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Evaluation of the competitiveness and the business environment in Bosnia and Herzegovina

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ABSTRACT

The purpose of this paper is to shed light on the key factors that drive economic growth and to help explain why some countries are more successful than others in boosting income levels and opportunity.

The principal objective of this paper is an evaluation of Bosnia's and Herzegovina's national competitiveness and business environment.

Since the end of the 1992-1995 war, Bosnia and Herzegovina has demonstrated progress in stabilizing the country and the economy. However, due to a wide range of problems, many of which are legacies from the war, the country still struggles with trying to win the confidence of its citizens, the international community and investors, and levels of foreign investment remain low. This year 2012-2013 Bosnia and Herzegovina **was ranked 88th and jumping up 12 places from the previous year**, and the country has ninth-placed among the Balkan economies (Moldova, Turkey, Slovenia, Bulgaria, Montenegro, Serbia and Montenegro, FYROM, Croatia, Albania, Serbia, Greece).

This report is useful because it allows to determine the strengths and weaknesses of Bosnia's and Herzegovina's national competitiveness environment and identify those factors most constraining its economic development. The report covers Bosnia's and Herzegovina's national economy in comparison to the economy of the Balkans, EU27, China, and USA.

The main instruments we used are the Global Competitiveness Report of the World Economic Forum with 12 different pillars and a similar annual report the Easy of doing business index created by the World Bank.

CHAPTER 1-INTRODUCTION

In this Report we will explore an issue about the evaluation of Bosnia's and Herzegovina's competitiveness and its economic growth from 2001-2013.

In the beginning a brief history of the Bosnia and Herzegovina will be mentioned. In the next step in order to determine the strengths and weaknesses of Bosnia's and Herzegovina's national competitiveness environment we describe the Global Competitiveness Index of the World Economic Forum and its 12 pillars, measured against the average score across the economies of Balkans, China, EU27, USA.

The next element that will be assessed in this report is the Easy of Doing Business Index of the World Bank and its pillars . We compare Balkans ranking with the EU's , USA's and China average for the years 2006-2012.

Moreover in order to understand the Doing Business process we analyze the ten business environment indicators for Bosnia and Herzegovina for the years 2004 until today.

Finally we will evaluate the situation of today's policy recommendations .The recommendations are therefore intended to lay the ground for further complementary studies

CHAPTER 2-A BRIEF HISTORY

Bosnia and Herzegovina is located in South East Europe in the center of the Balkan Peninsula. The country is bounded to the north, west and southwest by Croatia and to the east and southeast by Serbia and Montenegro. The country also has 13-km-long coastline along the Adriatic Sea.

The largest cities include the capital Sarajevo, which is also an important cultural and commercial center, Banja Luka, Mostar and Zenica.

Bosnia and Herzegovina has three major population ethnic groups: Bosnia's, Serbs and Croats and three official languages: Bosnian, Serbian and Croatian which are almost the same. All are Slavs and the primary difference among them is the religion. Serbs are traditionally Orthodox Christians, Croats Roman Catholics and Bosniaks' descendants of ethnic Slavs who converted to Islam in 15th and 16th centuries during the Ottoman period are generally Sunni Muslims. But no single group comprises a majority.¹

Bosnia and Herzegovina has about 3.8 million citizens.

Between 1991 and 1992 the population movement from the countryside to the towns increased the urban population from 40% to 60%.

The population peaked in 1991. Since then hundreds of thousands have died in the war and were forced to flee their homes. The emigration has not only reduced the population but also caused a permanent brain drain.

In addition to the emigration out of the country there are still up to 350,000 internally displaced persons within Bosnia and Herzegovina.

¹ www.uece.org.

The return of internally displaced persons and refugees to their place of origin was mandated by the 1995 Dayton peace Agreement but has not happened yet. Especially the return of people to areas where their ethnic group is a minority has been difficult. The Dayton Peace Agreement, which ended the war in Bosnia and Herzegovina in 1995 established the structure comprised of a state level government and two entities that enjoy substantial autonomy- the Federation of Bosnia and Herzegovina and Republika Srpska. Subsequently the Brcko Final Award Tribunal established the Former Brcko municipality as the Brcko District under the exclusive sovereignty of Bosnia and Herzegovina and as the multiethnic democratic unit of local self-governance .

Since 1995 the country has made considerable progress in post-conflict reconstruction, social integration and state building. Based on its economic recovery and social stability which have been supported by international assistance, the country can be considered a post-conflict success story. However the last few years have seen a period of political difficulties. ²

The economy of Bosnia and Herzegovina like other transition economies, the country experienced a reduction in the rate of growth. The economy has started a slow recovery in 2010 on the back of a strong export growth., but domestic demand remains weak .

² www.ukti.gov.uk/export/countries/europe/southerneurope/bosniaandherzegovina/doing_business.html.

Export growth is observed across all traditional Bosnia and Herzegovina industries, electric power, aluminum, furniture as well as primary agricultural products. Import continued dropping.

In June 2008 signed the Stabilization and Accession Agreement with the EU allowing for significant customs concessions for certain EU imports. In addition the country benefits from preferential export arrangement with Russia, USA, Australia, Canada, Japan, Turkey and Switzerland.

CHAPTER 3-GLOBAL COMPETITIVENESS INDEX

For more than three decades the World Economic Forums annual Global Competitiveness Report have examined the factors enabling national economies to achieve sustained economic growth and long-term prosperity.

The GCI, introduced in 2004, was developed by Columbia University professor Xavier Sala-i-Martin for the World Economic Forum (WEF).

The GCI is a highly comprehensive index for measuring national competitiveness taking into account the microeconomic and macroeconomic foundations of national competitiveness.

A more competitive economy is one that is likely to grow faster over the medium to long run.

But the determinants of competitiveness are many and Complex.

The GCI provide a weighted average of many different components each of which reflects one aspect of the complex reality that we call competitiveness.³

³<http://www.ctc-health.org.cn/file/20090219004.pdf>

The Global Competitiveness Index (GCI) is an aggregate measure of the set of critical factors that, as a group, determine the degree to which countries are expected to achieve levels of economic prosperity in the short and medium term.

The GCI is based on 12 categories referred to in the GCR as “pillars” of competitiveness. These categories as a whole provide a comprehensive picture of the competitiveness landscape in countries around the world at all stages of development. These categories are Institutions, Infrastructure, Macroeconomic Stability, Health and Primary Education, Higher Education and Training, Goods Market Efficiency, Labor Market Efficiency, Financial Market Sophistication, Technological Readiness, Market Size, Business Sophistication, and Innovation and each is assigned to one of three sub indexes. These sub indexes make up the overall Global Competitiveness Index.

Each pillar consists of a number of related variables.

The Global Competitiveness Report 2012-2013 places Bosnia and Herzegovina at the 88th place among 144 economies up 12 rank from 2011-2012 when it was 100 out of 142 economies. But despite the rank the results are also shown on a scale ranking from 1 to 7 (the higher score the better the performance). Therefore Bosnia’s and Herzegovina’s total index score for 2012-2013 is 3,9.

3.1 Pillars of Global Competitiveness Index

Below is a brief description of each Pillar composing the Global Competitiveness Index.

1st pillar: Institutions

The institutional environment forms the framework within which private individuals, firms, and governments interact to generate income and wealth in the economy. The institutional framework has a strong bearing on competitiveness and growth.

The quality of public and private institutions, including perceived fairness and transparency of public institutions, government efficiency, security level and corporate governance.

2nd pillar : Infrastructure

This pillar is referred to the quality and extent of general and specific basic infrastructure, including roads, railroads, ports, airtransport and fixed telephony.

3rd pillar: Macro economy

The soundness of the macroeconomic environment.

4th pillar: Health and primary education

The general health level of a country's population and the quality of and access to basic education.

5th pillar: Higher education and training

The quality of and access to secondary and university-level education and effectiveness of on-the-job training.

6th pillar: Goods market efficiency

The extent of domestic and foreign competition in a given market and the quality of demand conditions.

7th pillar: Labour market efficiency

The flexibility of the labour market and the degree to which it ensures the efficient allocation and use of talent.

8th pillar: Financial market sophistication

The sophistication and trustworthiness of financial markets.

9th pillar: Technological readiness

The penetration of information and communication technologies (ICT) and countries' capacity to leverage technology and knowledge, notably through FDI, and in their production systems.

10th pillar: Market size

The size of the domestic and foreign markets available for firms operating in a given country.

11th pillar: Business sophistication

At the firm level, the degree of sophistication of operations and company strategies and the presence and development of clusters.

12th pillar: Innovation

The national potential to generate endogenous innovation.⁴

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http://ec.europa.eu/economy_finance/publications/occasional_paper/2012/pdf/ocp97_en.pdf

CHAPTER 4-Competitiveness and ranking of the Balkan region in comparison with EU27, USA and China.

All countries of Balkan region are participating to the Global Competitiveness Index since 2005. In 2012-2013 Global Competitiveness index the economy of the Balkan region was ranked in 76,18 place on the average globally. According to the GCI 2012-2013 Turkey(43rd) has been ranked as the most competitive economy in the Balkans followed by

Slovenia(56th),Bulgaria(62nd),Montenegro(72nd),Romania(78th),FYROM(80th),Croatia (81st),Moldova(87th),B&H(88th),Serbia(95th),Greece(96th).

If compared to previous Competitiveness reports there is not a dramatic changes during last five years.

The data of GCI notifies that during these 12 years Balkans lags behind the EU27 in all the pillars . According to GCI 2012-2013 the average score for the Balkans countries lags behind the European , USA and China.

In 2001 Balkan it was ranked in the 45th place having score 4,21 and in 2012-2013 it is placed 76,18 and score 4,081.

Looking at the Balkans countries one finds some interesting results. All countries facing ongoing macroeconomic disorder with little positive growth prospect in sight. All Balkan economies have their economic difficulties reflected in generally low rankings.

Moreover, surveys of the GCI found that corruption is the main problem in the economies of Balkans. Corruption hinders the proper functioning of jurisdiction slows, bureaucracy and generates borders some effects on the businesses. Another problematic issue in the Balkans is the poor infrastructure: telecommunication, transport and energy supply need to improve. Similar to other countries in Europe,

inefficient tax regulations, bureaucracy and uneasy access to finance are also problematic in the Balkans.

On the other hand a major strength in the region is innovation, more and more firms spent funds on research and development in recent years. Education, labour regulations and the health systems are generally evoking satisfaction.

It is undoubted that the economies of the Balkans are going through a long term proper, which makes them remarkable destinations for foreign investments as well.

On the other hand, as in previous years this year's top 10 remain dominated by a number of European countries, with Switzerland, Finland, Sweden, the Netherlands, Germany and the UK confirming their place among the most competitive economies.

With an average value of 4,74 on the inclusive sub index the European Union fares better than the Balkans(4,081) and performs less well than US(5,47) and China(4,83).

The European Union is not a homogeneous entity in terms of competitiveness. In the European Union large disparities exist among Member States, with some countries performing much better than others.

The Report shows that there are great disparities in performance across the European Countries with some at the worlds forefront and others in need of significant improvement. More precisely, the Nordic countries continue to lead the way, with some southern and eastern European economies rounding out the bottom of the ranking.

At present European Union is going through one of the most difficult periods since its establishment. European productivity growth is slowing down. This slowing down is reflected by a loss of competitiveness which is a cause for serious concern. Signs of weakness are emerging in several key areas in the EU particularly research and

development, innovation, information and communication technologies ICT; entrepreneurship and the development of new skills.⁵

The United States is ranked 7th with overall technological supremacy and especially high scores for such indicators as companies spending on R&D , the creativity of its scientific community, personal computer and internet penetration rates.

As compared to the results of 2011-2012, the worlds largest economy fell two positions.A lack of macroeconomic stability, the business community's continued mistrust of the government and concerns over its fiscal health were some of the reasons for the downgrade, according to the annual survey.⁶One of the main reasons that the United States has been slipping in the rankings appear related to distrust of and lack of confidence in government leadership.

In particular its trust in politicians is not strong (54th), private sector (59th).

But the greatest area of weakness is the lack of macroeconomic stability (111th, down from 90th last year).

The world's second largest economy China have lost three places since last year.

In 2001 it was ranked in the 39th place having score 4,4 and in 2012-2013 it is placed 29th and score 4,83.

This was significantly higher than EU27 and Balkans which came in at 37,41 and 76,18 respectively.

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http://www.cnbc.com/id/48905756/US_Slips_Down_the_Ranks_of_Global_Competitiveness

⁶ <http://www.bhas.ba>

China became the world's largest exporter. Despite the global economic crisis, Chinese exports from January to November last year amounted to USD 1.07 billion. On the other hand, FDI in September 2009 reached USD 7.9 billion, which is 19% more than the same period last year. The growth of these investments shows that the recovery of China once again attracting investment.⁷

Total foreign investments in the nine-month period amounted to USD 63.8 billion, which is 14% less than the same period last year. (Mina business, 06. January 2010, 10.00 am) China is the leading destination of investors, but the double-digit economic growth began to slow down the country in late 2007, when the company reduced costs due to impact of the global financial crisis. Many countries have continued investment in China, because it held a higher economic growth than other states. Now China's economy depends on exports and investment, which creates imbalances in the global economy. However, the Balkans and the EU should learn from China, which has made progress in terms of economic crisis. China has not hid behind the world crisis, as the Balkan countries. The key difference between China and the Balkans is that the Balkans FDIs used for consumption and not for production, export competitiveness and increase employment.⁸

Moreover China became the largest supplier of the EU in 2005, replacing the USA and steadily increasing the gap between itself and other main exporters to the EU

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http://scholar.google.gr/scholar?start=20&q=compare+balkans+competitiveness+with+china+competitiveness&hl=el&as_sdt=0&as_vis=1

⁸ http://www.fimmanager.edu.rs/site/pdf/CD-Zbornik-web/pdf/3_MenadzmentUKriznimSituacijama/Zugic.pdf

since this year. At the same time, the EU represents the second largest supplier of China, behind Japan and well ahead of the United States. In addition, the gap between Japan and the EU as the largest exporters to the Chinese markets started to decrease in recent years and the EU may become soon the largest supplier of China.

CHAPTER 5- Ranking of Bosnia and Herzegovina

The following section discusses the key factors behind Bosnia's and Herzegovina's position in the global Competitiveness Index based on 12 pillars.

	2011-2012		2012-2013	
	Rank(outo	Score	Rank(out of	Score
	100	3,8	88	3,9
Basic requirements (40%)	92	4,2	81	4,3
Institutions	109	3,3	85	3,6
Infrastructure	99	3,2	94	3,4
Macroeconomic environment	78	4,8	97	4,3
Health and primary education	58	5,8	48	5,9
Efficiency enhancers (50%)	102	3,6	97	3,7
Higher education and training	86	3,9	72	4,2
Good market efficiency	115	3,8	109	3,9
Labour market efficiency	85	4,2	99	4,1
Financial market efficiency	124	3,3	119	3,4
Technological readiness	73	3,6	68	3,8
Market size	97	3,0	93	3,1
Innovation and sophistication factors	108	3,1	99	3,3
Business sophistication	108	3,4	109	3,5
Innovation	104	2,8	80	3,1

Source: Global Competitiveness Report 2011/2012- 2012/2013

5.1 Institutions in Bosnia and Herzegovina

	2011-2012		2012-2013	
	Score (1-7)	Rank(out of 142)	Score (1-7)	Rank(out of 144)
INSTITUTIONS	109	3,3	85	3,6
Property rights	2,9	129	3,3	121
Intellectual property protection	2,6	121	2,5	130
Diversion of public Funds	3,0	75	3,5	56
Public trust of politicians	2,6	74	2,6	80
Irregular payments and bribes	3,6	94	4,1	63
Judicial Independence	3,1	97	3,5	78
Favoritism in decisions of government officials	3,0	69	3	70
Wastefulness of government spending	2,3	124	2	139
Burden of government regulation	2,8	109	3,2	84
Efficiency of legal framework in settling disputes	2,8	119	3,2	105
Efficiency of legal framework in challenging regs	2,9	109	3,3	112
Transparency of government policymaking	3,2	134	3,8	60
Business costs of terrorism	6,4	13	6,4	10
Business cost of crime and violence	4,5	89	5,4	39
Organized crime	4,2	110	5,2	74
Reliability of police services	4,2	68	4,9	45
Ethical behavior of firms	3	134	3,1	134
Strength of aiding and reporting standards	3,8	119	3,9	119
Efficacy of corporate boards	4,5	71	4,6	61
Protection of minority shareholders interests	2,8	139	3,1	138
Strength of investor protection 0-10(best)	5	77	5	80

Source: Global Competitiveness Report 2011/2012- 2012/2013

Bosnia and Herzegovina rank 88th out of 144 economies in the GCI 2012-2013 up 12th rank from the previous editions.

The first pillar relates to institutions such as a country's legal and administrative systems. Bosnia and Herzegovina rank of 85th for the quality of institutions.

The quality of institutions influences investment decisions. A solid institutional environment is therefore important given the increasingly direct role played by the government in the economy. As such, attitudes toward markets and economic freedoms, corruption, dishonesty in public contracts and lack of transparency; all impose significant economic costs to businesses and slows the process of economic development.⁹ The 2012-2013 Global Competitiveness Report indicates that despite

⁹ www.fig.net/commission7/geneva-2004/papers/lapca_13_horisberger.pdf.

Bosnia's and Herzegovina's shortcomings mentioned, the country is in a better position than previous years. However, these shortcomings of corruption and poor work ethic are just two factors that are problematic when conducting business and investments here. In terms of property rights Bosnia and Herzegovina went up by 8 places in comparison to last year's data and is ranked 121st in the world. In all transition countries the return to private property has met difficulties and has required a long period to be completed. In Bosnia and Herzegovina, it has additionally seriously disturbed by the war due to free or forced migration (more than half of the population was refugee abroad or displaced in the country) or due to political decisions of changing property in accordance with ethnic cleansing policy.

In terms of diversion of public Funds pillar the country went up by 11 places in the ranking from 75th in 2011-2012 to 56th in 2012-2013 but in the public trust of politicians pillar has fallen down by 6 places since last year.

One competitive advantage is the transparency of government policymaking, Bosnia and Herzegovina has jumped up by 74 places and by 0,6 in the score moving from 134th place to 60th in comparison to last year.

Generally speaking, the report indicates that building the country's institutional competitive indicator can be hindered by the lack of public trust in politicians and their office, wastefulness of government spending (has moved up by 15 places from 124th to 139th), business costs of crime and violence, reliability of police services and ethical behaviour of firms (134th). These areas continue to show a low ranking for Bosnia and Herzegovina. Eliminating these factors would help increase the country's market size as it moves forward to building its level of global competitiveness.

In Judicial system the country went up by 29 places in the ranking from 98th in 2011-2012 to 78th in 2012-2013. Limited progress has been made in area of judicial system. Independence of the judicial system is not yet ensured. Political pressure and verbal attacks on the judiciary have intensified. In Particular, the legitimacy and role of the High Judicial and Prosecutorial Council, the Court and the Prosecutors Office of Bosnia and Herzegovina have been challenged by political representatives, particularly by Republica Srpska. The complexities of four separate judicial systems (the State-level, Republika Srpska, the Federation and its ten Countons, the Brcko District) continued to pose challenges to the proper functioning of the overall judicial system. Overall the development of an independent effective and accountable judiciary in line with European standards remains at an early stage. The implementation of the Justice Sector Reform Strategy and the National Crimes Strategy needs to be stepped up. The fragmented legal framework across all jurisdictions places significant legislative and financial burdens on the judiciary. The lack of streamlined budgetary responsibilities continues to affect the independence and effectiveness of the judiciary.

Organized crime is reported to be a major problem for companies in Bosnia and Herzegovina. More than 35% of companies in the EBRD & World Bank Business Environment and enterprise Performance survey organised crime as a problem for doing business and 14% of the report that they pay protection money.¹⁰

In terms of organized crime there was some progress in fighting. Bosnia and Herzegovina has moved up 36 places and is ranked in 74th. Organized networks continue to operate through Bosnia and Herzegovina and have a negative impact on political structures and the economy.

¹⁰ <http://www.newsday.co.tt/commentary/0,118881.html>

The Council of Ministers adopted a decision allowing establishment of a network , a police liaison officers in neighbouring countries, with Europol and in some European countries.

However, it should be noted that no country escapes corruption. The financial crisis and the subsequent economic downturn have highlighted the importance of public and private sector governance and its relation to stimulus packages that pump large amounts of money into affected economies.

5.2 Infrastructure in Bosnia and Herzegovina

	2011-2012		2012-2013	
	Score (1-7)	Rank (out of 142)	Score (1-7)	Rank (out of 144)
INFRASTRUCTURE	99	3,2	94	3,4
Quality of overall infrastructure	2,2	140	2,7	139
Quality of roads	1,7	141	2,5	134
Quality of railroad infrastructure	1,8	98	2,5	74
Quality of port infrastructure	1,7	141	1,7	142
Quality of air transport infrastructure	2,7	138	2,3	143
Available airline seat kms/week,millions	7,1	137	5,9	138
Quality of electricity supply	5,4	51	6,0	31
Fixed telephone lines/100pop	26,6	45	84,5	104
Mobile telephone subscriptions/100pop	80,1	97	25,5	48

Source: Global Competitiveness Report 2011/2012- 2012/2013

The second pillar measures the readiness of countries infrastructure to support the movements of people, goods, and services. The quality of roads, rail, port, and air transport are considered, as well as electricity and telecommunications systems.

Infrastructure is a vital public good that directly fosters competitiveness by reducing transaction costs and speeding time to market. Port delays, for example, raise transportation costs and disrupt commercial transactions. Unreliable electricity forces businesses to rely on inefficient private generators. By contrast, well-developed infrastructure is an important variable in determining the location of economic

activities. Where a country's infrastructure can provide an open runway for commercial activities, investment is cleared for takeoff .

In terms of transport infrastructure Bosnia and Herzegovina was the worst performing nation .Good progress can be reported in the case of road transport. Bosnia and Herzegovina is in on track in the areas of transport networks, roads, air and port but is lagging behind on rail transport.

Good progress can be reported in the case of road transport. In terms of quality of roads Bosnia and Herzegovina positioned 134th .

Road travel is possible throughout most of the country, but many roads are poorly maintained and are sometimes blocked because of landslides, de-mining activity, and traffic accidents. Bosnia and Herzegovina has fewer than forty kilometers of four-lane highways. The existing two-lane roads between major cities are quite narrow in places, lack guardrails, and are full of curves. Travel by road can be risky because of poorly maintained roads and morning and evening fog in the mountains. Driving in winter is hazardous because of fog, snow and ice. ¹¹

It is necessary to construct better quality roads rather than more roads. Users believe that the money saved in constructing poor-quality roads is lost over a few years because such roads wear out faster.

The EBRD is lending €75 million to the state of Bosnia-Herzegovina for the rehabilitation and reconstruction of key sections of the primary road network across the country. The loan will increase the efficiency of the road transport services by improving important links in the road network and by upgrading maintenance

¹¹ <http://www.saudincc.org.sa/getattachment/63854ba1-34e0-406b-b7ab-58aa546aad41/The-Competitiveness-Review-January-2009.aspx>

operations through the introduction of pilot contracting methods and better business and financial planning practices.

Some progress can be reported in the area of railroad infrastructure, Bosnia and Herzegovina rank 74th out of 144.

Interviewed respondents complained about the quality of Bosnia's and Herzegovina's railways. They tended to stress that railway transport is not always available, is slow and expensive.

The railways are in a worse condition than road transport infrastructure.

Bosnia and Herzegovina in the quality of air transport infrastructure ranks 143rd out of 144 countries . No progress was made on port infrastructure, in the quality of port infrastructure pillar, Bosnia and Herzegovina ranks 142nd in the world.

Moreover one strong performance areas included quality of electricity supply where Bosnia and Herzegovina is 31st out of 144 countries.

There are two electricity systems in Bosnia and Herzegovina managed by two Companies.

Electricity supply is under the jurisdiction of entities and local communities that do not have any influence on development policies, prices, or the quality of supply. In the Federation of Bosnia and Herzegovina, the electricity company is completely state owned. In the Republic of Srpska, the electricity company is partly privatized (20%) through mass privatization.

The main problems in this sector are related to the bad quality of supply (in rural areas), underdeveloped networks and distribution systems, and the very low level of payment by citizens and companies (the payment rate is less than 60 %). Tariff systems differentiate between citizens and businesses, where businesses are charged 100% more than citizens

Infrastructure would be an important factor improving the competitiveness of companies based in Bosnia and Herzegovina in the longer-term.

5.3 Macroeconomic Environment in Bosnia and Herzegovina

The third pillar measures the stability and supportiveness of the macro economy. High inflation distorts investment decisions, complicates everyday transactions, and invites contractive policy responses; foreign exchange volatility arising from excessive debt is associated with destabilizing capital flows and marked swings in the price competitiveness of local producers. By contrast, consistently stable macroeconomic environments supply abundant investment capital, give firms the flexibility to borrow in foreign capital markets, and provide predictability for pricing and expansion strategies.

Where Bosnia's and Herzegovina's performance decreased significantly was in the country's macroeconomic environment which saw a drop from 78th place to 97th place.

In terms of gross national savings ,%GDP Bosnia and Herzegovina is 123rd out of 144 countries.

	2011-2012		2012-2013	
	Score (1-7)	Rank (out of 1429)	Score (1-7)	Rank (out of 144)
MACROECONOMIC ENVIRONMENT	78	4,8	97	4,3
Government budget balance% GDP	-4,3	82	-3,1	73
Gross national savings %GDP	14,2	108	10,9	123
Inflation, annual % change	2,1	1	3,7	52
Interest rate spread %	4,7	54		
General government debt %GDP	36,9	59	40,6	74
Country credit rating 0-100(best)	31,3	109	28,5	109

Source: Global Competitiveness Report 2011/2012- 2012/2013

According to the Foreign Investment Promotion Agency of Bosnia and Herzegovina the country has the most stable currency in the South Eastern Europe, which directly linked to the Euro. The country also has the lowest inflation in the region. But Bosnia and Herzegovina economy has hit by the global crises in 2009.

The economic recovery, which started in 2010 with a real GDP growth of 1%, accelerated slightly in the course of 2011 and GDP growth reached 2.4%, according to the EFP estimates(14). Unlike the previous year, when external demand was the main engine of growth, in 2011 domestic demand recovered – supported by a stable inflow of remittances and an accelerating credit growth – thus fuelling faster economic expansion. According to the EFP estimates, private consumption, which accounts for 79% of GDP, rose by 3%, as compared to a -1% decline in 2010. Gross fixed capital formation, accounting for slightly over 1/5 of GDP, soared by 9.7% (after falling by -11.1% a year earlier). The recovery of domestic demand boosted import growth which, combined with a significant moderation of exports' expansion, resulted in a widening trade deficit. Dominated by trade developments, the current account deficit soared by 80.9%, reaching 8.4% of GDP in 2011, after the registered improvements in the previous two years. Despite the economic recovery, unemployment increased throughout 2011, due to some labour shedding in the private sector. Annual inflation accelerated slightly to 3.7%(15), up from 2.1% in the previous year. ¹²

12

http://ec.europa.eu/economy_finance/publications/occasional_paper/2012/pdf/ocp97_en.pdf

5.4 Health and Primary education in Bosnia and Herzegovina

	2011-2012		2012-2013	
	Score (1-7)	Rank (out of 142)	Score (1-7)	Rank (out of 144)
HEALTH AND PRIMARY EDUCATION	58	5,8	48	5,9
Business Impact of Malaria	N/Appl	1	N/Appl	1
Malaria cases/100,000pop	(NE)	1	(NE)	1
Business Impact of tuberculosis	6,4	28	6,6	10
Tuberculosis cases/ 100,000pop	50,00	72	50,00	72
Business impact of HIV/AIDS	6,5	6	6,7	2
HIV prevalence,0% adult pop	<0,1	1	<0,1	1
Infant mortality,deaths/1,000 live births	12,5	60	7,5	45
Life expectancy, years	75,3	52	75,4	49
Quality of primary education	4,5	41	5,0	23
Primary education enrollment, net%	87,1	110	87,0	109

Source: Global Competitiveness Report 2011/2012- 2012/2013

The country very much underperforms in the Health and Primary education pillar(48)th. Particular areas on health remain the number of tuberculosis cases recorded for every 100.000 people in the country , where Bosnia and Herzegovina is 72nd out of 144 countries. One competitive advantage is the business impact of HIV/AIDS where Bosnia and Herzegovina is positioned 2nd and another is the country's HIV prevalence rate , which positions is globally in 1st position in the years 2012-2013. Moreover in the life expectancy years pillar , Bosnia and Herzegovina ranks 49th .

5.5 Higher education and training in Bosnia and Herzegovina

Bosnia and Herzegovina performance in the second Sub index of the GCI , Efficiency Enhancers is better (97th).This Sub index accounts for 50% of Bosnia's and

Herzegovina's overall score in the GCI and its particular importance to the development of the industry and service sectors.

A society that delivers world-class economic opportunities to its citizens must provide the education and training required to prepare them for high performance. Technology has elevated, not diminished, the demand for skilled professionals. While primary education lays the foundation for future learning and productivity, mechanisms must be in place to teach advanced skills to meet the needs of an increasingly complex economy. These include tangible resources such as vocational abilities, as well as intangibles such as innovation and leadership capacity. Well-educated workers enrich themselves through higher productivity, and enrich their employers and communities through their greater ability to contribute. Standards of educational excellence are a prerequisite for a high-wage economy.

In Bosnia and Herzegovina both the quality and quantity of education are sufficient. In terms of quality of the educational system the performance of the country fell by 33 places since last year and the ranking of the country in this field is 106th and the score is 3,1.

In Terms of quality of management schools the country went up 21 places in comparison to last year's data and is ranked 50th.

The Internet infrastructure is rapidly developing, and in July 2010 there were 79 licensed

Internet providers. The number of Internet users has been increasing and in 2010 is estimated at 31.2% of the population (2000: 0.2%, 2007: 20.3%).¹³

¹³ <http://www.kpmg.com/BA/en/Documents/InvestmentinBosniaHerzegovina2010WEB.pdf>

	2011-2012		2012-2013	
	Score (1-7)	Rank(out of 142)	Score (1-7)	Rank(out of 144)
HIGHER EDUCATION AND TRAINING	86	3,9	72	4,2
Secondary education enrollment,gross%	91,2	60	91,1	60
Tertiary education enrollment,gross%	37,0	63	37,2	68
Quality of the educational system	3,6	73	3,1	106
Quality of the math and service education	4,5	41	5,0	21
Quality of management schools	4,1	71	4,4	50
Internet access in schools	3,8	81	4,2	71
Availability of research and training services	3,0	122	3,4	113
Extent of staff	2,7	137	3,5	109

Source: Global Competitiveness Report 2011/2012- 2012/2013

5.6 Goods market efficiency in Bosnia and Herzegovina

	2011-2012		2012-2013	
	Score (1-7)	Rank (out of 142)	Score (1-7)	Rank(out of 144)
GOODS MARKET EFFICIENCY	115	3,8	109	3,9
Intensity of local competition	3,8	132	3,6	138
Extent of market dominance	2,8	131	3,1	127
Effectiveness of anti-monopoly policy	3,4	110	3,8	86
Extent and effect of taxation	2,8	123	3,1	109
Total tax rate ,%profits	23,0	16	25,00	21
No procedures to start a business	12	119	12	121
Agricultural policy costs	3,3	121	3,6	100
Prevalence of trade barriers	4,4	72	4,2	85
Trade tarrifs,% duty	5,2	65	5,1	68
Prevalence of foreign ownership	4,5	91	4,4	86
Business impact of rules on FDI	3,7	120	4,0	108
Burden of customs procedures	3,4	119	3,9	80
Import as a percentage of GDP	58,1	42	64,5	40
Degree of customer orientation	4,4	86	4,5	83
Buyer sophistication	3,0	103	2,7	124
No days to start a business	55	124	40	120

Source: Global Competitiveness Report 2011/2012- 2012/2013

This pillar measures the effectiveness of competition in the markets for goods and services, including the laws and institutions supporting efficient market outcomes.

Much of government's role in promoting efficient markets centres on reducing barriers to private sector participation – both domestic and foreign

– including taxes, subsidies, and public and private monopolies. Competition is most effective when market participants have the sophistication and incentives to make sound decisions.

The performance of the country in extent of market dominance is not in a good place(127th).

In terms of effectiveness of antimonopoly policy Bosnia and Herzegovina has moved up by 24places and is ranked 86th.

In Bosnia and Herzegovina institutional framework related to foreign trade industry and agriculture needs to be re-defined .

In terms of Agricultural policy costs the country went up by 21 places in the ranking from 121th in 2011 to 100st in 2012.

Labour taxes need to be further lowered in order for attracting FDI .In terms of Business impact of rules on FDI the country rising from 120st to 108th position.

According to Bosnia and Herzegovina Central Bank data, the total value of foreign investments in Bosnia and Herzegovina during 2011 totaled KM 618 million (USD 394 million), which was almost 50 percent more than the amount during the same time period the previous year. Most investments during the first nine months of 2011 came from Russia (USD 211 million), Serbia (USD 159 million)* and Austria (USD 105 million). Sectors that attracted the most investment were real estate, wholesale and retail trade, as well as financial services.

Over the past 15 years, Austria has been the largest investor (20 percent), followed by Serbia (18 percent), Croatia (14 percent), Slovenia (11 percent), Russia (nine percent),

and Germany (six percent). The manufacturing sector had the highest percentage of FDI, followed by the banking and trade sectors.¹⁴

Recognizing the importance of the foreign investments in the development of the country, Bosnia and Herzegovina has signed 35 Agreements on Promotion and Protection of Investments. The Law on the Policy of Foreign Direct Investment in Bosnia and Herzegovina treats foreign investors under the same conditions as those defined for local residents.

What makes the county more attractive to foreign investors is that it offers free trade zones which mean free transfer of profit and investment, relief from customs and other tariffs on imports and exports. Furthermore, the country has signed several agreements with different countries in order to eliminate quantitative restrictions and other barriers to the Bosnia's exports. Bosnia and Herzegovina has signed the Central European Free Trade Agreement (CEFTA) with Albania, Serbia, Montenegro, Croatia, Macedonia, Kosovo and Moldova. The country has also signed a Free Trade Agreement with Turkey which provides additional free access to this consumer market with 70 million people and EU Association and Stabilization Agreement in 2008. The country has also signed preferential agreements with other countries including Canada, Japan, Russia, Turkey and the USA.

5.7 Labour market efficiency in Bosnia and Herzegovina

¹⁴ <http://ibde.org/component/content/article/161-country-report-bosnia-a-herzegovina.html>

	2011-2012		2012-2013	
	Score (1-7)	Rank(out of 142)	Score(1-7)	Rank(out of 144)
LABOR MARKET EFFICIENCY	85	4,2	99	4,1
Cooperation in labor-employer relations	5,2	56	4,18	91
Flexibility of wage determination	3,3	86	4,4	38
Hiring and firing practices	4,5	29		32
Redundancy costs, weeks of salary	3,1	65	3,6	98
Pay and productivity	3,1	120	4,1	84
Reliance on professional management	3,7	108		
Brain drain	-2,2	126	1,9	140
Women in laborforce, ratio to men	0,84	48	0,63	110

Source: Global Competitiveness Report 2011/2012- 2012/2013

Labour constitutes one of the most significant costs faced by businesses, and one of their most critical success factors. Governments' social obligations to their citizens impose limits on the free operation of labour markets, but they must be careful to ensure that labour regulations enhance, rather than diminish, economic opportunities. To survive and succeed in a competitive economy, firms require flexibility in hiring, firing, and redirecting human resources. By contrast, government interference in the labour market can add significant costs to routine hiring and firing decisions. This exerts a drag on firm growth and profitability, and causes unemployment by setting a higher economic bar to justify hiring. Yet for firms to support an efficient labour market involves more than just flexibility. In addition to efficiently allocating labour, they need to develop top talent, augmenting and targeting their efforts via appropriate incentives and rewards.

Bosnia and Herzegovina needs to address issues such as its labor market efficiency, where the impact of a dramatic drop from 85th place overall in the world to 99th place is being clearly felt in the local economic environment. The country's hiring and firing practices ranked it 32nd out of 144. In lack of flexibility in wage determination

by companies ranked in 38th and significant tensions in labor-employer relations ranked in 91st.

The Bosnia and Herzegovina labor force is relatively highly skilled and educated.

More than three-quarters

of the labor force has completed secondary schooling (technical or vocational) or further education (Phd level inclusive). Foreign investment has brought know-how and

technology into the country, thus increasing the productivity of the labour force.

Based on a 2009 survey, the labour force was estimated at 1.132 million (44% of the working age population). In 2009 21.2% of employees were employed in agriculture, 31.5% in industry and 47.3% in services.

The unemployment rate is relatively high when compared to the EU average (in 2009 the estimated annual unemployment rate was 24.1% according to the ILO definition).

5.8 Financial market development in Bosnia and Herzegovina

Functioning financial sector's centrality to a healthy economy has never been more apparent. Access

to credit is as crucial to sustaining day-to-day operations as it is to supporting investment and growth.

Therefore, financial system instability can become highly damaging to the real economy by disrupting the operation of healthy companies and undermining macroeconomic stability. A successful financial system must not only be sound, but also provide confidence to risk-averse investors. By deterring misuse of investment capital, strong corporate governance and laws that benefit creditors reinforce the safety and attractiveness of investment opportunities, and lower the cost

of capital to businesses. Several indicators in this pillar measure the availability of financing from various sources, but the financial system's effectiveness is augmented when institutions can make sophisticated capital allocation decisions. A healthy financial sector not only supports robust levels of investment, but efficiently directs capital to its most productive uses, while allowing individuals and firms to insure against important risks.

	2011-2012		2012-2013	
	Score (1-7)	Rank(out of 142)	Score (1-7)	Rank(out of 144)
FINANCIAL MARKET DEVELOPMENT	124	3,3	109	3,9
Availability of financial services	3,6	126	3,7	121
Affordability of financial services	3,2	124	3,5	113
Financing through local equity market	2,7	111	3,1	90
Easy of access to loans	2,1	122	2,0	123
Venture capital availability	2,0	125	1,9	127
Soundness of banks	4,2	122	4,4	113
Regulation of securities exchanges	3,3	123	3,5	112
Legal rights index 0-10(best)	5,0	76	5	89

Source: Global Competitiveness Report 2011/2012- 2012/2013

The Bosnia and Herzegovina financial sector is still in the development stage. The performance of the country in the soundness of banks has moved up by 9 places and is ranked in the 113rd.

Moreover in terms of access to loans one place have been lost for the country since last year.

The banking sector in Bosnia and Herzegovina has experienced some significant structural and organizational changes in last 20 years. The banking sector, as well as other sectors of the economy, was destroyed during the war period 1992-1995.

Therefore the post-war reconstruction started since 1996, and has been very difficult

for the development of banking system of Bosnia and Herzegovina. In 1997 the Central Bank of Bosnia and Herzegovina was established according to the "Currency board" arrangement, whereby the focus was put on stabilization of the currency and restoring confidence into the financial system, and at the same time "stripping" the Central Bank's instruments of monetary policy. What followed after the establishment of the Central Bank was the introduction of a single currency in Bosnia and Herzegovina market in line with the principle of pegging the national currency KM/BAM (Convertible Mark) to DEM (German Mark) at a fixed exchange rate of 1KM=1DM.¹⁵

Bosnia and Herzegovina, since the end of the war, has had a relatively stable banking and financial system, with the most significant investment coming from Austria. The banks' weathering of the recent global financial crisis is an indication of its stability, but also its lack of exposure to external markets. Bosnia's Central Bank noted in December 2008 that citizens withdrew more than KM 800 million (USD 571 million) from commercial banks since the start of the financial crisis, although the trend has certainly slowed from its peak in September/October 2008 and an increasing number of deposits have been made during 2009, indicating a return to confidence in the financial system.¹⁶

¹⁵ http://www.international-alert.org/sites/default/files/publications/12_section_2_Bosnia_Herzegovina.pdf

¹⁶ http://www.wweek.com/portland/article-18323-bosnia_2010_investment_climate_statement_submission.html

The banking sector of Bosnia and Herzegovina is completely modernized and offers the full range of banking services. In conjunction with the Central Bank of Bosnia and Herzegovina, this creates a sound base for the financial stability of the country.

Foreign investors are entitled to open accounts in any commercial bank in domestic or any freely convertible currency on the territory of the Bosnia and Herzegovina.

There are numerous foreign banks present in the country such as: Raiffeisen Bank, Hypo–Alpe-Adria Banka, Volksbank, HVB Central Profit Bank, UniCredit Zagrebačka banka, Ziraat Turkish Bank, and many others¹⁷

5.9 Technological readiness in Bosnia and Herzegovina

	2011-2012		2012-2013	
	Score (1-7)	Rank (out of 142)	Score (1-7)	Rank(out of 144)
TECNOLOGICAL READINESS	73	3,6	68	3,8
Availability of latest technologies	4,4	105	4,6	89
Firm-level technology absorption	4,2	107	4,3	105
FDI and technology transfer	3,9	117	4,2	98
Individuals using internet %			60,00	42
Broadband Internet subscriptions /100pop	10,4	51	11,5	51
Intll Internet bandwidth ,kb/vs per user			17,8	66
Mobile broad band subscriptions /100 pop			9,2	70

Source: Global Competitiveness Report 2011/2012- 2012/2013

Technology has revolutionized the way business is done across many industries; the competitiveness of firms and nations depends in part on their success in integrating productivity-enhancing technology into their operations. In particular, access to information and communication technologies has enhanced the way in which firms transact business, exchange knowledge, and manage operations, among other

¹⁷ <http://ibde.org/component/content/article/161-country-report-bosnia-a-herzegovina.html>

activities. Though not a panacea, successful adoption of technology can deliver sustained efficiencies and competitive advantage. Because many of these technologies rely on shared networks, both the quality of public ICT infrastructure and network externalities arising from widespread adoption contribute to a nation's technological readiness to compete.

Governments perform a crucial function in establishing the necessary conditions for global competitiveness.

By opening up competition and supporting the availability of knowledge, technology, and capital,

they can raise the efficiency of the business environment and greatly strengthen the health of the domestic economy. However, the world's most advanced economies are not just characterized by domestic growth and prosperity. Rather, they play host to the world's most sophisticated companies, which employ high-quality operations and strategies and can tap into the deep resources of their industry clusters. These companies' competitiveness abroad illustrates their success in serving their domestic markets. This pillar encompasses the proficiency of local business networks in exploiting their competitive advantage

The country's technological readiness (68th) continues to be held back by low penetration rates for information and communications technologies. Firms however are generally adept at adopting and using the latest technologies(89th).

5.10 Market size in Bosnia and Herzegovina

	2011-2012		2012-2013	
	Score (1-7)	Rank (out of 142)	Score (1-7)	Rank
MARKET SIZE	97	3,0	93	3,1
Domestic market size index 1-7(best)	2,9	94	2,9	91
Foreign market size index 1-7(best)	3,6	96	3,6	94

Source: Global Competitiveness Report 2011/2012- 2012/2013

This pillar measures the size of the local and accessible overseas markets. Large addressable markets foster efficiency and competitiveness by delivering economies of scale to domestic producers.

Bosnia and Herzegovina domestic market has moved up by 3 places and is ranked 91st

In the foreign market size the country is placed 94th and scoring 3,6 .

5.11 Business sophistication in Bosnia and Herzegovina

Compared with the performance in the other two Sub indexes, the results of Business Sophistication and Innovation remain a matter of great concern and will continue to affect the country's future growth if effective solutions are not found and attitudes are not changed. This Sub index accounts for 10% of B&H overall score in the GCI: The B&H ranks 109th for the sophistication and 80th for its innovation capacity.

	2011-2012		2012-2013	
	Score (1-7)	Rank (out of 142)	Score (1-7)	Rank (out of 144)
BUSINESS SOPHISTICATION	108	3,4	109	3,5
Local supplier quantity	4,2	112	4,4	93
Local supplier quality	3,9	112	4,3	83
State of cluster development	3,3	76	2,6	130
Nature of competitive advantage	2,9	107	2,6	130
Value chain breadth	3,1	105	3,0	117
Control of international distribution	3,2	129	3,5	122
Production process sophistication	2,9	118	3,4	90
Extent of marketing	3,4	110	3,7	99
Willingness to delegate authority	3,8	58	3,7	76

Source: Global Competitiveness Report 2011/2012- 2012/2013

Business sophistication and innovation is remarkable. The country ranks 109th for the sophistication of its businesses and 80th for its innovation capacity.

5.12 Innovation in Bosnia and Herzegovina

	2011 2012		2012 2013	
	Score (1-7)	Rank(out of 142)	Score (1-7)	Rank (out of 144)
INNOVATION	104	2,8	80	3,1
Capacity for innovation	2,4	124	2,8	101
Quality of scientific research institutions	3,2	98	3,6	72
Company spending on R&D	2,8	96	2,9	90
University-Industry collaboration in R&D	3,4	84	3,9	48
Government procurement of advanced tech products	3,2	109	3,3	94
Availability of scientists and engineers	4,1	68	4,4	48
PCT patents,applications /million pop	0	90	2,1	50

Source: Global Competitiveness Report 2011/2012- 2012/2013

Innovation is understood as activities in the successful implementation of creating ideas that result in the improvement of technology, services, goods with a positive impact on a society.

Asante innovation is also considered a key driver of the economy especially when it leads to a competitive advantage or increasing productivity, innovation policy is being shaped at the national level.

If Bosnia and Herzegovina wishes to nurture a highly qualified workforce to meet economic challenges of the future and maximize the potential marketplace growth of the Balkans and EU nations, it has to rapidly address its failings in the education of its young people.

The negative impact of the education sector failing can also be seen in Bosnia and Herzegovina ranking of 72nd place for the quality of scientific research institutions. But one key area where Bosnia and Herzegovina can improve is the availability of scientists and engineers where Bosnia and Herzegovina ranking at 48th place out of 144 countries.

Business sophistication and innovation will become increasingly important for Bosnia and Herzegovina and its competitiveness as it moves to more advanced stages of development.

CHAPTER 6-Competitiveness and ranking of B&H in comparison to the Balkans,EU27,USA and China.

This year, Bosnia and Herzegovina was the 9th in the ranking in the Balkan region.

This year's performance is best compared to the previous years and only in 2004 (81st) had a better position globally.

Trying to compare Bosnia and Herzegovina with the EU, the average performance of the EU countries are better through all the years from 2001 until 2013. The average score is also quite high through all the years 4,96(2001) and 4,71(2013).

The biggest obstacle for Bosnia and Herzegovina in process of EU integration is organized crime and corruption. These are conclusions from the Report on progress of Bosnia and Herzegovina and other countries in EU integration. Portal states that Political infighting, constitutional reforms in shambles and weak democratic institutions are among some of the problems noted. Of course there is also enormous administrative machine and the fact that economic and other necessary reforms have not been implemented.¹⁸

Trying to compare Bosnia and Herzegovina with USA we can see the differences in the ranking and scores. The differences are really high through the period 2001-2012. USA is the world largest economy and is placed at the top 7 countries globally. As compared to the results of 2011-2012, the worlds largest economy fell two positions from 5th to 7th and the score is 5,47.

One the other hand the performance of the Bosnia and Herzegovina does not stand in a good place (88th).

China stands also to far from Bosnia and Herzegovina. In 2001 it was ranked in the 39th place having score 4,4 and in 2013 it is placed 29th.

CHAPTER 7-Easy of doing business

Doing Business analyzes regulations that apply to an economy's businesses during their life cycle, including start-up and operations, trading across borders, paying taxes, and protecting investors.

¹⁸ <http://www.balkans.com/open-news.php?uniquenumber=159406>

The ease of doing business index ranks economies from 1 to 183. For each economy the ranking is calculated as the simple average of the percentile rankings on each of the 10 topics included in the index in *Doing Business 2012*: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and, new this year, getting electricity. Doing Business does not measure all aspects of the business environment that matter to firms and investors. For example, it does not measure the quality of fiscal management, other aspects of macroeconomic stability, the level of skills in the labor force, or the resilience of financial systems. Its findings have stimulated policy debates worldwide and enabled a growing body of research on how firm-level regulation relates to economic outcomes across economies. This year's report marks the 10th edition of the global Doing Business report series.¹⁹

7.1 Easy of doing business and ranking in the Balkans in comparison to the EU 27, USA and China

Across the Balkan region it is easier to start a business in FYROM, is the country with the best performance in Balkans, dealing with construction permits in Greece, register property and enforce contract in Moldova.

It is most difficult to start a business in Bosnia and Herzegovina, getting electricity in Romania and enforce a contract in Kosovo.

¹⁹

www.doingbusiness.org.

This year FYROM was first in ranking in the Balkan region followed by Slovenia(37th),Montenegro(56th),Bulgaria(59th),Turkey(71th),Romania(72nd),Croatia(80th),Moldova(81st),Albania(82nd),Serbia(92th),Greece(100th),Bosnia and Herzegovina(125th) and Kosovo(117th).

FYROM is the country with the best performance in the Balkans .In 2006 it was ranked in the 81st place and in 2012 it is placed 22nd.On the other hand Bosnia and Herzegovina moved down 38 places since 2006 and 15 places have been lost for the country since last year.

The average score for the Balkans countries lags behind the European .In 2012 easy of doing business index Balkans stands in 76.46 average while the average of European countries is 38.54.

European countries have faced a number of challenges in the past few years.

European countries had a decline in the average from 35.75 in 2006 to 38.54 in 2012.

The most efficient business environment in Europe is Denmark which is placed 5th globally followed by

UK,Ireland,Finland,Sweden,Germany,Latvia,Estonia,Lithuania,Belgium,France,Portugal,Netherland,Austria,Slovenia,Cyprus,Spain,Slovakia,Luxembourg,Hungary,Bulgaria,Poland,CzechRepublic,Romania,Italy,Greece and Malta.

The most countries in Europe are doing well in trade and finance, many doing well in enterprise and innovation, but fewer are doing well in work and government.

So a lot of changes are needed in governments and labour markets , fewer to foster innovation, productivity growth and job creation by enterprises, and fewer still to reform finance and trade.

Europe expects a lot from its enterprises countries such as Denmark, Ireland, Sweden and the UK.

In the 2012 index of Easy of Doing Business the economy of the USA ranked in the 4th place globally.

Looking at the data of Chinas average ranking is lagging behind Balkans in the global ranking through all the years since 2006.

This year it has fallen down by 4 places since last year and it is ranked 91st.

According to data collecting by Doing Business starting a business in China requires 14 procedures, takes 38 days, costs 3,5% of income per capita and requires paid-in minimum capital of 100,4% of income per capita.

Globally China stands at 151 in the ranking of 183 economies on the Easy of Doing Business.

Although China is ranked 151st overall it performs very differently in the subcategories . One the one hand it is comparatively easy to enforce contracts (place 15th) and to register poverty(placed 38th) however starting up a business (placed 151th), paying taxes(placed 114th) and dealing with construction permits (placed 181st).

The reason for the high score in terms of enforcing contracts in China it is because Chinas courts generally do enforce contracts and they usually do this faster than just about anywhere else in the world. China is the worlds fastest-growing economy and offers numerous opportunities for businesses . China is also a complex of rapidly evolving market. Its business regulatory system is intricate and its tax system has been ranked among the most challenging in the world.

China and the US differ greatly with regard to their economic systems, political systems, social values and laws despite the substantial changes that have occurred in China during reset years.

7.2 Easy of doing business in Bosnia and Herzegovina

Starting a business in today's environment brings opportunities and challenges.

Changing lifestyles demand greater choice of products and services. New technologies and better access to global markets have provided increased business opportunities. At the same time increased competition, insistence on quality and unremitting pressure for lower costs, just to mention some issues, represent major challenges for business. For Small and Medium-sized Enterprises (SMEs) the challenge is greater. They lack scale, resources and the capacity to handle complex business management.²⁰

The procedure for starting a business is the same for the whole territory of Bosnia and Herzegovina (Federation of Bosnia and Herzegovina, Republic of Srpska, Brcko).

In this year Bosnia and Herzegovina moved up on three of the indicators: construction permits dealing, property registration and cross border trade. The most progress was made in dealing with construction permits, with Bosnia and Herzegovina moving up from 173rd place to 163rd place.

The country's ranking fell in five categories: starting a business, getting credits, investors' protection, payment of taxes and resolution of insolvency.

Bosnia and Herzegovina has reformed in 8 out of 10 areas of business regulation since 2005. B&H has reformed its business environment in at least one area every year. The pace of reforms was strongest in Doing Business 2005 and Doing Business 2009.

²⁰ <http://www.oecd.org/countries/bosniaandherzegovina/20635028.pdf>

7.2.1 Starting a business in Bosnia and Herzegovina

Starting a business indicators measure:

- Procedure to legally start and operate a company (number)
- Time required to complete each procedure(calendar days)
- Cost required to complete each procedure((%of income per capita)
- Paid-in Minimum capital (% of income per capital)

	2011	2012
Rank	161	162
Procedures(number)	12	12
Time(days)	64	40
Cost (%of income per capita)	17,7	17,0
Paid-in Min capital (% of income per capita)	30,5	29,4

Source: Doing Business database 2012

The performance of the country does not stands in a good place .

Globally Bosnia and Herzegovina stands at 162 in the ranking of 183 economies on the easy of starting a business. The country fell by 1 place since last year. Starting a business in Bosnia and Herzegovina requires 12 procedures , takes 40 days, costs

17,0% of income per capita and requires paid-in minimum capital of 29,4% of income per capita.

The country is also lags behind the EU27(66,15) and the Balkan average (71,7) score.

The best performed Balkan country is the FYROM while the worst is the Bosnia and Herzegovina.

Looking the ranking since 2006, Bosnia and Herzegovina made a progress in the reduction of cost from 47,3 in 2006 to 17 in 2012 and of the paid in minimum capital from 33,9 to 2006 to 29,4 in 2012. Moreover the necessary days to start a business reduced from 68 in 2006 to 40 to 2012. In terms of the number of procedures remain stable in all years.

From the above we can mention that it is not easy to start a business in Bosnia and Herzegovina.

The procedures and the hours spend to proceed are too many and there is huge cost. Bosnia and Herzegovina made starting a business easier by replacing the required utilization permit with a simple notification of commencement of activities and by stream lining the process for obtaining a tax identification number.

7.2.3 Dealing with Construction permits in Bosnia and Herzegovina

Dealing with Construction permits indicators measure :

- Procedures to legally built a warehouse(number)
- Time required to complete each procedure(calendar days)
- Cost required to completed each procedure(% income per capita)

	2011	2012
Rank	173	163
Procedures (number)	18	18
Time(days)	255	181
Cost(%of property value)	1,155	1,12.9

Source: Doing Business database 2012

One of the main problematic area for Bosnia and Herzegovina is the construction sector.

Globally Bosnia and Herzegovina stands at 163 in the ranking of 183 economies on the ease of dealing with construction permits easier by fully digitizing and repaving its land registry and cadastre. In this year Bosnia and Herzegovina has some improvement in the sector noting 10 position degree from the last year.

In Bosnia and Herzegovina requires 18 procedures in order to get licences , takes 181 days and costs 1,129% of income per capita .

It is obvious that the performance of the country stands in very low level and is not easy for an entrepreneur in Bosnia and Herzegovina to built a warehouse.

The country made substantial reform after 2008. According to the Doing Business Report 2009 the reform at the Land registry has benefited entrepreneurs dealing with construction permits , reducing the time to obtain a cadastre excerpt before construction and to register the newly completed building in the cadastre and the land book. Moreover According to the Doing Business Report 2010 the building permit system was improved by reducing the time to register a new building at the courts and land cadastre.

Additionally in Doing Business 2012 Bosnia and Herzegovina made dealing with construction permits easier by fully digitizing and revamping its land registry and cadastre.

The country lags behind the Balkan average(135,46) and EU average(65,15).

The best performed Balkan countries in this section are Greece , FYROM and Slovenia. In EU27 the best performed countries are the Denmark, Germany and UK;

7.2.4 Getting electricity in Bosnia and Herzegovina

Getting electricity indicators measure:

- Procedures to obtain an electricity connection(number)
- Time required to complete each procedure (calendar days)
- Cost required to complete each procedure (% of income per capita)

	2011	2012
Rank	157	157
Procedures (number)	8	8
Time (days)	125	125
Cost(% income per capita)	516,4	497,6

Source: Doing Business database 2012

Globally Bosnia and Herzegovina stands at 157 in the ranking of 183 economies on the easy of getting electricity.

Getting electricity requires 8 procedures, takes 125 days and costs 497,6% of the income per capita.

Moreover Bosnia and Herzegovina is 11th country in the Balkans.

In Balkans getting electricity requires in average 5,85 procedures, takes 107,38 days and costs 112,54 % of the income per capita. Slovenia is the best Balkan country to acquire electricity and the most expensive is Kosovo.

7.2.5 Registering property in Bosnia and Herzegovina

Registering property indicators measure:

- Procedures to legally transfer title on immovable property (number)
- Time required to complete each procedure (calendar days)
- Cost required to complete each procedure (0% of property value)

	2011	2012
Rank	101	100
Procedures (number)	7	7
Time (days)	33	33
Cost(% of property value)	5,3	5,3

Source: Doing Business database 2012

Globally Bosnia and Herzegovina stands at 100 in the ranking of 183 economies on the easy of registering property

Establishing a business in Bosnia and Herzegovina can be an extremely burdensome and time-consuming process for investors. Registration is a 7-step procedure that takes 33 days to complete and costs 5,3% of the property value.

The country made reforms after 2009 in the registering property. The computerization of files at the Land Registry in Sarajevo has speed property registration. Moreover according to Doing Business 2011 the country reduced delays in property registration at the land registry in Sarajevo.

Businesses must register in each entity in which they wish to conduct operations. However, investors in one entity may register their business as a branch in the other entity, significantly reducing the time and administrative hurdles to begin operations. Other administrative procedures can be even more time-consuming. For example, obtaining a construction permit can take six months to one year.²¹

The country is the 9th most performed in the Balkans. Moldova is the best performed in the Balkans and Greece has the worst performance in the region.

Moreover the average rank of the Balkan region in the registering property section is 78,15 and takes 38,84 days on average and 6,15 procedures to complete a property transfer.

7.2.6 Getting credit in Bosnia and Herzegovina

Getting credit indicators measure:

- Strength of legal rights index(0-10)
- Depth of credit information index(0-10)
- Public credit registry coverage(0% of adults)
- Private credit bureau coverage(0% of adults)

	2011	2012
Rank	64	67
Strength of legal right index(0-10)	5	5

²¹ http://www.wweek.com/portland/article-18323-bosnia_2010_investment_climate_statement_submission.html

Depth of credit information index(0-6)	5	5
Private bureau coverage (% of adults)	47,2	39,6
Public registry coverage (% of adults)	30,2	35,3

Source: Doing Business database 2012

In 2012 the country stands at 67 in the ranking of 183 economies on the ease of getting credit.

The economy has a score of 5 on the depth of credit information index and a score of 5 on the strength of legal rights index.

Bosnia and Herzegovina from 2011 have lost 3places in the global ranking.

Additionally Bosnia and Herzegovina do not follow any reforms through the years in getting credit.

Moreover Bosnia and herzegovina is in 10th position in Balkans. The country lags behind Balkan average(40,69) and the best performed Balkan countries are Bulgaria, Montenegro and Romania which ranks 8th globally while Slovenia has the worst credit information(98th).

7.2.7 Protecting investors in Bosnia and Herzegovina

Protecting investors indicator measures:

- Extent of disclosure index (0-10)
- Extent of director liability index (0-10)
- Ease of shareholder suits index (0-10)
- Strength of investor protection index (0-10)

	2011	2012
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Rank	93	97
Extent of disclosure index (0-10)	3	3
Extent of director liability index (0-10)	6	6
Ease of shareholder suits index (0-10)	6	6
Strength of investor protection index (0-10)	5,0	5,0

Source: Doing Business database 2012

Bosnia and Herzegovina stands at 97 in the ranking of 183 economies on the strength of investor protection index. The country fell by 4 places since last year.

The economy has a score of 5,0 out of 10 on the strength of investor protection index, with an extensive disclosure only 3 to 10. The level of the protection of direct liability is 6 to 10. Moreover Bosnia and Herzegovina do not follow any reforms through the years in protecting investors.

The Balkans average is ranked in 76,31 and the EU average is ranked in more or less in the same level (72,19).

7.2.8 Paying taxes in Bosnia and Herzegovina

Paying taxes indicators measure:

- Tax payment for a manufacturing company in 2010(number per year adjusted for electronic or joint filing and payment)
- Time require to comply with 3 major taxes(hours per year)
- Total tax rate (0% of profit of all taxes)

	2011	2012
Rank	108	110
Payment(number)	40	40

Time (hours per years)	422	422
Total tax payable (%of gross profit)	23,0	25,0
Profit tax(%)		7,1
Labour tax and contributors(%)		12,6
Other taxes (%)		5,3

Source: Doing Business database 2012

The Bosnia and Herzegovina tax system is complex due to the administrative organisation of the country. At the turn of the century the two entity had completely separated tax systems which often resulted in double taxation within the country.²²

A first step in the long process of tax reform was the introduction of a single indirect tax system at the state level. Reform of the indirect tax system was completed in 2006 when VAT was introduced. The 17 percent VAT rate replaced previously unharmonized entity-level sales taxes.

For the 2012 the Bosnia and Herzegovina fell by 2 places since last year and stands at 110 in the ranking of 183 economies on the ease of paying taxes. The country has a high number of payments, on average, firms make 40 tax payments a year. Also spend 422 hours a year filing, preparing and paying taxes and total taxes amounting to 7,15 of profit.

From 2009 the corporate income tax rate reduced from 30 percent to 10 percent effective January 1, 2008. Profit distribution is now tax exempt, and tax losses can be carried forward for five years. In 2012 Bosnia and Herzegovina simplified its labor tax processes, reduced employer contribution rates for social security and abolished its payroll tax.

²² <http://www.kpmg.com/BA/en/Documents/InvestmentinBosniaHerzegovina2010WEB.pdf>

7.2.9 Trading across borders in Bosnia and Herzegovina

Trading across borders indicators measure:

- Documents required to import and export(number)
- Time required to import and export(days)
- Cost required to import and export(US dollars per container)

	2011	2012
Rank	109	108
Document to export number	8	8
Cost to export (US dollars per container)	1,24	1,24
Drive to export (days)		
Documents to import (number)	9	9
Cost to import (us per container)	1,2	1,2
Time to import (days)	16	16
Time to export (days)	16	15

Source: Doing Business database 2012

The performance of the country isn't good. The cost to import and export is very high.

According to index exporting a standard container of goods requires 8 documents, takes 15 days and costs 1240 dollars.

Importing the same container of goods requires 9 documents, takes 16 days and costs 1200dollars. Corruption at borders and bribes to customs officials impedes the conduct of commercial transactions.

7.2.10 Enforcing contract in B&H

Enforcing contract indicators measure:

- Procedures to enforce a contract through the courts (number)
- Time required to complete procedures (calendar days)
- Cost required to complete procedures(0% of claim)

	2011	2012
Rank	125	125
Procedures(number)	595	595
Time(days)	40,4	40,4
Cost(% of debt)	37	37

Source: Doing Business database 2012

Considering enforced contracts in Bosnia and Herzegovina, the following chart is a list of procedural steps necessary to enforce a contract in Bosnia and Herzegovina.

The ease or difficulty of enforcing commercial contracts in Bosnia and Herzegovina is measured below.

Enforcing a contracts takes 37 steps , takes 595 days and cost of enforcing contracts is 40,4% of the value of the claim. The country stands at 125 in the ranking of 183 economies on the ease of enforcing contracts.

Bosnia and Herzegovina do not follow any reforms through the years in enforcing contract

7.2.11 Resolving insolvency in B&H

Resolving insolvency indicators measures:

- Time required to recover dept (years)
- Cost required to recover dept(0% of debtors estate)
- Recovery rate for creditors (cents on the dollar)

	2011	2012
Rank	78	80
Time(years)	3,3	3,3
Cost(%of estate)	9	9
Recovery rate(cents on the dollar)	34,7	35,0

Source: Doing Business database 2012

Regarding the resolving insolvency procedures the Bosnia and Herzegovina is below the Balkans average score and the European.

In 2012 resolving insolvency takes 3,3 years on average and costs 9% of the debtors estate.

The average recovery rate is 35,0 cents on the dollar . Two places have been lost for the country since last year. Bosnia and Herzegovina stands at 80 in the ranking of 183 economies on the ease of resolving insolvency.

According to Doing Business 2009 Bosnia and Herzegovina made an important reform Professional requirements for trustees to speed bankruptcy procedures.

7.3 The most problematic factors for doing business

The most problematic factors for doing business	
Access to financing	17,2
Policy instability	11,9
Tax rates	11,7

Government instability/coups	11,5
Inflation	11,1
Tax regulations	7,2
Inefficient government bureaucracy	6,4
Foreign currency regulations	4,9
Corruption	3,8
Restrictive labour regulations	3,2
Inefficient capacity to innovate	2,8
Poor work ethic in national labour force	2,7
Inadequate supply of infrastructure	2,3
Crime and theft	1,7
Inadequately educated workforce	0,9
Poor public health	0,5

Source: Doing Business database 2012

However, the investment climate in the country is far from ideal. Companies in the World Economic Forum Global Competitiveness Report 2011-2012 identify access to financing, tax rates, inefficient government regulation and corruption as the most problematic factors for doing business in Bosnia and Herzegovina.

Access to financing continuous to be the main obstacle to entrepreneurship, *It is necessary to further strengthen the financial sector* in Bosnia and Herzegovina because it is obviously one of the possible 'weakest links' between nominal and real convergence processes in the country. The domestic business sector is facing a lack of liquidity and high interest rates, while at the same time the banking sector is facing the

problem of over-liquidity. Policy instability is still considered the most problematic factor for doing business in Bosnia and Herzegovina. Tax rates is also indentified as extremely problematic factor in the country. Corruption is indentified as the most problematic factor for doing business in the World Economic Forum (Report 2012-2013). Corruption is partly a legacy of the communist period in a system where it was a customary part of everyday life.

Corruption is pervasive within the country's institutions, particularly within the judiciary, the police and other law enforcement agencies, business licensing, public utilities, taxation, customs and procurement²³

Organized crime is also reported to be a major problem for companies in Bosnia and Herzegovina.

[CHAPTER 8- Recommendations for general economic policies in the Bosnia and Herzegovina](#)

B&H is divided into two entities with significant autonomy –the Federation of Bosnia and Herzegovina and the Republican Srpsca. A smallest third jurisdiction –the Brcko District-is administered separately. The country's political environment and complex government environment create significant obstacles to economic development. The government has made few improvements to the business environment. According to

²³

<http://www.eubusiness.com/europe/bosnia/invest/>

the World Bank the country holds the lowest rank in the region in terms of easy of doing business , which in turn prevents robust foreign investment.

Moreover the country multi-tiered structure of government creates a confusing array of regulations , fees, tax systems and standards requirements that lag harmonization.

The World Bank in Doing Business 2012 estimates that completing registration for a new business requires on average of 12 procedures taking a total of 40 days.

The cost of doing business has become a central concern of the reconstruction efforts in Bosnia and Herzegovina. This is good news. The bad news is that these costs remain among

the highest in the region and indeed other European transition economies. Unless the environment for doing business is significantly improved, Bosnian businesses will continue to find it difficult to maximise their contribution to recovery.

This suggests several recommendations:

The first, very general, recommendation concerns the need for creation the conditions for sustainable economic growth. Efforts need to be strengthened for improving the business environment, addressing the deficiencies in the functioning of the labour market, raising the quality of the human capital and of the basic infrastructure, thus establishing an adequate basis for faster private sector development and strengthening the economy's competitiveness and growth potential.

Access to infrastructure is an important determinant of investment decisions and the competitiveness of businesses.

B&H road infrastructure is fairly poor and underdevelopment.

A modernized railway system is needed in order to alleviate the traffic burden on

B&Hs inadequate roads. Reconstruction and

increasing capacities of railways is necessary for further expansion of merchandise

trade, especially for the metal sector and oil derivatives. The existing road network is unlikely to be much expanded in the medium term, so railways should play a more important role for bulk transport in the region.

Bosnia and Herzegovina has a real comparative advantage in electricity, particularly because of its natural hydropower resources. Electric power generation is a key sector for economic activity in B&H. But because of structural problems, the governments of both of the principal territorial entities, the Federation of B&H and the Republica Srpska, have failed to realize any significant element of their energy investment plans. B&H is less likely to attract the investment necessary to expand capacity in the sector if it does not follow through on needed reforms to make the power sector more efficient, transparent and free for corruption.²⁴

According to B&H Central Bank data the total value of foreign investments in B&H during 2011 totaled KM 618 million, which was almost 50 percent more the amount during the same time period the previous year. The country is open to foreign investment and offers a liberal trade regime. But the country has a large foreign trade deficit with imports nearly two times greater than exports. Total import in 2011 totalled USD 10,1 billion while total exports totalled USD 5,4 billion. So particular attention should be given to exports. The Capital of the investment Guarantee Agency of Bosnia and Herzegovina and development banks should be raised to support the export and enhance export promotion.

This in turn is directly linked to delays in privatisation and very slow restructuring. The privatization process has completely stalled in recent years. This has a negative effect on the entities, whose budgets lack the extra revenue that came from privatization. Privatisation may also help in

²⁴ <http://photos.state.gov/libraries/sarajevo/30982/pdfs/ccg-2012.pdf>

attracting FDI, which is vital for the upgrade of the competitiveness of the B&H manufacturing sector.

Additionally in B&H the private sector is underdeveloped because of a slow privatisation process characterised by a monopolistic and poor investment environment, as well as state management of the economy.

One priority area where well designed state support is needed is the creation of a favourable climate for the functioning of small and medium enterprises.

Increased public-private dialogue should strengthen local ownership over such processes, involving both local business actors and civil society in identifying areas of regulation and institutions that require reform to foster SMEs.

The large public sector is a burden for the weak economy of country. The country dealing with high public expenditure.

Although economic growth in Bosnia and Herzegovina was relatively high until 2008, it did not create enough employment opportunities.

Bosnia and Herzegovina. as a consequence, Bosnia is now facing high unemployment rates.

Furthermore, the country's labor market is not very dynamic. a small number of the unemployed population is actively looking for jobs.

Additionally employment in public sector is a big problem. The governments should show leadership by reducing the bureaucracy.

The EU accession process should also be used as a catalyst for improvement and simplification of economic policy management, since B&H's integration with the EU will require better economic coordination and harmonisation with the relevant EU institutions.

CHAPTER 9-CONCLUSION

Country Strong Points

The country's main strong points are:

- One of the fastest growth rates in the region
- One of the lowest inflation rates in the region
- The country's candidacy for EU and WTO accession
- One of the most stable currencies in the region, directly linked to the euro. The country operates a currency board arrangement by which the Bosnian Convertible Mark (KM) is pegged to the euro (one euro = KM 1,958). As a result the convertible mark is one of the most stable currencies in the Southeast Europe. Due to a strict currency board regime the inflation remained relatively low.
- A well developed banking sector. The banking sector has been fully reformed with a significant inflow of foreign banks—mainly Austrian and Italian—providing businesses with access to capital and to full range of banking services.
- Low corporate income tax

Country Weak Points

Bosnia and Herzegovina still has a number of weak points:

- A complex legal and regulatory framework, with a country divided into two governmental entities
- A lack of transparency in business procedures, especially in calls for public tenders, which are not always transparent. The myriad state, entity, and municipal

administration produce a heavily bureaucratic system that lacks transparency and create opportunities for corruption.

- Weak judicial structure. The legal/judicial system provides no means for quick resolution of commercial disputes.

The general conclusion emerging from the analysis presented in this report is that it is possible to list areas where Bosnia and Herzegovina has had specifically good results. However, in most of the areas, results are still poor and problems still exist. Bosnia and Herzegovina has negative deviations in basic indicators compared to Balkan countries, EU27, USA and China. Areas where it has had significantly good results are macroeconomic stability seen through the stability of prices and public deficits, liberalization of prices and foreign trade. On the other hand, problems exist in the competition policy, lack of consensus on economic policy in the country, development of the financial sector a financial institutions, it still has enormous barriers to market entry and exit, lack of a functional legal framework efficiently regulating property rights, small share of SME sector in the market with a high share of the public sector reflected in GDP.

Bosnia and Herzegovina remains one of the World's least competitive countries because its politicians hold up the key reforms, perpetuating a political crisis for their own interests. According to Global Competitiveness Index 2012-2013 Bosnia and Herzegovina **was ranked 88th and jumping up 12 places from the previous year**, and the country has ninth-placed among the Balkan countries.

Political instability and the inefficiency of government bureaucracy in Bosnia and Herzegovina are responsible for more than half of the major problems in doing business in the Balkan country. Bosnia and Herzegovina is one of the most over-

governed countries in the world with 13 different layers of government and over 160 ministries which are eating up about 50 per cent of GDP.

According to the World Bank & IFC [Doing Business 2012](#), starting a company in Bosnia and Herzegovina is a relatively complex and time-consuming task for a company that requires 12 administrative steps, an average of 40 days and costs 17% of GNI per capita, which is more than double the regional average.

It is necessary, in the short/medium term, to reduce costs of starting businesses ,the duration of establishing and closing businesses, and the time needed for property registration, including other administrative barriers evident in the private sector.

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CHAPTER 11-APPENDIX-TABLES

		GCR 2012-2013		GCR 2011-2012	
	Country	Rank/144	Value	Rank/142	Value
	CHINA	29	4,8	26	4,9
	Indicator				
A	BASIC REQUIREMENTS	31	5,3	30	5,3
	1st pillar INSTITUTIONS	50	4,2	48	4,3
1,01	Property rights	47	4,9	41	5
1,02	Intellectual property protection	51	3,9	47	4
1,03	Diversion of public funds	51	3,7	51	3,7
1,04	Public trust in politicians	26	4,1	26	4,2
1,05	Irregular payments and bribes	67	4	63	4,1
1,06	Judicial independence	66	3,9	63	3,9
1,07	Favoritism in decisions of government officials	34	3,8	38	3,8
1,08	Wastefulness of government spending	39	3,7	30	3,9
1,09	Burden of government regulation	23	4,2	21	3,9
1,10	Efficiency of legal framework in setting disputes	44	4,2	42	4,3
1,11	Efficiency of legal framework in challenging regs.	53	3,9	44	4
1,12	Transparency of government policymaking	51	4,5	41	4,7
1,13	Business costs of terrorism	32	4,3	94	5,2
1,14	Business costs of crime and violence	102	5,1	55	5,1
1,15	Organized crime	70	4,8	88	4,9
1,16	Reliability of police services	98	4,7	55	4,6
1,17	Ethical behavior of firms	59	4,5	57	4,1
1,18	Strength of auditing and reporting standards	58	4	61	4,8
1,19	Efficacy of corporate boards	72	4,5	77	4,4
1,20	Protection of minority shareholders' interests	91	4,3	60	4,4
1,21	Strength of investor protection, 0-10	68	4,2	77	5
1,22	Gov't services for improved business performance	80	5		
	2nd pillar INFRASTRUCTURE	48	4,5	44	4,6
2,01	Quality of overall infrastructure	69	4,3	69	4,2
2,02	Quality of roads	54	4,4	54	4,4
2,03	Quality of railroad infrastructure	22	4,6	21	4,6
2,04	Quality of port infrastructure	59	4,4	56	4,5
2,05	Quality of transport infrastructure	70	4,5	72	4,6
2,06	Available airline seat kms/week, millions	2,00	11.685,50	2,00	10.157,10
2,07	Quality of electricity supply	59	5,2	49	5,5
2,08	Mobile telephone subscriptions/100 pop.	114	73,2	113	64
2,09	Fixed telephone lines/100/pop.	58	21,2	55	21,9

	3rd pillar MACROECONOMIC ENVIRONMENT	11	6,2	10	6,2
3,01	Government budget balance, % GDP	41	-1,2	50	-2,6
3,02	Gross national savings, % GDP	5	51	2	54
3,03	Inflation, annual % change	82	5,4	63	3,3
3,04	Interest rate spread, %			31	3,1
3,05	General government debt, % GDP	35	25,8	20	17,7
3,06	Country credit rating, 0-100 (best)	22	79,6	22	80,2
	4th pillar HEALTH & PRIMARY EDUCATION	35	6,1	32	6,2
4,01	Business impact of malaria	89	5,6	91	5,5
4,02	Malaria cases/100.000 pop.	80	2	79	7,5
4,03	Business impact of tuberculosis	84	5,1	78	5,1
4,04	Tuberculosis cases/100.000 pop.	84	78	89	96
4,05	Business impact of HIV/AIDS	70	5,3	73	5,2
4,06	HIV prevalence, % adult pop.	12	0,1	21	0,1
4,07	Infant mortality, deaths/1,000 live births	71	15,8	74	16,6
4,08	Life expectancy, years	75	73,3	70	73,3
4,09	Quality of primary education	42	4,5	31	4,7
4,10	Primary education enrollment, net %	4	99,8	9	99,4
B	EFFICIENCY ENHANCERS	30	4,6	26	4,7
	5th pillar HIGHER EDUCATION & TRAINING	62	4,3	58	4,3
5,01	Secondary education enrollment, gross %	90	81,2	93	78,2
5,02	Tertiary education enrollment, gross %	79	25,9	85	24,5
5,03	Quality of the educational system	57	3,9	54	4
5,04	Quality of math and science education	33	4,6	31	4,7
5,05	Quality of management schools	68	4,2	59	4,3
5,06	Internet access in schools	31	5,4	28	5,7
5,07	Availability of research and training services	55	4,4	42	4,5
5,08	Extent of staff training	45	4,2	45	4,2
	6th pillar GOODS MARKET EFFICIENCY	59	4,3	45	4,4
6,01	Intensity of local competition	37	5,3	22	5,5
6,02	Extent of market dominance	23	4,6	20	4,7
6,03	Effectiveness of anti-monopoly policy	54	4,2	48	4,3
6,04	Extent and effect of taxation	41	3,9	29	4
6,05	Total tax rate, % profits	125	63,5	125	63,5
6,06	No, procedures to start a business	134	14	131	14
6,07	No, days to start a business	116	38	112	38
6,08	Agricultural policy costs	13	4,7	9	5
6,09	Prevalence of trade barriers	79	4,2	63	4,5
6,10	Trade tariffs, % duty	122	11,5	126	13
6,11	Prevalence of foreign ownership	99	4,3	99	4,4
6,12	Business impact of rules on FDI	41	5	22	5,3
6,13	Burden of customs procedures	65	4,2	56	4,4
6,14	Imports as a percentage of GDP	126	27,1	126	27
6,15	Degree of customer orientation	90	4,5	72	4,5
6,16	Buyer sophistication	11	4,6	5	4,7
	7th pillar LABOR MARKET EFFICIENCY	41	4,6	36	4,7
7,01	Cooperation in labor-employer relation	57	4,4	51	4,5

7,02	Flexibility of wage determination	77	5	52	5,3
7,03	Rigidity of employment index, 0-100 (worst)			82	31
7,04	Hiring and firing practices	42	4,3	44	4,3
7,05	Redundancy costs, weeks of salary	117	27	118	91
7,06	Pay and productivity	16	4,7	13	4,7
7,07	Reliance on professional management	48	4,5	46	4,7
7,08	Brain drain	39	4,1	33	4,3
7,09	Women in labor force, ratio to men	34	0,88	34	0,88
	8th pillar FINANCIAL MARKET DEVELOPMENT	54	4,3	48	4,4
8,01	Availability of financial services	68	4,6	60	4,7
8,02	Affordability of financial services	46	4,6	41	4,7
8,03	Financing through local equity market	46	3,9	46	4
8,04	Ease of access to loans	50	3,1	45	3,1
8,05	Venture capital availability	22	3,5	22	3,5
8,06	Soundness of banks	71	5,1	64	5,3
8,07	Regulation of securities exchanges	58	4,3	53	4,5
8,08	Legal rights index, 0-10 (best)	65	6	60	6
	9th pillar TECHNOLOGICAL READINESS	88	3,5	77	3,6
9,01	Availability of latest technologies	107	4,4	100	4,5
9,02	Firm-level technology absorption	71	4,7	61	4,9
9,03	FDI and technology transfer	77	4,6	80	4,6
9,04	Individuals using Internet, %	73	38,3	75	34,3
9,05	Broadband Internet subscriptions/100 pop.	49	11,6	55	9,4
9,06	Int'l Internet bandwidth, kb/s per user	119	2,7	94	0,8
9,07	Mobile broadband subscriptions/100 pop.	69	9,5		
	10th pillar MARKET SIZE	2	6,8	2	6,8
10,1	Domestic market size index, 1-7 (best)	2	6,8	2	6,7
10,2	Foreign market size index, 1-7 (best)	1	7	1	7
C	INNOVATION & SOPHISTICATION FACTORS	34	4	31	4,1
	11th pillar BUSINESS SOPHISTICATION	45	4,3	37	4,4
11,01	Local supplier quantity	28	5,2	19	5,4
11,02	Local supplier quality	66	4,5	59	4,6
11,03	State of cluster development	23	4,6	17	4,7
11,04	Nature of competitive advantage	56	3,6	45	3,8
11,05	Value chain breadth	49	3,8	45	4
11,06	Control of international distribution	41	4,3	37	4,4
11,07	Production process sophistication	57	3,9	52	4
11,08	Extent of marketing	52	4,4	43	4,5
11,09	Willingness to delegate authority	54	3,8	54	3,8
	12th pillar INNOVATION	33	3,8	29	3,9
12,01	Capacity for innovation	23	4,1	23	4,2
12,02	Quality of scientific research institutions	44	4,2	38	4,3
12,03	Company spending on R&D	24	4,1	23	4,2
12,04	University industry collaboration in R&D	35	4,4	29	4,5
12,05	Gov't procurement of advanced tech products	16	4,4	16	4,4
12,06	Availability of scientists and engineers	46	4,4	33	4,6
12,07	Utility patents granted/million pop			46	2

12,08	PCT patents, applications/million pop.	38	6,5		
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		GCI 2012-2013		GCI 2011-2012	
Country		Rank/144	Value	Rank/142	Value
UNITED STATES		7	5,5	5	5,4
Indicator					
A	BASIC REQUIREMENTS	33	5,10	36	5,20
1st pillar INSTITUTIONS		41	4,60	39	4,60
1,01	Property rights	42	5,00	39	5,10
1,02	Intellectual property protection	29	5,00	28	5,00
1,03	Diversion of public funds	34	4,60	36	4,60
1,04	Public trust in politicians	54	3,10	50	3,20
1,05	Irregular payments and bribes	42	4,80	42	4,90
1,06	Judicial independence	38	4,90	36	4,90
1,07	Favoritism in decisions of government officials	59	3,20	50	3,30
1,08	Wastefulness of government spending	76	3,20	66	3,20
1,09	Burden of government regulation	76	3,30	58	3,40
1,1	Efficiency of legal framework in setting disputes	35	4,50	36	4,50
1,11	Efficiency of legal framework in challenging regs.	37	4,20	39	4,20
1,12	Transparency of government policymaking	56	4,40	50	4,50
1,13	Business costs of terrorism	33	4,20	122	4,50
1,14	Business costs of crime and violence	124	4,40	81	4,50
1,15	Organized crime	86	4,50	86	4,90
1,16	Reliability of police services	87	4,90	30	5,60
1,17	Ethical behavior of firms	30	5,50	29	5,10
1,18	Strength of auditing and reporting standards	29	5,00	40	5,20
1,19	Efficacy of corporate boards	37	5,20	26	5,10
1,2	Protection of minority shareholders' interests	23	5,10	32	4,80
1,21	Strength of investor protection, 0-10	33	4,80	5	8,30
1,22	Gov't services for improved business performance	5	8,30		
2nd pillar INFRASTRUCTURE		14	5,80	16	5,70
2,01	Quality of overall infrastructure	25	5,60	24	5,70
2,02	Quality of roads	20	5,70	20	5,70
2,03	Quality of railroad infrastructure	18	4,80	20	4,80
2,04	Quality of port infrastructure	19	5,60	23	5,50
2,05	Quality of transport infrastructure	30	5,80	31	5,70
2,06	Available airline seat kms/week, millions	1,00	32.294,30	1,00	32.085,90
2,07	Quality of electricity supply	33	6,00	32	6,00
2,08	Mobile telephone subscriptions/100 pop.	72	105,90	87	89,90
2,09	Fixed telephone lines/100/pop.	15	47,90	14	48,70
3rd pillar MACROECONOMIC ENVIRONMENT		111	4,00	90	4,50

3,01	Government budget balance, % GDP	140	9,60	139	-10,60
3,02	Gross national savings, % GDP	114	12,90	121	11,60
3,03	Inflation, annual % change	31	3,10	1	1,60
3,04	Interest rate spread, %			26	2,90
3,05	General government debt, % GDP	136	102,90	132	91,60
3,06	Country credit rating, 0-100 (best)	11	89,40	9	91,40
	4th pillar HEALTH & PRIMARY EDUCATION	34	6,10	42	6,10
4,01	Business impact of malaria	1	n/appl.	1	n/appl.
4,02	Malaria cases/100.000 pop.	1	(NE)	1	(NE)
4,03	Business impact of tuberculosis	59	5,60	61	5,60
4,04	Tuberculosis cases/100.000 pop.	4	4,10	4	4,10
4,05	Business impact of HIV/AIDS	90	5,00	87	4,90
4,06	HIV prevalence, % adult pop.	92	0,60	93	0,60
4,07	Infant mortality, deaths/1,000 live births	41	6,50	41	6,80
4,08	Life expectancy, years	34	78,20	32	78,70
4,09	Quality of primary education	38	4,60	37	4,60
4,1	Primary education enrollment, net %	58	94,60	77	92,00
B	EFFICIENCY ENHANCERS	2	5,60	3	5,50
	5th pillar HIGHER EDUCATION & TRAINING	8	5,70	13	5,60
5,01	Secondary education enrollment, gross %	47	96,00	50	94,10
5,02	Tertiary education enrollment, gross %	2	94,80	6	82,90
5,03	Quality of the educational system	28	4,70	26	4,70
5,04	Quality of math and science education	47	4,30	51	4,30
5,05	Quality of management schools	12	5,40	12	5,40
5,06	Internet access in schools	24	5,70	24	5,80
5,07	Availability of research and training services	9	5,60	11	5,60
5,08	Extent of staff training	15	5,00	12	5,00
	6th pillar GOODS MARKET EFFICIENCY	23	4,90	24	4,80
6,01	Intensity of local competition	18	5,60	18	5,60
6,02	Extent of market dominance	9	5,20	11	5,20
6,03	Effectiveness of anti-monopoly policy	17	4,90	17	5,00
6,04	Extent and effect of taxation	68	3,50	63	3,50
6,05	Total tax rate, % profits	103	46,70	96	46,80
6,06	No, procedures to start a business	47	6,00	34	6,00
6,07	No, days to start a business	16	6,00	13	6,00
6,08	Agricultural policy costs	65	3,90	69	3,90
6,09	Prevalence of trade barriers	50	4,60	59	4,60
6,1	Trade tariffs, % duty	35	1,40	32	1,50
6,11	Prevalence of foreign ownership	51	5,00	43	5,10
6,12	Business impact of rules on FDI	64	4,70	68	4,70
6,13	Burden of customs procedures	48	4,50	58	4,30
6,14	Imports as a percentage of GDP	142	17,60	140	15,90
6,15	Degree of customer orientation	18	5,40	24	5,30
6,16	Buyer sophistication	10	4,60	12	4,60
	7th pillar LABOR MARKET EFFICIENCY	6	5,40	4	5,60
7,01	Cooperation in labor-employer relation	42	4,70	36	4,80
7,02	Flexibility of wage determination	34	5,40	32	5,50
7,03	Rigidity of employment index, 0-100 (worst)			1	0,00

7,04	Hiring and firing practices	8	5,00	8	5,10
7,05	Redundancy costs, weeks of salary	1	0,00	1	0,00
7,06	Pay and productivity	12	4,80	8	4,90
7,07	Reliance on professional management	19	5,40	17	5,50
7,08	Brain drain	5	5,60	3	5,70
7,09	Women in labor force, ratio to men	44	0,86	44	0,85
	8th pillar FINANCIAL MARKET DEVELOPMENT	16	5,10	22	4,90
8,01	Availability of financial services	12	6,00	13	6,00
8,02	Affordability of financial services	13	5,30	18	5,30
8,03	Financing through local equity market	18	4,60	28	4,30
8,04	Ease of access to loans	20	3,80	24	3,70
8,05	Venture capital availability	10	4,10	12	4,00
8,06	Soundness of banks	80	5,00	90	4,80
8,07	Regulation of securities exchanges	39	4,80	48	4,60
8,08	Legal rights index, 0-10 (best)	11	9,00	20	8,00
	9th pillar TECHNOLOGICAL READINESS	11	5,80	20	5,20
9,01	Availability of latest technologies	14	6,30	18	6,30
9,02	Firm-level technology absorption	14	5,90	18	5,90
9,03	FDI and technology transfer	43	4,90	49	4,90
9,04	Individuals using Internet, %	20	77,90	18	79,00
9,05	Broadband Internet subscriptions/100 pop.	17	28,70	18	26,30
9,06	Int'l Internet bandwidth, kb/s per user	33	47,20	26	29,00
9,07	Mobile broadband subscriptions/100 pop.	8	65,50		
	10th pillar MARKET SIZE	1	6,90	1	6,90
10,01	Domestic market size index, 1-7 (best)	1	7,00	1	7,00
10,02	Foreign market size index, 1-7 (best)	2	6,70	2	6,70
	11th pillar INNOVATION & SOPHISTICATION FACTORS	7	5,40	6	5,50
	11th pillar BUSINESS SOPHISTICATION	10	5,30	10	5,40
11,01	Local supplier quantity	14	5,40	12	5,50
11,02	Local supplier quality	14	5,50	13	5,50
11,03	State of cluster development	12	5,00	9	5,10
11,04	Nature of competitive advantage	18	5,20	20	5,20
11,05	Value chain breadth	13	5,10	14	5,10
11,06	Control of international distribution	10	5,10	9	5,10
11,07	Production process sophistication	11	5,70	15	5,60
11,08	Extent of marketing	3	5,90	3	5,90
11,09	Willingness to delegate authority	10	5,10	10	5,10
	12th pillar INNOVATION	6	5,50	5	5,60
12,01	Capacity for innovation	7	5,20	7	5,20
12,02	Quality of scientific research institutions	6	5,80	7	5,80
12,03	Company spending on R&D	7	5,30	6	5,30
12,04	University industry collaboration in R&D	3	5,60	3	5,70
12,05	Gov't procurement of advanced tech products	15	4,40	9	4,70
12,06	Availability of scientists and engineers	5	5,40	4	5,50
12,07	Utility patents granted/million pop			3	339,40
12,08	PCT patents, applications/million pop.	12	137,90		

Table 1: Global Competitiveness Index: EU27

	Country/ EU27	2001/2002		2002/2003		2003/2004		2004/05		2005/06		2006/07		2007/2008		2008/2009		2009/2010		2010/2011		2011/12		2012/13	
		Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score
1	Finland	1	6,03	2	5,74	1	6,01	1	5,95	1	5,94	2	5,76	6	5,49	6	5,50	6	5,43	7	5,37	4	5,47	3	5,55
2	Sweden	9	5,55	5	5,40	3	5,80	3	5,72	3	5,65	3	5,74	4	5,54	4	5,53	4	5,51	2	5,56	3	5,61	4	5,53
3	Denmark	14	5,44	10	5,23	4	5,61	5	5,66	4	5,65	4	5,70	3	5,55	3	5,58	5	5,46	9	5,32	8	5,40	12	5,29
4	Germany	17	5,39	14	5,06	13	5,24	13	5,28	15	5,10	8	5,58	5	5,51	7	5,46	7	5,37	5	5,39	6	5,41	6	5,48
5	Netherlands	8	5,56	15	5,03	12	5,24	12	5,30	11	5,21	9	5,56	10	5,40	8	5,41	10	5,32	8	5,33	7	5,41	5	5,50
6	United Kingdom	12	5,51	11	5,17	15	5,23	11	5,30	13	5,11	10	5,54	9	5,41	12	5,30	13	5,19	12	5,25	10	5,39	8	5,45
7	Austria	18	5,33	18	4,93	17	5,07	17	5,20	21	4,95	17	5,32	15	5,23	14	5,23	17	5,13	18	5,09	19	5,14	16	5,22
8	France	20	5,29	30	4,62	26	4,91	27	4,92	30	4,78	18	5,31	18	5,18	16	5,22	16	5,13	15	5,13	18	5,14	21	5,11
9	Belgium	19	5,31	25	4,81	27	4,88	25	4,95	31	4,63	20	5,27	20	5,10	19	5,14	18	5,09	19	5,07	15	5,20	17	5,21
10	Ireland	11	5,52	24	4,86	30	4,73	30	4,90	26	4,86	21	5,21	22	5,03	22	4,99	25	4,84	29	5,74	29	4,77	27	4,91
11	Luxembourg	-	-	-	-	21	4,99	26	4,95	25	4,90	22	5,16	25	4,88	25	4,85	21	4,96	20	5,05	23	5,03	22	5,09
12	Estonia	29	4,87	26	4,73	22	4,96	20	5,08	20	4,95	25	5,12	27	4,74	32	4,67	35	4,56	33	4,61	33	4,62	34	4,64
13	Spain	22	5,17	22	4,88	23	4,94	23	5,00	29	4,80	28	4,77	29	4,66	29	4,72	33	4,59	42	4,49	36	4,54	36	4,60
14	Czech Republic	37	4,41	40	4,26	39	4,48	40	4,55	38	4,42	29	4,74	33	4,58	33	4,62	31	4,67	36	4,57	38	4,52	39	4,51
15	Slovenia	31	4,70	28	4,64	31	4,70	33	4,75	32	4,59	33	4,64	39	4,48	42	4,50	37	4,55	45	4,42	57	4,30	56	4,34
16	Portugal	25	4,92	23	4,87	25	4,92	24	4,96	22	4,91	34	4,60	40	4,48	43	4,47	43	4,40	46	4,38	45	4,40	49	4,40
17	Latvia	47	4,19	44	4,14	37	4,54	44	4,43	44	4,29	36	4,57	45	4,41	54	4,26	68	4,06	70	4,14	64	4,24	55	4,35
18	Malta	-	-	-	-	19	5,03	32	4,79	35	4,54	39	4,54	56	4,21	52	4,31	52	4,30	50	4,34	51	4,33	47	4,41
19	Lithuania	43	4,27	36	4,33	40	4,39	36	4,57	43	4,30	40	4,53	38	4,49	44	4,45	53	4,30	47	4,38	44	4,41	45	4,41
20	Hungary	28	4,87	29	4,63	33	4,61	39	4,56	39	4,38	41	4,52	47	4,35	62	4,22	58	4,22	52	4,33	48	4,36	60	4,30
21	Italy	26	4,90	39	4,31	41	4,38	47	4,27	47	4,21	42	4,46	46	4,36	49	4,35	48	4,31	48	4,37	43	4,43	42	4,46
22	Cyprus	-	-	-	-	-	-	38	4,56	34	4,54	46	4,36	55	4,23	40	4,53	34	4,57	40	4,50	47	4,36	58	4,32
23	Greece	36	4,46	38	4,32	35	4,58	37	4,56	46	4,26	47	4,33	65	4,08	67	4,11	71	4,04	83	3,99	90	3,92	96	3,86
24	Poland	41	4,30	51	3,98	45	4,15	60	3,98	51	4,00	48	4,30	51	4,28	53	4,28	46	4,33	39	4,51	41	4,46	41	4,46
25	Romania	56	-	66	3,59	75	3,38	63	3,86	67	3,67	68	4,02	74	3,97	68	4,10	64	4,11	67	4,16	77	4,08	78	4,07
26	Bulgaria	59	3,82	62	3,68	64	3,67	59	3,98	58	3,83	72	3,96	79	3,93	76	4,03	76	4,02	71	4,13	74	4,16	62	4,27
27	Slovak Republic	40	4,36	49	4,02	43	4,23	43	4,43	41	4,31	37	4,55	41	4,45	46	4,40	47	4,31	60	4,20	69	4,19	71	4,14
	Average	27,04	4,96	29,46	4,63	28,50	4,80	29,93	4,83	30,59	4,70	29,59	4,89	33,41	4,74	34,30	4,75	34,74	4,70	36,04	4,73	37	4,71	37,41	4,74
	Total countries of report			80		102		104		117		125		131		134		133		139		142		144	

Table 2: Global Competitiveness Index: Balkans

	2001		2002/03		2003/04		2004		2005		2006/07		2007/08		2008/9		2009/10		2010/11		2011/12	
	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK
Balkans 12																						
Slovenia	4,7	31	4,64	28	4,7	31	4,75	33	4,59	32	4,64	33	4,48	39	4,50	42	4,55	37	4,42	45	4,3	57
Montenegro	-	-	-	-	-	-	-	-	-	-	-	-	3,91	82	4,11	65	4,16	62	4,36	49	4,3	60
Turkey	3,86	54	3,31	69	3,65	65	3,82	66	3,68	66	4,14	59	4,25	53	4,15	63	4,16	61	4,25	61	4,3	59
Romania	-	-	3,59	66	3,38	75	3,86	63	3,67	67	4,02	68	3,97	74	4,10	68	4,11	64	4,16	67	4,1	77
Bulgaria	3,82	59	3,68	62	3,67	64	3,98	59	3,83	58	3,96	72	3,93	79	4,03	76	4,02	76	4,13	71	4,2	74
Croatia	-	-	3,8	58	3,97	53	3,94	61	3,74	62	4,26	51	4,20	57	4,22	61	4,03	72	4,04	77	4,1	76
FYROM	-	-	-	-	3,22	81	3,34	84	3,26	85	3,86	80	3,73	94	3,87	89	3,95	84	4,02	79	4,1	79
Greece	4,46	36	4,32	38	4,58	35	4,56	37	4,26	46	4,33	47	4,08	65	4,11	67	4,04	71	3,99	83	3,9	90
Albania	-	-	-	-	-	-	-	-	3,07	100	3,46	98	3,48	109	3,55	108	3,72	96	3,94	88	4,1	78
Moldova	-	-	-	-	-	-	-	-	3,37	82	3,71	86	3,64	97	3,75	95	-	-	3,86	94	3,9	93
Serbia	-	-	-	-	3,36	77	-	-	-	-	-	-	3,78	91	3,90	85	3,77	93	3,84	96	3,9	95
BiH	-	-	-	-	-	-	3,38	81	3,17	95	3,67	89	3,55	106	3,56	107	3,53	109	3,70	102	3,8	100
Serbia and Montenegro	-	-	-	-	-	-	3,23	89	3,38	80	3,69	87										
Average	4,21	45	3,89	53,5	3,92	60,13	3,87	63,67	3,64	70,27	3,98	70,00	3,92	78,83	3,99	77,17	4,00	75,00	4,06	76,00	4,08	78,17

Table 3: Global Competitiveness Index: China & USA

	2001/02		2002/03		2003/04		2004/05		2005/06		2006/07		2007/08		2008/9		2009/10		2010/11		2011/12		2012/13	
	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK
China	4,4	39	4,37	33	4,19	44	4,29	46	4,07	49	4,24	54	4,57	34	4,7	30	4,7	29	4,8	27	4,9	26	4,83	29
USA	5,95	2	5,93	1	5,81	2	5,82	2	5,81	2	5,61	6	5,67	1	5,74	1	5,6	2	5,4	4	5,4	5	5,47	7

4 Competitiveness and ranking in Bosnia and Herzegovina in comparison to the Balkans,EU27,CHINA,USA AVERAGE 2001-2012

	2001/2002		2002/2003		2003/2004		2004/2005		2005/2006		2006/2007		2007/2008		2008/2009		2009/2010		2010/2011		2011/2012	
Country	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score
EU27	27,40	4,96	29,46	4,63	28,50	4,80	29,93	4,83	30,59	4,70	29,59	4,89	33,41	4,74	34,30	4,75	34,74	4,70	36,04	4,73	37,00	4,71
BALKANS	45	4,21	53,5	3,89	60,13	3,92	63,67	3,87	70,27	3,64	70,00	3,98	78,83	3,92	77,17	3,99	75,00	4,00	76,00	4,06	78,17	4,08
China	39	4,4	33	4,37	44	4,19	46	4,29	49	4,07	54	4,24	34	4,57	30	4,7	29	4,7	27	4,8	26	4,9
USA	2	5,95	1	5,93	2	5,81	2	5,82	2	5,81	6	5,61	1	5,67	1	5,74	2	5,6	4	5,4	5	5,4

Table 5: Global Competitiveness Index: Balkans Pillars

Balkans	BASIC REQUIREMENTS		1. INSTITUTIONS		2. INFRASTRUCTURE		3. MACROECONOMIC ENVIRONMENT		4. HEALTH AND PRIMARY EDUCATION		EFFICIENCY ENHANCERS		5. HIGHER EDUCATION AND TRAINING		6. GOODS MARKET EFFICIENCY		7. LABOR MARKET EFFICIENCY		8. FINANCIAL MARKET DEVELOPMENT		9. TECHNOLOGICAL READINESS		10. MARKET SIZE		INNOVATION AND SOPHISTICATION FACTORS		11. BUSINESS SOPHISTICATION		12. INNOVATION	
	RA NK	SC ORE	RA NK	SC ORE	RAN K	SC ORE	RA NK	SCOR E	RA NK	SC ORE	RAN K	SC ORE	RAN K	SC ORE	RAN K	SC ORE	RAN K	SC ORE	RAN K	SC ORE	RAN K	SC ORE	RAN K	SC ORE	RAN K	SC ORE	RAN K	SC ORE	RAN K	SC ORE
Slovenia	39	5,1	55	4,1	37	4,8	35	5,3	24	6,3	51	4,2	21	5,2	48	4,4	102	4,0	102	3,6	32	4,8	80	3,4	45	3,9	49	4,2	40	3,6
Montenegro	57	4,7	42	4,5	63	4,0	94	4,5	59	5,8	63	4,1	48	4,6	39	4,5	45	4,6	35	4,6	53	4,0	130	2,0	59	3,6	70	3,8	50	3,4
Turkey	64	4,6	80	3,7	51	4,4	69	4,8	75	5,6	52	4,2	74	4,0	47	4,4	133	3,5	55	4,3	55	3,9	17	5,2	58	3,6	58	4,1	69	3,1
Romania	89	4,3	99	3,5	95	3,4	87	4,5	66	5,7	62	4,1	55	4,4	96	4,0	92	4,1	84	3,9	60	3,8	44	4,4	99	3,2	102	3,5	95	2,9
Bulgaria	74	4,5	110	3,3	87	3,6	46	5,1	57	5,8	59	4,1	70	4,2	86	4,1	56	4,5	75	4,0	50	4,1	64	3,8	96	3,2	96	3,6	93	2,9
Croatia	52	4,8	90	3,6	39	4,7	70	4,8	48	6,0	72	4,0	56	4,4	114	3,8	116	3,9	87	3,9	38	4,5	72	3,6	82	3,4	88	3,7	76	3,1
FYROM	69	4,6	81	3,7	86	3,7	37	5,3	80	5,5	87	3,8	80	4,0	63	4,3	72	4,3	82	3,9	67	3,7	107	2,8	104	3,1	105	3,5	105	2,8
Greece	80	4,4	96	3,5	45	4,5	140	3,3	37	6,1	65	4,1	46	4,7	107	3,9	126	3,6	110	3,5	47	4,2	42	4,4	81	3,4	77	3,8	88	3,0
Albania	71	4,5	57	4,0	72	3,9	86	4,5	65	5,7	82	3,9	82	4,0	43	4,5	49	4,6	107	3,6	62	3,8	101	2,9	102	3,2	78	3,8	123	2,6
Moldova	102	4,1	106	3,4	96	3,3	103	4,3	86	5,5	103	3,6	83	3,9	98	3,9	75	4,3	105	3,6	78	3,5	122	2,4	127	2,9	117	3,3	128	2,4
Serbia	88	4,3	121	3,2	84	3,7	91	4,5	52	5,8	90	3,7	81	4,0	132	3,5	112	3,9	96	3,7	71	3,6	70	3,6	118	3,0	130	3,1	97	2,9
BiH	92	4,2	109	3,3	99	3,2	78	4,6	58	5,8	102	3,6	86	3,9	115	3,8	85	4,2	124	3,3	73	3,6	97	3,0	108	3,1	108	3,4	104	2,8
Average	73,08	4,51	87,17	3,65	71,17	3,93	78,00	4,63	58,92	5,80	74,00	3,95	65,17	4,28	82,33	4,09	88,58	4,13	88,50	3,83	57,17	3,96	78,83	3,46	89,92	3,30	89,83	3,65	89,00	2,96

Table 6: Ease of Doing Business Index: Balkans

ECONOMY		2005	2006	2007	2008	2009	2010	2011
1	Albania	117	120	136	86	82	82	82
2	BiH	87	95	105	119	116	110	125
3	Bulgaria	62	54	46	45	44	51	59
4	Croatia	118	124	97	106	103	84	80
5	FYROM	81	92	75	71	32	38	22
6	Greece	80	109	100	96	109	109	100
7	Moldova	83	103	92	103	94	90	81
8	Montenegro	92	70	81	90	71	66	56
9	Romania	78	49	48	47	55	56	72
10	Serbia	92	68	86	94	88	89	92
11	Slovenia	63	61	55	54	53	42	37
12	Turkey	93	91	57	59	73	65	71
13	Kosovo	-	-	-	-	-	-	117
AVERAGE		87,17	86,33	81,50	80,83	76,67	73,50	76,46
NUMBER OF ECONOMIES		155	175	178	181	183	183	183
NUMBER OF PILLARS		10	10	10	10	10	9	10

Table 7: Ease of Doing Business Index: EU27

ECONOMY		2005	2006	2007	2008	2009	2010	2011
1	Austria	32	30	25	27	28	32	32
2	Belgium	18	20	19	19	22	25	28
3	Bulgaria	62	54	46	45	44	51	59
4	Cyprus	x	x	x	x	40	37	40
5	Czech Republic	41	52	56	75	74	63	64
6	Denmark	8	7	5	5	6	6	5
7	Estonia	16	17	17	22	24	17	24
8	Finland	13	14	13	14	16	13	11
9	France	44	35	31	31	31	26	29
10	Germany	19	21	20	25	25	22	19
11	Greece	80	109	100	96	109	109	100
12	Hungary	52	66	45	41	47	46	51
13	Ireland	11	10	8	7	7	9	10
14	Italy	70	82	53	65	78	80	87
15	Latvia	26	24	22	29	27	24	21
16	Lithuania	15	16	26	28	26	23	27
17	Luxembourg	x	x	42	50	64	45	50
18	Malta	x	x	x	x	x	x	x
19	Netherlands	24	22	21	26	30	30	31
20	Poland	54	75	74	76	72	70	62
21	Portugal	42	40	37	48	48	31	30
22	Romania	78	49	48	47	55	56	72
23	Slovak Republic	37	36	32	36	42	41	48

24	Slovenia	63	61	55	54	53	42	37
25	Spain	30	39	38	49	62	49	44
26	Sweden	14	13	14	17	18	14	14
27	United Kingdom	9	6	6	6	5	4	7
AVERAGE		35,75	37,42	34,12	37,52	40,5	37,12	38,54
NUMBER OF ECONOMIES		155	175	178	181	183	183	183
NUMBER OF PILLARS		10	10	10	10	10	9	10

4

8 Ease of doing Business and ranking in the Balkans in comparison to the EU27, USA and China (2005-2012)

ECONOMY	2005	2006	2007	2008	2009	2010	2011
BALKANS	87,17	86,33	81,50	80,83	76,67	73,50	76,46
EU	35,75	37,42	34,12	37,52	40,5	37,12	38,54
USA	3	3	3	3	4	4	4
CHINA	91	93	83	83	89	87	91

Table 9: Ease of Starting a Business: Balkans

ECONOMY		Starting a Business Rank	Procedures	Time	Cost	Paid-in Min. Capital
1	FYROM	6	3	3	2.4	0.0
2	Slovenia	28	2	6	0.0	43.6
3	Montenegro	47	6	10	1.8	0.0
4	Bulgaria	49	4	18	1.5	0.0
5	Albania	61	5	5	29.0	0.0
6	Turkey	61	6	6	11.2	8.7
7	Romania	63	6	¹⁴	3.0	0.8
8	Croatia	67	6	7	8.6	13.8
9	Moldova	88	4	¹⁸	1.5	0.0
10	Serbia	92	7	13	7.8	6.0
11	Greece	135	10	10	20.1	22.8
12	BiH	162	12	40	17.0	29.4
13	Kosovo	168	10	58	26.7	104.6

Table 10: Ease of Dealing with Construction Permits: Balkans

ECONOMY		Dealing with Construction Permits Rank	Procedures	Time	Cost
1	Greece	41	14	169	3.4
2	FYROM	61	10	117	552.7
3	Slovenia	81	13	199	64.9
4	Romania	123	16	287	73.0
5	Bulgaria	128	23	120	317.0
6	Croatia	143	12	317	591.1
7	Turkey	155	24	189	197.7
8	BiH	163	18	181	1,112.9
9	Moldova	164	27	291	79.2
10	Montenegro	173	17	267	1,469.9
11	Serbia	175	19	279	1,603.8
12	Albania	183	no practice	no practice	no practice
13	Kosovo	171	17	301	775.8

Table 11: Ease of Getting Electricity: Balkans

ECONOMY		Getting Electricity Rank	Procedures	Time	Cost
1	Slovenia	27	5	38	119.1
2	Croatia	56	5	70	328.6
3	Montenegro	71	5	71	533.4
4	Turkey	72	5	70	624.4
5	Greece	77	6	77	59.2
6	Serbia	79	4	131	545.7
7	FYROM	121	5	151	847.4
8	Bulgaria	133	6	130	366.6
9	Albania	154	6	177	585.6
10	BiH	157	8	125	497.6
11	Moldova	160	7	140	660.6
12	Romania	165	7	223	556.9
13	Kosovo	124	7	60	1016.8

Table 12: Ease of Registering Property: Balkans

ECONOMY		Registering Property Rank	Procedures	Time	Cost
1	Moldova	18	5	5	0.9
2	Serbia	39	6	11	2.8
3	Turkey	44	6	6	3.3
4	FYROM	49	4	40	3.1
5	Bulgaria	66	8	15	3.0
6	Romania	70	8	26	1.2
7	Slovenia	79	5	110	2.0
8	BiH	100	7	33	5.3
9	Croatia	102	5	104	5.0
10	Montenegro	108	7	71	3.1
11	Albania	118	6	33	11.9
12	Greece	150	11	18	12.0
13	Kosovo	73	8	33	0.6

**Table 13: Ease of Getting Credit:
Balkans**

ECONOMY		Getting Credit Rank	Strength of legal rights index (0-10)	Depth of Credit Information Index (0-6)	Public Registry Coverage (%of adults)	Private Bureau Coverage (%of adults)
1	Bulgaria	8	8	6	52.8	28.8
2	Montenegro	8	10	4	26.4	0.0
3	Romania	8	9	5	15.2	42.0
4	Albania	24	9	4	12.0	0.0
5	FYROM	24	7	6	34.3	68.3
6	Serbia	24	8	5	0.0	100.0
7	Moldova	40	8	4	0.0	3.0
8	Croatia	48	6	5	0.0	100.0
9	BiH	67	5	5	35.3	39.6
10	Greece	78	4	5	0.0	82.4
11	Turkey	78	4	5	23.8	60.5
12	Slovenia	98	4	4	3.3	100.0
13	Kosovo	24	8	5	20.5	0

Table 14: Protecting Investors: Balkans

ECONOMY		Protecting Investors Rank	Extent of Disclosure Index (0-10)	Extent of Director Liability Index (0-10)	Ease of shareholder suits index (0-10)	Strength of investor protection index (0-10)
1	Albania	16	8	9	5	7.3
2	FYROM	17	9	7	5	7.0
3	Slovenia	24	3	9	8	6.7
4	Montenegro	29	5	8	6	6.3
5	Bulgaria	46	10	1	7	6.0
6	Romania	46	9	5	4	6.0
7	Turkey	65	9	4	4	5.7
8	Serbia	79	7	6	3	5.3
9	BiH	97	3	6	6	5.0
10	Moldova	111	7	1	6	4.7
11	Croatia	133	1	5	6	4.0
12	Greece	155	1	4	5	3.3
13	Kosovo	174	3	2	3	2.7

Table 15: Paying Taxes: Balkans

ECONOMY		Paying taxes Rank	Payments (number per year)	Time (hours per year)	Profit tax (%)	Labour tax and contributions (%)	Other taxes (%)	Total tax rate (% profit)
1	FYROM	26	28	119	6.3	0.0	3.4	9.7
2	Croatia	32	17	196	11.5	19.4	1.5	32.3
3	Bulgaria	69	17	500	4.9	19.2	4.1	28.1
4	Turkey	79	15	223	17.9	18.8	4.4	41.1
5	Greece	83	10	224	13.4	31.7	1.4	46.4
6	Moldova	83	48	228	0.0	30.6	0.7	31.3
7	Slovenia	87	22	260	14.1	18.2	2.4	34.7
8	Montenegro	108	42	372	7.1	12.8	2.4	22.3
9	BiH	110	40	422	7.1	12.6	5.3	25.0
10	Serbia	143	66	279	11.6	20.2	2.2	34.0
11	Albania	152	44	371	8.7	25.0	4.8	38.5
12	Romania	154	113	222	10.4	31.8	2.2	44.4
13	Kosovo	46	33	164	n/a	n/a	n/a	15.4

Table 16: Trading Across Borders: Balkans

ECONOMY		Trading Across Borders Rank	Documents to export (number)	Time to export (days)	Cost to export (US\$ per container)	Documents to import (number)		Time to import (days)	Cost to import (US\$ per container)
1	Montenegro	34	6	14	805	6	14		915
2	Slovenia	50	6	16	710	8	15		765
3	FYROM	67	6	12	1,38	6	11		1,38
4	Romania	72	5	12	1,49	6	13		1,5
5	Albania	76	7	19	745	8	18		730
6	Serbia	79	6	12	1,43	6	14		1,61
7	Turkey	80	7	14	990	8	15		1,06
8	Greece	84	5	20	1,15	6	25		1,27
9	Bulgaria	91	5	21	1,55	6	17		1,67
10	Croatia	100	7	20	1,3	8	16		1,18
11	BiH	108	8	15	1,24	9	16		1,2
12	Moldova	134	6	32	1,55	7	35		1,74
13	Kosovo	131	8	17	2,270	8	16		2,280

Table 17: Ease of Enforcing Contracts: Balkans

ECONOMY		Enforcing Contracts Rank	Procedures (number)	Time (days)	Cost (%of claim)
1	Moldova	26	352	28.6	30
2	Croatia	48	561	13.8	38
3	Turkey	51	420	27.9	36
4	Romania	56	512	28.9	31
5	Slovenia	58	1,29	12.7	32
6	FYROM	60	370	31.1	37
7	Albania	85	390	35.7	39
8	Bulgaria	87	564	23.8	39
9	Greece	90	819	14.4	39
10	Serbia	104	635	31.3	36
11	BiH	125	595	40.4	37
12	Montenegro	133	545	25.7	49
13	Kosovo	157	53	420	61.2

Table 18: Ease of Resolving Insolvency: Balkans

ECONOMY		Resolving Insolvency Rank	Time (years)	Cost (%of estate)	Recovery Rate (Cents on the dollar)
1	Slovenia	39	2.0	4	51.1
2	Montenegro	52	2.0	8	43.3
3	FYROM	55	2.0	10	42.0
4	Greece	57	2.0	9	41.8
5	Albania	64	2.0	10	40.2
6	BiH	80	3.3	9	35.0
7	Bulgaria	90	3.3	9	31.4
8	Moldova	91	2.8	9	31.3
9	Croatia	94	3.1	15	29.7
10	Romania	97	3.3	11	28.6
11	Serbia	113	2.7	23	24.4
12	Turkey	120	3.3	15	22.3
13	Kosovo	31	2.0	15	57.4

Table 19: Ease of Starting a Business: EU27

ECONOMY		Starting a Business RANK	Procedures	Time	Cost	Paid-in Min. Capital
1	Ireland	13	4	13	0.4	0.0
2	United Kingdom	19	6	13	0.7	0.0
3	France	25	5	7	0.9	0.0
4	Portugal	26	5	5	2.3	0.0
5	Slovenia	28	2	6	0.0	43.6
6	Denmark	31	4	6	0.0	25.0
7	Cyprus	33	6	8	13.1	0.0
8	Belgium	36	3	4	5.2	18.9
9	Finland	39	3	14	1.0	7.3
10	Hungary	39	4	4	7.6	9.7
11	Estonia	44	5	7	1.8	24.4
12	Sweden	46	3	15	0.6	14.0
13	Bulgaria	49	4	18	1.5	0.0
14	Latvia	51	4	16	2.6	0.0
15	Romania	63	6	14	3.0	0.8
16	Slovak Republic	76	6	18	1.8	20.9
17	Italy	77	6	6	18.2	9.9
18	Netherlands	79	6	8	5.5	50.4

19	Luxembourg	81	6	19	1.9	21.2
20	Germany	98	9	15	4.6	0.0
21	Lithuania	101	6	22	2.8	35.7
22	Poland	126	6	32	17.3	14.0
23	Spain	133	10	28	4.7	13.2
24	Austria	134	8	28	5.2	52.0
25	Greece	135	10	10	20.1	22.8
26	Czech Republic	138	9	20	8.4	30.7
27	Malta	x	x	x	x	x

**Table 20: Ease of
Dealing with
Construction Permits:
EU27**

ECONOMY		Dealing with Construction Permits Rank	Procedures	Time	Cost
1	Denmark	10	5	67	59.1
2	Germany	15	9	97	49.7
3	United Kingdom	22	9	99	63.8
4	Sweden	23	7	116	81.6
5	Ireland	27	10	141	33.1
6	France	30	10	184	13.6
7	Luxembourg	33	12	157	19.5
8	Spain	38	8	182	51.8
9	Greece	41	14	169	3.4
10	Finland	45	16	66	66.6
11	Lithuania	47	15	142	25.5
12	Slovak Republic	50	11	286	7.2
13	Belgium	51	12	169	53.6
14	Hungary	55	29	102	5.8

15	Czech Republic	68	33	120	10.9
16	Austria	76	13	194	60.8
17	Cyprus	78	9	677	47.5
18	Slovenia	81	13	199	64.9
19	Estonia	89	13	148	278.6
20	Italy	96	11	258	138.1
21	Portugal	97	14	255	47.2
22	Netherlands	99	15	176	107.8
23	Latvia	112	23	205	21.0
24	Romania	123	16	287	73.0
25	Bulgaria	128	23	120	317.0
26	Poland	160	30	301	53.6
27	Malta	x	x	x	x

Table 21: Ease of Getting Electricity: EU27

ECONOMY		Getting Electricity Rank	Procedures	Time	Cost
1	Germany	2	3	17	49.9
2	Sweden	8	3	52	20.7
3	Denmark	13	4	38	120.6
4	Austria	21	5	23	110.8
5	Finland	25	5	53	31.7
6	Slovenia	27	5	177	242.2
7	Portugal	34	5	64	54.6
8	Estonia	48	4	111	222.5
9	United Kingdom	60	5	109	72.3
10	France	62	5	123	40.2
11	Luxembourg	63	5	120	58.8
12	Poland	64	4	143	209.3
13	Netherlands	67	5	143	30.7
14	Spain	69	5	101	231.9
15	Greece	77	6	77	59.2
16	Lithuania	81	5	148	63.3
17	Latvia	84	5	108	439.1
18	Belgium	87	6	88	95.3

19	Ireland	90	5	205	91.1
20	Cyprus	96	5	247	95.3
21	Slovak Republic	102	5	177	242.2
22	Hungary	103	5	252	120.3
23	Italy	109	5	192	327.2
24	Bulgaria	133	6	130	366.6
25	Czech Republic	148	6	279	186.2
26	Romania	165	7	223	556.9
27	Malta	x	x	x	x

Table 22: Ease of Registering Property: EU27

ECONOMY		Registering Property Rank	Procedures	Time	Cost
1	Lithuania	7	3	3	0.8
2	Slovak Republic	10	3	17	0.0
3	Denmark	11	3	16	0.6
4	Estonia	13	3	18	0.4
5	Sweden	19	1	7	4.3
6	Finland	25	3	14	4.0
7	Portugal	31	1	1	7.3
8	Latvia	32	5	18	2.0
9	Czech Republic	34	4	25	3.0
10	Austria	35	3	21	4.6
11	Hungary	43	4	17	5.0
12	Netherlands	48	5	7	6.1
13	Spain	56	5	13	7.1
14	Bulgaria	66	8	15	3.0
15	United Kingdom	68	6	29	4.7
16	Romania	70	8	26	1.2
17	Germany	77	5	40	5.2

18	Slovenia	79	5	110	2.0
19	Ireland	81	5	38	6.5
20	Italy	84	7	27	4.5
21	Poland	89	6	152	0.4
22	Cyprus	123	6	42	10.3
23	Luxembourg	134	8	29	10.1
24	France	149	8	59	6.1
25	Greece	150	11	18	12.0
26	Belgium	174	8	64	12.7
27	Malta	x	x	x	x

Table 23: Ease of Getting Credit: EU27

ECONOMY		Getting Credit Rank	Strength of legal rights index (0-10)	Depth of Credit Information Index (0-6)	Public Registry Coverage (%of adults)	Private Bureau Coverage (%of adults)
1	United Kingdom	1	10	6	0.0	100.0
2	Latvia	4	10	5	59.7	0.0
3	Bulgaria	8	8	6	52.8	28.8
4	Ireland	8	9	5	0.0	100.0
5	Poland	8	9	5	0.0	74.8
6	Romania	8	9	5	15.2	42.0
7	Austria	24	7	6	1.7	51.6
8	Denmark	24	9	4	0.0	7.3
9	Germany	24	7	6	1.3	100.0
10	Slovak Republic	24	9	4	2.6	56.1
11	Estonia	40	7	5	0.0	33.1
12	Finland	40	8	4	0.0	20.5

13	Belgium	48	7	4	72.6	0.0
14	Czech Republic	48	6	5	6.1	95.7
15	France	48	7	4	43.3	0.0
16	Hungary	48	7	4	0.0	16.1
17	Lithuania	48	5	6	15.0	75.6
18	Netherlands	48	6	5	0.0	83.2
19	Spain	48	6	5	54.7	11.4
20	Sweden	48	7	4	0.0	100.0
21	Cyprus	78	9	0	0.0	0.0
22	Greece	78	4	5	0.0	82.4
23	Italy	98	3	5	23.0	100.0
24	Slovenia	98	4	4	3.3	100.0
25	Portugal	126	3	4	86.2	21.5
26	Luxembourg	150	6	0	0.0	0.0
27	Malta	x	x	x	x	x

Table 24: Ease of Protecting Investors: EU27

ECONOMY		Protecting Investors Rank	Extent of Disclosure Index (0-10)	Extent of Director Liability Index (0-10)	Ease of shareholder suits index (0-10)	Strength of investor protection index (0-10)
1	Ireland	5	10	6	9	8.3
2	United Kingdom	10	10	7	7	8.0
3	Belgium	17	8	6	7	7.0
4	Slovenia	24	3	9	8	6.7
5	Cyprus	29	8	4	7	6.3
6	Denmark	29	7	5	7	6.3
7	Sweden	29	8	4	7	6.3
8	Bulgaria	46	10	1	7	6.0
9	Poland	46	7	2	9	6.0
10	Portugal	46	6	5	7	6.0
11	Romania	46	9	5	4	6.0
12	Finland	65	6	4	7	5.7
13	Italy	65	7	4	6	5.7
14	Latvia	65	5	4	8	5.7
15	Lithuania	65	7	4	6	5.7
16	France	79	10	1	5	5.3

17	Czech Republic	97	2	5	8	5.0
18	Germany	97	5	5	5	5.0
19	Spain	97	5	6	4	5.0
20	Netherlands	111	4	4	6	4.7
21	Slovak Republic	111	3	4	7	4.7
22	Hungary	122	2	4	7	4.3
23	Luxembourg	122	6	4	3	4.3
24	Austria	133	3	5	4	4.0
25	Greece	155	1	4	5	3.3
26	Estonia	166	8	3	6	5.7
27	Malta	x	x	x	x	x

Table 25: Ease of Paying Taxes: EU27

ECONOMY		Paying taxes Rank	Payments (number per year)	Time (hours per year)	Profit tax (%)	Labour tax and contributions (%)	Other taxes (%)	Total tax rate (% profit)
1	Ireland	5	8	76	11.9	11.6	2.7	26.3
2	Denmark	14	10	135	20.1	3.6	3.8	27.5
3	Luxembourg	17	23	59	4.1	15.1	1.5	20.8
4	United Kingdom	24	8	110	23.1	11.0	3.2	37.3
5	Finland	28	8	93	13.7	24.2	1.2	39.0
6	Romania	32	113	222	10.4	31.8	2.2	44.4
7	Cyprus	37	27	149	9.1	11.8	2.2	23.1
8	Netherlands	43	9	127	20.9	18.1	1.5	40.5
9	Spain	48	8	187	1.2	36.7	0.7	38.7
10	Sweden	50	4	122	15.7	35.5	1.6	52.8
11	Estonia	51	8	85	8.0	39.4	11.2	58.6
12	France	58	7	132	8.2	51.7	5.7	65.7
13	Lithuania	62	11	175	5.7	35.1	3.1	43.9
14	Latvia	67	7	290	6.1	27.2	4.7	37.9
15	Bulgaria	69	17	500	4.9	19.2	4.1	28.1
16	Belgium	77	11	156	5.2	50.4	1.7	57.3
17	Portugal	78	8	275	15.1	26.8	1.5	43.3
18	Austria	82	14	170	15.0	34.8	3.4	53.1

19	Greece	83	10	224	13.4	31.7	1.4	46.4
20	Slovenia	87	22	260	14.1	18.2	2.4	34.7
21	Germany	89	12	221	19.0	21.8	5.9	46.7
22	Hungary	117	13	277	14.8	34.1	3.5	52.4
23	Czech Republic	119	8	557	7.5	38.4	3.2	49.1
24	Poland	128	29	296	17.4	23.6	2.6	43.6
25	Slovak Republic	130	31	231	7.2	39.6	2.0	48.8
26	Italy	134	15	285	22.8	43.4	2.2	68.5
27	Malta	x	x	x	x	x	x	x

Table 26: Ease of Trading Across Borders: EU27

ECONOMY		Trading Across Borders Rank	Documents to export (number)	Time to export (days)	Cost to export (US\$ per container)	Documents to import (number)	Time to import (days)	Cost to import (US\$ per container)
1	Estonia	3	3	5	725	4	5	725
2	Finland	6	4	8	540	5	8	620
3	Denmark	7	4	5	744	3	5	744
4	Sweden	8	3	8	697	3	6	735
5	Germany	12	4	7	872	5	7	937
6	Netherlands	13	4	6	895	5	6	975
7	United Kingdom	13	4	7	950	4	6	1,05
8	Latvia	15	5	10	600	6	11	801
9	Cyprus	19	5	7	790	7	5	900
	Ireland	21	4	7	1,11	4	12	1,12
11	France	24	2	9	1,08	2	11	1,25
12	Austria	25	4	7	1,18	5	8	1,2
13	Portugal	26	4	16	685	5	15	899
¹⁴	Lithuania	28	6	9	870	6	9	980
15	Luxembourg	31	5	6	1,42	4	6	1,42
16	Belgium	36	4	8	1,43	5	8	1,6

17	Poland	46	5	17	1,05	5	16	1
	Slovenia	50	6	16	710	8	15	765
19	Spain	55	6	9	1,22	7	10	1,22
20	Italy	63	4	20	1,25	4	18	1,25
21	Czech Republic	70	4	17	1,06	7	20	1,17
22	Romania	72	5	12	1,49	6	13	1,5
23	Hungary	74	6	16	1,02	7	18	1,09
24	Bulgaria	91	5	21	1,55	6	17	1,67
25	Slovak Republic	95	6	17	1,56	7	17	1,54
26	Greece	108	5	20	1,15	6	25	1,27
27	Malta	x	x	x	x	x	x	x

Table 27: Ease of Enforcing Contracts: EU27

ECONOMY		Enforcing Contracts Rank	Procedures (number)	Time (days)	Cost (%of claim)
1	Luxembourg	1	321	9.7	26
2	France	6	331	17.4	29
3	Germany	8	394	14.4	30
4	Austria	9	397	18.0	25
5	Finland	11	375	13.3	33
6	Lithuania	15	275	23.6	30
7	Latvia	17	369	23.1	27
8	Hungary	19	395	15.0	35
9	Belgium	20	505	17.7	26
10	United Kingdom	21	399	24.8	28
11	Portugal	22	547	13.0	31
12	Netherlands	28	514	23.9	26
13	Estonia	29	425	22.3	35
14	Denmark	32	410	23.3	35
15	Spain	54	515	17.2	39
16	Sweden	54	508	31.2	30
17	Romania	56	512	28.9	31
18	Slovenia	58	1,29	12.7	32

19	Ireland	62	650	26.9	21
20	Poland	68	830	12.0	37
21	Slovak Republic	71	565	30.0	32
22	Czech Republic	78	611	33.0	27
23	Bulgaria	87	564	23.8	39
24	Greece	90	819	14.4	39
25	Cyprus	105	735	16.4	43
26	Italy	158	1,21	29.9	41
27	Malta	x	x	x	x

Table 28: Ease of Resolving Insolvency: EU27

ECONOMY		Resolving Insolvency Rank	Time (years)	Cost (%of estate)	Recovery Rate(Cents on the dollar)
1	Finland	5	0.9	4	89.1
2	United Kingdom	6	1.0	6	88.6
3	Netherlands	7	1.1	4	87.7
4	Belgium	8	0.9	4	87.3
5	Denmark	9	1.0	4	87.3
6	Ireland	10	0.4	9	86.9
7	Sweden	19	2.0	9	75.8
8	Spain	20	1.5	11	75.6
9	Austria	21	1.1	18	72.7
10	Portugal	22	2.0	9	70.9
11	Cyprus	23	1.5	15	70.8
12	Italy	30	1.8	22	61.1
13	Latvia	32	3.0	13	56.2

14	Czech Republic	33	3.2	17	56.0
15	Slovak Republic	35	4.0	18	54.3
16	Germany	36	1.2	8	53.8
17	Slovenia	39	2.0	4	51.1
18	Lithuania	40	1.5	7	50.9
19	France	46	1.9	9	45.8
20	Luxembourg	49	2.0	15	43.5
21	Greece	57	2.0	9	41.8
	Hungary	66	2.0	15	39.2
23	Estonia	72	3.0	9	36.9
24	Poland	87	3.0	15	31.5
25	Bulgaria	90	3.3	9	31.4
26	Romania	97	3.3	11	28.6
27	Malta	x	x	x	x