respective decreases of 14.8% and 13.2% in SME value added. The *manufacturing* sector and the *accommodation and food services* sector were also hit hard, with SME value added declining by 12.2% and 11.9% respectively. In contrast, the *administrative and support services* sector performed strongly in 2020, generating an increase of 6.0% in SME value added.
- In Bosnia and Herzegovina, SMEs play an important role in the 'non-financial business economy'. In 2018, they generated 62.7% of total value added and 69.1% of total employment, exceeding the respective EU averages by 9.8 and 4.2 percentage points.
- The average productivity of SMEs in Bosnia and Herzegovina, calculated as value added per person employed, was approximately EUR 14 000 in 2018, significantly lower than the EU average of EUR 41 600. The average of 5.6 people employed by SMEs was significantly higher than the EU average of 3.7.

SME DEVELOPMENT 2019-2020



The data are estimates produced by DIW Econ, based on 2010-2018 figures from national and Eurostat databases. GDP is based on estimates produced by the IMF. Total unemployment is based on data from Statista.

	ENTERPRISES		PERSONS EMPLOYED		VALUE ADDED	
	NUMBER	SHARE	NUMBER	SHARE	€ BILLION	SHARE
SMEs (0 -249 persons employed)	67 009	99.6%	374 055	69.1%	5.255	62.7%
LARGE ENTERPRISES (250+ persons employed)	233	0.4%	167 659	30.9%	3.124	37.3%

Data for 2018. The data are based on data provided by the Agency for Statistics of Bosnia and Herzegovina.

SME-RELATED STRENGTHS AND CHALLENGES

KEY STRENGTHS

- According to the World Bank's Doing Business 2020 report, Bosnia and Herzegovina scores relatively high on the 'resolving insolvency' indicator, coming 37th out of the 130 economies analysed.
- The government is developing draft strategic guidelines on harmonisation of support for the development of SMEs and entrepreneurship in Bosnia and Herzegovina for 2021-2027. These will complement strategies on helping SMEs and entrepreneurship develop in the entities (the Federation entity and the *Republika Srpska* entity), together with the Brčko District.
- Since 2016, a working group chaired by the Ministry of Foreign Trade and Economic Relations has continued to improve dialogue and coordination on women's entrepreneurship among policymakers from the entities, as reported by the OECD. The country's performance in terms of women entrepreneurs increased from just above 2 in 2016 to 3.26 in 2019, according to the OECD report 'SME Policy Index: Western Balkans and Turkey 2019'.

KEY CHALLENGES

- According to the World Bank's Doing Business 2020 report, Bosnia and Herzegovina occupied the 184th position among the 190 countries on starting a business.
- As stated in the OECD's SME Policy Index report, the country does not have a common approach to SME policy planning and implementation. Each entity establishes its own laws and regulations, adding layers of complexity for SMEs.
- Registration procedures differ at entity level. One business registration is not valid for the entire economy: a company registered in the Federation entity, for example, cannot operate directly in the *Republika Srpska* entity without obtaining additional permits, and vice versa.
- According to the 2019 OECD report on policies in the Western Balkans and Turkey, Bosnia and Herzegovina is the worst performer among the Western Balkan economies on access to finance for SMEs.

OTHER KEY SME-RELATED BRIEF INSIGHTS

 <p>IMPACT OF COVID-19 CRISIS ON SMES</p>	<p>To alleviate the effects of the COVID-19 crisis on SMEs, governments provided among other things financial support to SMEs, increased flexibility in the payment of social security contributions for both SMEs and the self-employed, deferred tax payments, and loan guarantee funds. Certain banks also offered loan repayment deferrals.</p>	 <p>REGULATORY BURDEN</p>	<p>An overly complex regulatory environment results in high compliance costs and is a significant obstacle to competitiveness and inclusive growth. The Federation entity adopted the Federation of Bosnia and Herzegovina Development Strategy 2021-2027. It covers 12 areas, including the development of SMEs, entrepreneurship and crafts, and support to the green economy and digitalisation. The <i>Republika Srpska</i> entity adopted a new strategy for SME development for 2021-2027.</p>
 <p>GREEN TRANSITION OF SMES</p>	<p>Bosnia and Herzegovina's 2018-2021 strategic plan for rural development includes some environmental protection measures.</p>	 <p>DIGITALISATION OF SMES</p>	<p>In recent years, the Council of Ministers granted considerable importance in official documents to digitalisation. Limited progress has been made since the adoption of the law on e-signature as a precondition for SME digitalisation.</p>