

<p>DCF members active in the sector in 2021</p>	<p>EBRD, EIB, USA/USAID, Switzerland, EU, Germany, Sweden, Czech Republic, UN, Norway, Hungary, Italy/AICS, Croatia, The World Bank</p>
<p>Other key international organizations</p>	<p>Western Balkans Investment Framework; Council of Europe Development Bank; Regional Cooperation Council; Switzerland Global Enterprise; European Fund for Southeast Europe; European Association of National Metrology Institutions; European Cooperation in Legal Metrology (WELMEC); Central European Free Trade Agreement; Organization for Security and Cooperation in Europe; Regional Centre for Development of Entrepreneurial Competencies, Swedish International Development Cooperation Agency, Japan International Cooperation Agency, <i>Deutsche Gesellschaft für Internationale Zusammenarbeit</i> (GIZ).</p>
<p>Key government partners</p>	<p>CoM of BiH; Government of FBiH; Government of RS; Government of BD BiH; Ministry of Foreign Trade and Economic Relations of BiH; Ministry of Finance and Treasury of BiH; Ministry of Civil Affairs of BiH; Ministry of Justice of BiH; Ministry of Communications and Transport of BiH; Indirect Taxation Authority of BiH; Ministry of Human Rights and Refugees of BiH; Directorate for Economic Planning of BiH; Directorate for European Integration of BiH; Labour and Employment Agency of BiH; Market Surveillance Agency of BiH; Market Surveillance Agency of BiH; Deposit Insurance Agency of BiH; Central Bank of BiH; Competition Council of BiH; Foreign Trade Chamber of BiH; Export Credit Agency of BiH; State Aid Council of BiH; Institute for Intellectual Property of BiH; Communications Regulatory Agency of BiH; Institute of Metrology of BiH; Mine Action Center in BiH; Federal Ministry of Finance; Federal Ministry of Environment and Tourism; Federal Ministry of Development, Entrepreneurship and Craft, Ministry of Agriculture, Water Management and Forestry; Federal Ministry of Justice; Ministry of Finance of RS; Ministry of Trade and Tourism of RS; Ministry of Justice of RS; Ministry of European Integration and International Cooperation of RS; Ministry for Scientific and Technological Development, Higher Education and Information Society; Ministry of Industry, Energy and Mining, Ministry of Agriculture, Forestry and Water Management of RS; Agency for Development of Small and Medium Enterprises of RS; Association of cities and municipalities; Finance Directorate of Brcko District; Department of Economic Development, Sports and Culture of Brcko District.</p>
<p>Total allocation / disbursement to the sector in 2021 by DCF members</p>	<p>Total allocated € 137.62 million – € 29.72 million in a form of grants and € 107.90 million in a form of loans.</p> <p>Total disbursed € 90.96 million – € 26.63 million in a form of grants and € 64.33 million in a form of loans.</p> <p>Out of total ODA in 2021, 25% was allocated and 14% was disbursed in the sector.</p>
<p>Legal framework and sector strategies adopted in 2021</p>	<p>The Law on Changes and Amendments to the Law on Companies (FBiH Off. Gazette No. 75 /21); The Law on Real Estate Brokerage (FBiH Off. Gazette No. 75 /21); The Law on Crafts and Related Activities in the FBiH (FBiH Off. Gazette No.</p>

	<p>75 /21); The Law on Changes and Amendments to the Law on Registration of Business Entities in the FBiH (FBiH Off. Gazette No. 85 /21); The Law on Amendments to the Law on Spatial Planning and Land Use at the level of the FBiH (FBiH Off. Gazette No. 85 /21); The Law on Amendments to the Law on Spatial Planning and Land Use at the level of the FBiH (FBiH Off. Gazette No. 92 /21); The Law on Representativeness of Trade Unions and Employers' Associations (FBiH Off. Gazette No. 103 /21); The Law on Changes to the Law on Determining and Realizing the Citizens' Claims in Privatization Procedure (FBiH Off. Gazette No. 103 /21); The Law on Free Zones in the RS (RS Off. Gazette No.15 /21); The Law on Changes and Amendments to the Law on Territorial Organization of the RS (RS Off. Gazette No.15 /21); The Law on Special Expropriation Procedure for the Construction of the Motorway Banja Luka-Prijedor (RS Off. Gazette No. 61/21); The Law on Strategic Planning and Management of Development in the RS (RS Off. Gazette No. 63/21); The Law on Changes and Amendments to the Law on Property and Other Real Rights of BD BiH (BD BiH Off. Gazette No.26/21); The Law on Amendment to the Labour Law in BD BiH (BD BiH Off. Gazette No.6/21); The Law on Amendment to the Labour Law in BD BiH (BD BiH Off. Gazette No.02/21); The Law on Changes to the Law on Planning, Designing and Development of BD BiH (BD BiH Off. Gazette No.03/21); The Law on Public Property in BD BiH (BD BiH Off. Gazette No. 6/21).</p> <p>Development Strategy of the BiH Federation for the period 2021 – 2027; Strategy for Tourism Development in the RS 2021-2027; Strategy for the Development of the RS Industry for the period 2021 – 2027; Strategy for the Development of the Capital Market for the period 2021-2026; Action Plan 2021-2023 for Implementation of the Strategy for the Development of the Capital Market for the period 2021-2026; Economic Reform Programme of the RS for the period 2021-2023; Strategy of Development of Small and Medium Enterprises of the RS for the period 2021-2027; Employment Strategy in the RS until 2027; Strategy for Attracting Foreign Investments in the RS for the period 2021-2027; Development Strategy of BD BiH for the period 2021 – 2027.</p> <p>Previously adopted legal framework and sector strategies are available on www.donormapping.ba</p>
<p>Coordination among and with development partners</p>	<p>Trade and internal market: To some extent, MoFTER is leading the coordination of development partners, together with self-organizing meetings between development partners active in this sub-sector.</p> <p>CEFTA secretariat is organizing coordination of development partners for free trade.</p> <p>Private sector development: To some extent, MoFTER is leading the coordination of development partners.</p> <p>Self-organizing regular meetings are held between development partners active in this sub-sector, mainly in the context of programming, implementation or launching specific initiatives.</p> <p>In the area of micro, small and medium enterprises there is no formal coordination of development partners, and coordination is based on informal <i>ad-hoc</i> basis</p>

Local economic development: coordination meetings of development partners, which support local development projects organized by UNDP. Informal *ad hoc* coordination, project-based and mostly bilateral / multilateral meetings.

Research, innovation and technological development: Informal *ad-hoc* coordination.

Information and communication technology (ICT): Informal *ad-hoc* coordination.

Tourism and heritage: MoFTER is leading the coordination of development partners, within the Work group for tourism, together with self-organizing meetings between development partners active in this sub-sector.

Development partners active in the sector and BiH Institutions from all levels of government regularly attended Development Partners Coordination Forum meetings (DCF meetings) hosted by BiH Ministry of Finance and Treasury/Sector for Financial Planning of Development and Coordination of International Economic Aid.

Due to the outbreak of the COVID-19 pandemic and accompanying epidemiological measures, DCF meetings were not held in 2021.

Overview of activities in 2021

Competitiveness and innovation sector presented in this Report is based on the sector-based reporting methodology defined in the IPA II regulation, for period 2014 – 2020. The Ministry of Finance and Treasury of BiH has retained the IPA II classification in the Development Partners Mapping Report 2021, and in the next period the project is planned to upgrade the database that will enable the use of IPA III classification for the period 2021-2027.

Competitiveness and innovation sector consists of six sub-sectors:

- Trade and internal market,
- Private sector development,
- Local economic development,
- Research, innovation and technological development,
- Information and communication technology (ICT) and
- Tourism and heritage.

In the course of 2021, activities of all levels of government in Bosnia and Herzegovina were focused at creating better conditions for strengthening of the BiH economy competitiveness as well as reducing the negative consequences caused by the Covid-19 virus pandemic. Primarily, activities were undertaken on harmonization of legislation with the European *acquis* and implementation of international agreements, which provides the basis for attracting investments, increased economic growth and reduced unemployment.

Bosnia and Herzegovina, as well as other signatories to the CEFTA Agreement, during 2021 have continued the activities to meet the conditions for uninterrupted functioning of the common regional market and further economic strengthening of the region. In January 2021, additional Protocol 6 to the CEFTA Agreement entered into force, which extended the free trade principle within CEFTA countries also to the services sector, which will enable the development of service activities beyond the restrictions of the domestic markets. The Green Corridors, established during the pandemic for uninterrupted flow of goods, medicines and medical equipment, proved to be extremely effective, so in 2021 activities were initiated to expand the Green Corridors to the crossings with Greece and Italy.

In January 2021, the fifth meeting was held of the Subcommittee on Internal Market and Competition between Bosnia and Herzegovina and the European Union, where representatives of the European Commission welcomed the efforts of Bosnia and Herzegovina authorities to draft the changes and amendments to the BiH Law on Competition, in order to further align with the EU *acquis*, and stressed out the importance to strengthen the institutional and administrative capacities of the State Aid Council and the Competition Council of BiH.

During 2021, the Ministry of Foreign Affairs of BiH continued activities on implementation of the project "Digital Platform of Economic Diplomacy of the Ministry of Foreign Affairs of BiH", which will further strengthen the role of the Ministry in providing support to business entities from Bosnia and Herzegovina in foreign countries.

In the course of 2021, activities have continued on harmonization of policies in the field of small and medium enterprises at all levels of government in BiH with the European Small Business Act (SBA), which will contribute to creating of the stimulating entrepreneurial environment, i.e. predictable

investment environment to ensure the growth of small and medium enterprises in Bosnia and Herzegovina. Strategic Framework for Development of Small and Medium Enterprises and Entrepreneurship in BiH 2021-2027 is under preparation, which will consist of the Strategic Guidelines for Harmonization of the Support for the Development of Small and Medium Enterprises and Entrepreneurship in BiH, which were sent to the Council of Ministers of BiH for adoption, as well as the strategic documents of Republika Srpska, Federation of BiH and Brcko District. The Government of Republika Srpska, at its 116th session held on April 8th, 2021, adopted the Strategy for Development of the Small and Medium Enterprises of Republika Srpska for the period 2021-2027, while in the Federation of BiH and Brcko District development strategies were adopted during 2021, which will serve as the basis for the development of strategic documents in the field of small and medium enterprises.

The Government of the Federation of BiH, at its 256th session, held on February 18th, 2021, adopted the Development Strategy of the BiH Federation for the period 2021-2027, which is an integrated, multi-sectoral strategic document that defines public policies and steers the socio-economic development in territory of the BiH Federation. The Strategy defines 4 strategic goals and 18 priorities over a seven-year period, which will serve as the basis for harmonization and development of sectoral strategies and strategies of the lower levels of government in the Federation of BiH.

In order to create better business environment and align the legislation with the European directives, in 2021 entity governments adopted the laws that are crucial for strengthening of the competitiveness and creating better business environment.

The House of Peoples of the Parliament of the Federation of BiH, at the session held on September 9th, 2021, adopted The Law on Crafts and Related Activities in the Federation of BiH (Official Gazette of the Federation of BiH, No. 75/21), which was one of the commitments envisaged by the Economic Stabilization and Recovery Program of the Federation of BiH 2020-2021. This law enables foreign trade operations of craftsmen, shortens the procedure for registration of crafts, restricts foreclosure over the craftsmen property, allows individuals and retirees to engage in crafts in the form of additional and supplementary occupation, and improves the method to complete the register of craftsmen.

During 2021, Federal Ministry of Development, Entrepreneurship and Crafts implemented the "Firm Recovery and Support Project", with the aim to provide the support for the recovery of private firms affected by the Covid-19 virus pandemic by improving the access to long-term financing. Also, the project "Digital Transformation in Business" was implemented in 2021, which aims to strengthen the digital economy in the Federation of BiH, through implementation of support measures for digital transformation of small and medium enterprises, strengthening competitiveness and stimulating growth of small and medium enterprises.

National Assembly of Republika Srpska, at its 14th session held on February 9th, 2021, adopted the Law on Free Zones in Republika Srpska (Official Gazette of the RS, No. 15/21), while the Law on Free Zones of the Federation of BiH was sent to the Parliament of the Federation of BiH for adoption and is expected to be adopted in early 2022. With the adoption of these laws, the entity regulations will be harmonized with the Law on Free Zones of BiH and the policies for promotion of foreign investments, export and creating new jobs.

The Government of Republika Srpska, at its 144th session held on November 4th, 2021, adopted the Strategy for Attracting Foreign Investments in Republika Srpska 2021-2027, which represents a set of

goals and measures for implementation of the policies of the Government of Republika Srpska in attracting foreign investments. The Strategy defines three strategic goals, including increasing the cumulative inflow of foreign direct investments in Republika Srpska, increasing the share of foreign direct investment in the GDP of Republika Srpska and the number of newly established companies with foreign capital, as well as increasing the participation of foreign direct investment which are motivated by the improvement of efficiency.

The Assembly of Brcko District, at its 8th session held on May 20th, 2021, adopted the Development Strategy of BD BiH for the period 2021-2027, whereby the strategic goals are focused on strengthening of the economy competitiveness, improving delivery of public sector services as well as the sustainable management of the environment, natural and infrastructural resources.

In the scope of the project "Establishing of the One-Stop-Shop System for Business Registration" in Brcko District, an information system became operational in April 2021, thus creating the preconditions for establishing of the One-Stop-Shop system for electronic registration of business entities and entrepreneurs, which will significantly contribute to the development of the private sector and strengthen the competitiveness.

The Institute of Metrology of BiH is a full-fledged member of the European Association of National Metrology Institutes (EURAMET), and in 2021 it actively participated in scientific- research projects intended to improve the expertise, development and standardization of the new measurement models, and to improve the science and research in the domain of metrology. In addition, the implementation of bilateral projects with development partners continued in Bosnia and Herzegovina on improving the capacity of laboratories of the BiH Institute of Metrology. The Institute of Metrology has continued to improve its competencies and publishing of calibration and measurement capabilities (CMC) for national standards in the International Bureau of Weights and Measures (BIPM) in the international Key Comparison Database (KCDB) and the Institute has so far published 82 calibration and measurement capacities in the fields of mass, pressure, temperature, humidity, electrical quantities, time and frequency, chemistry, volume and flow.

The Law on Metrology of BiH, the Law on Official Time of BiH and a number of by-law acts are in the process of adoption. The adoption of these laws will harmonize the field of metrology with the EU legislation and best European practices. Also, the development of the Strategy for Quality Infrastructure of BiH was initiated, whose adoption is one of the conditions for Bosnia and Herzegovina to be the beneficiary of the IPA II program.

In the field of information and communication technologies, the strategic commitments of all levels of government in Bosnia and Herzegovina referred to the support for development of scientific-teaching and scientific-research infrastructure (technical modernization, equipping and reconstruction of scientific-teaching, scientific-research and higher education institutions), however insufficient budgetary resources are still allocated for these purposes. The Covid-19 virus pandemic highlighted the importance of the development of information and communication technologies, which is why the authorities in Bosnia and Herzegovina in 2021 continued their activities on digital transformation and infrastructure improvement.

In mid-March 2021, the fifth meeting was held of the Subcommittee on Innovation, Information Society and Social Policy between Bosnia and Herzegovina and the European Union. Representatives of the European Commission positively assessed the participation of Bosnia and Herzegovina in the

Horizon 2020 Program (EU program for research and innovation) and invited the competent institutions in BiH to develop and adopt a Smart Specialization Strategy. In addition, Bosnia and Herzegovina is invited to adopt the Law on Electronic Identification and Trust Services for Electronic Transactions aligned with the *acquis*, as well as the Law on Electronic Communications and Electronic Media. The importance of drafting and adopting of the Cyber Security Strategy of BiH and the Strategy for Broadband Network Access of BiH was also emphasized.

In 2021, the Communications Regulatory Agency of BiH continued its activities on harmonization of the regulatory framework with the current European directives and best practices in the field of telecommunications. In September 2021, the International Telecommunication Union (ITU) launched the project "Favourable Environment for Broadband Access Mapping in Bosnia and Herzegovina", which aims to develop the broadband access mapping system as a necessary tool to implement the regulatory framework that encourages investments in development of high speed electronic communications networks.

The Council of Ministers of BiH, at its 38th session held on May 26th, 2021, adopted a Decision on the appointment of the Interdepartmental Working Group for Interoperability of Bosnia and Herzegovina, consisting of representatives from BiH institutions, entities and Brcko District. The basic goal for establishing this advisory body of the Council of Ministers of BiH is to improve the level of e-government development in Bosnia and Herzegovina and the level of digitalization in BiH institutions, in order to enable faster and easier delivery of services to citizens and businesses.

In September 2021, the implementation of the *EU4DigitalSME* project began, which aims to create a stimulating environment for small and medium enterprises in the process of digital transformation and strengthening competitiveness in local and international markets. The program is based on three pillars of activities that will help SMEs to invest in digitalization of their business, along with other investments for improvement of productivity, operational efficiency and resilience.

The tourism sector is one of the fastest growing industry of Bosnia and Herzegovina's economy, and in 2021 it showed signs of recovery after the 2020 pandemic. In the tourism sector, it is necessary to make additional efforts to create the stimulating environment for tourism development and create a tourism product and a tourism offer, which will contribute to better promotion of Bosnia and Herzegovina as a tourist destination at the regional and the international level.

In order to reduce the negative consequences caused by the Covid-19 pandemic, in 2021 USAID continued the implementation of the project "Development of Sustainable Tourism in Bosnia and Herzegovina", which aims to support the tourism industry of Bosnia and Herzegovina and set it on a strong growth trajectory towards the sustainable tourism industry.

In Republika Srpska, Strategy for Tourism Development in the RS 2021-2027 was adopted during 2021, thus improving the legal and the regulatory framework in the tourism sector and creating stimulating environment for development of the tourism infrastructure and developing of the new tourism products. The Strategy places special emphasis on the development of rural and nature-related tourism, as well as the mountain and spa tourism development projects, which will contribute to increasing of the tourist traffic and increased employment in this sector.

In the Federation of BiH, activities were undertaken during 2021 on drafting of the Strategy for Tourism Development in the Federation of BiH as well as the Law on Tourism of the Federation of BiH,

the Law on Tourist Tax in the Federation of BiH and the Law on Hospitality Industry in the Federation of BiH, in order to raise the quality of services in pursuit of tourism and hospitality activities and steering of the long-term development of tourism.

Investments of DCF members in 2021

DCF members active in the Competitiveness and innovation sector in 2021 are EBRD, EIB, USA/USAID, Switzerland, EU, Germany, Sweden, Czech Republic, UN, Norway, Hungary, Italy/AICS, Croatia and The World Bank.

Total allocations of DCF members to the Sector in 2021 amounted to € 137.62 million, out of which € 29.72 million in the form of grants and € 107.90 million in the form of loans.

Total disbursements of DCF members to the Sector in 2021 amounted to € 90.96 million, out of which € 26.63 million in the form of grants and € 64.33 million in the form of loans.

Figure 6.1. compares grants allocated and disbursed grant funds per development partners, according to the amount of invested funds as well as allocated and disbursed loan funds.

Development partners who allocated i.e. disbursed largest grant funds to the Sector in 2021 were USA/USAID, Switzerland and EU.

Figure 6.1. Allocated and disbursed grant funds per development partners in 2021

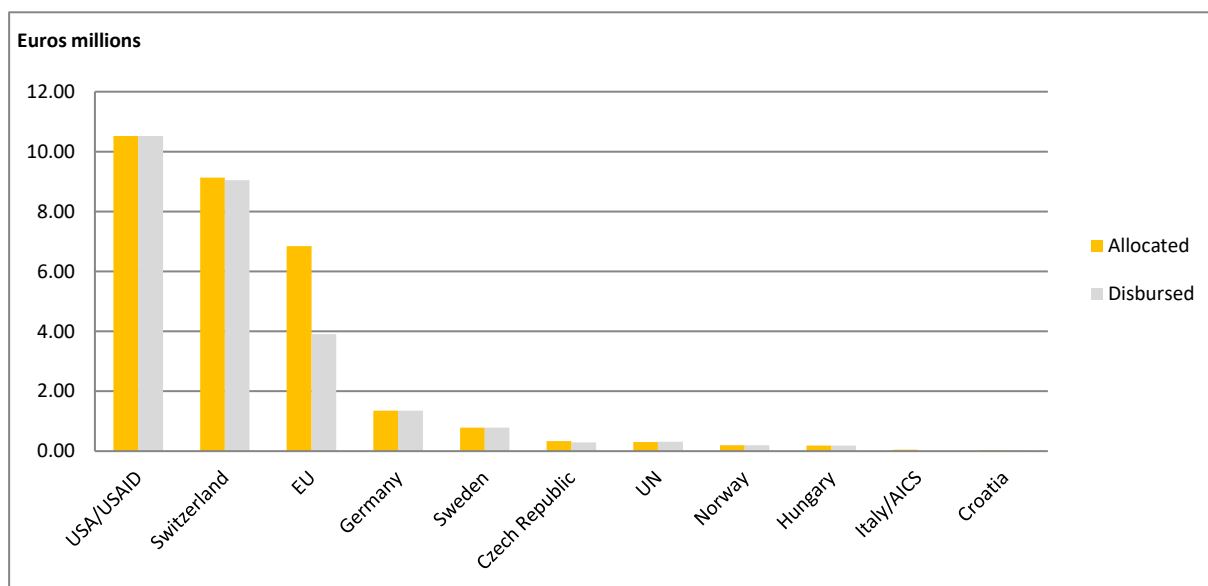
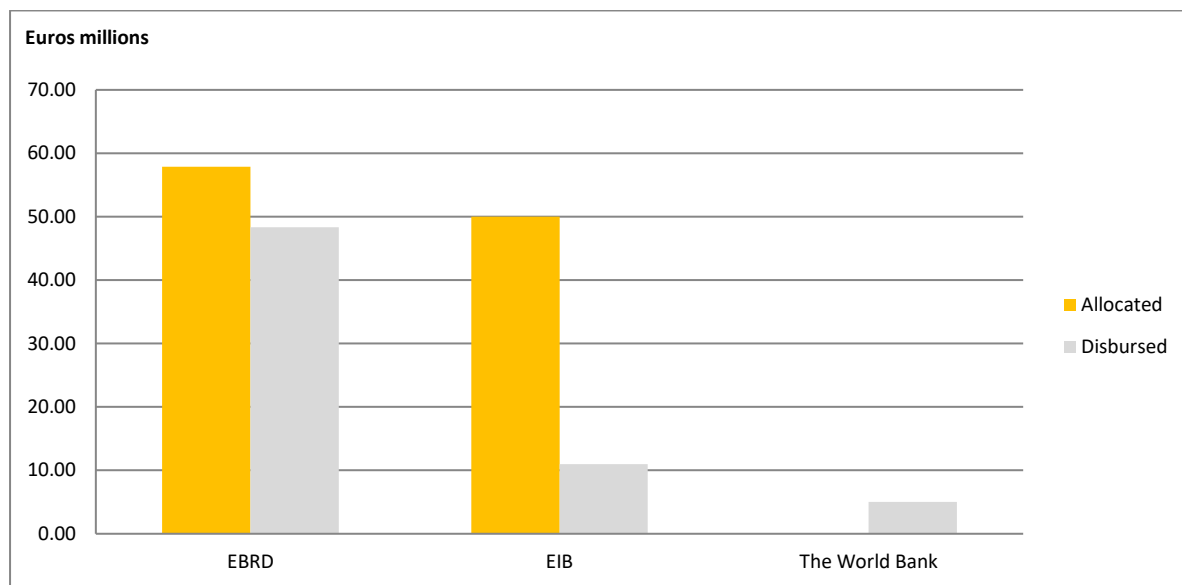


Figure 6.2. presents allocated and disbursed loans funds in 2021

Figure 6.2. Allocated and disbursed loans per creditors in 2021



Competitiveness and innovation sector consists of 6 sub-sectors. Figure 6.3. presents the structure of total allocated funds per sub-sectors. Out of total allocated funds in 2021, 87.3% was allocated to Private sector development, while the remaining 12.7% funds were allocated in other sub-sectors. Sub-sectors that did not have funding are not presented in the chart.

Figure 6.3. Total allocated funds per sub-sectors in 2021

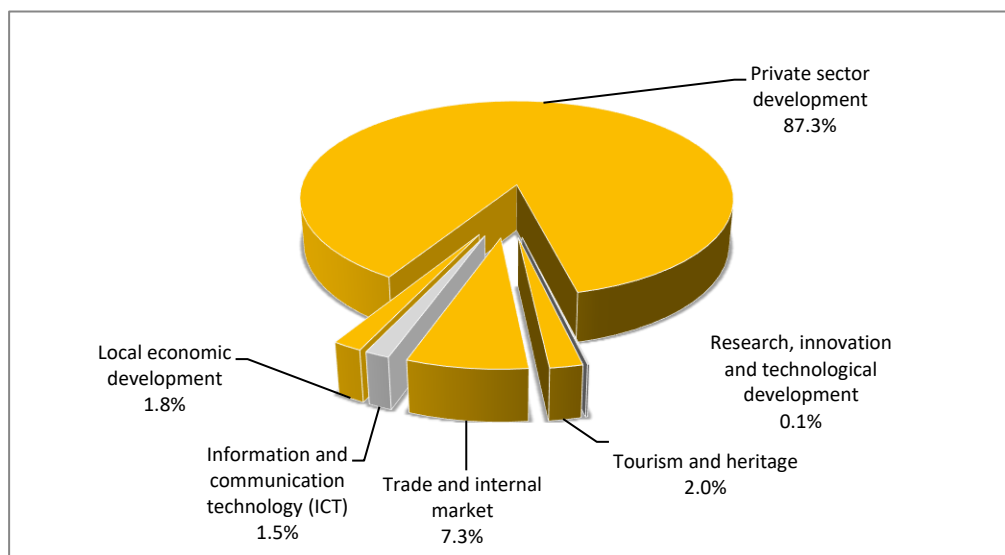
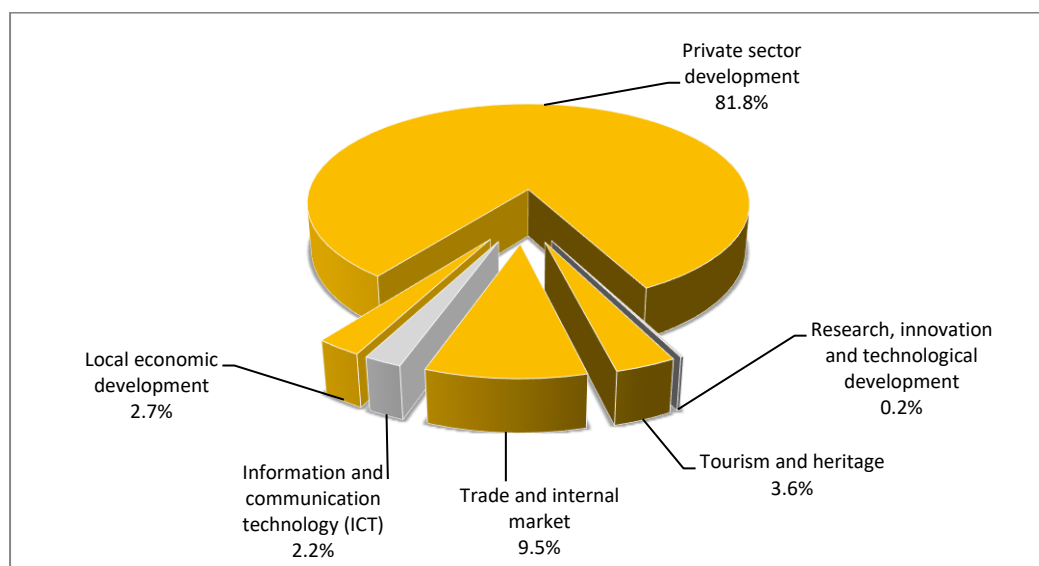


Figure 6.4. presents the structure of total disbursed funds in 2021 per sub-sectors. Out of total disbursed funds in 2021, 81.8% was disbursed to Private sector development, while the remaining 18.2% of funds were allocated in other sub-sectors. Sub-sectors that did not have funding are not presented in the chart.

Figure 6.4. Total disbursed funds per sub-sectors in 2021



Ten major projects in the sector that allocated or disbursed funds in 2021, are listed below:

PROJECT TITLE	Development partner	Total project value (EUR mil)
RLBH LOAN FOR SMES, MIDCAPS & PRIORITY PROJECTS II	EIB	80.00
UBBL COVID19 RESPONSE FOR SMES & MIDCAPS LOAN	EIB	75.00
BiH Firm Recovery and Support Project	The World Bank	53.45
Programme for Local Self-Government and Economic Development (EU 4 Business, Innovation and Digitalization in SMEs in BiH)	Germany	22.91
USAID's Developing Sustainable Tourism in Bosnia and Herzegovina	USA/USAID	19.24
Local development strategies	EU	15.00
Mid Europa Fund V	EBRD	12.00
Municipal Environmental and Economic Governance MEG project	Switzerland, UN	11.62
SECO support	Switzerland	11.60
DFF - Bingo	EBRD	10.00

All projects are available in the Development Partners Coordination Forum Database, via the following link:

<http://dmd.donormapping.ba/dmd/faces/dmdPublicStart>

Future activities

In view of all the above, it is necessary to continue to make the additional efforts in the development of a functioning market economy, as a condition for strengthening the competitiveness of the economy of Bosnia and Herzegovina in the regional and the world contexts. Particular attention should be focused to the implementation of the structural reforms, in order to achieve better cooperation between the public, private sector and the civil society, as one of the key prerequisites for the economic growth and much-desired employment growth. Thereby, the focus should be on the integrated local economic development, particularly in the domain of export-oriented manufacturing sector, tourism and the agro-rural sector. Based on the responses of BiH Institutions from all levels of government and DCF members, which participated in the preparation of this Report as well as the recommendations of the European Commission, further efforts should be made in the following period:

- continue activities on trade liberalization within the CEFTA Agreement and finalize the negotiations for Bosnia and Herzegovina's accession to the World Trade Organization (WTO);
- increase industrial competitiveness with development of small and medium enterprises through activities for adoption and implementation of the Strategic Guidelines for harmonization of the support for development of small and medium enterprises and entrepreneurship in BiH for the period 2021-2027;
- adopt the amendments to the BiH Competition Law and associated by-law acts in order to harmonize this area as much as possible with the relevant European directives;
- simplify and harmonize the registration of business entities in both entities in order to reduce the administrative burden of entrepreneurs through the One-Stop-Shop system;
- adopt the Law on Electronic Identification and Trust Services for Electronic Transactions of BiH and undertake activities on implementation of electronic signature and electronic administration at all levels of government in BiH;
- complete the second phase of transition to digital broadcasting and adopt the Strategy for Broadband Access of BiH;
- continue activities to improve the laboratory capacity of the Institute of Metrology of BiH;
- adopt the new Law on Posts of BiH in line with the European *acquis* and the Universal Postal Union, which will contribute to the improvement of the postal traffic market in Bosnia and Herzegovina;
- draft and adopt the Strategy for Tourism Development in the Federation of BiH, the Law on Tourism of the Federation of BiH, the Law on Tourist Tax of the Federation of BiH and the Law on Hospitality Industry of the Federation of BiH.