



BUSINESS SURVEY IN BiH

Partnering for Excellence in Evaluation and Research (PEER), A USAID-funded Monitoring and Evaluation Support Services II Grant Under Contract

Center of Excellence for Evaluation and Policy Research

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**School of Economics
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**The Center of Excellence
for Evaluation and Policy Research**



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LIST OF ABBREVIATIONS

AIR	American Institutes for Research
BD	Brčko District
BiH	Bosnia and Herzegovina
CoE	Center of Excellence for Evaluation and Policy Research
EU	European Union
FBiH	Federation of Bosnia and Herzegovina
PEER	Partnering for Excellence in Evaluation and Research
RS	Republika Srpska
SEBS	School of Economics and Business, University of Sarajevo
SPSS	Statistical Package for the Social Sciences
USAID	United States Agency for International Development

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In 2022, the United States Agency for International Development’s Bosnia and Herzegovina Mission (USAID/BiH) commissioned the American Institutes for Research® (AIR®) and the Monitoring and Evaluation Support Activity II (MEASURE II) to commission the Partnering for Excellence in Evaluation and Research (PEER) Grant Under Contract. PEER subsequently conducted the first comprehensive Business Survey in Bosnia and Herzegovina under this grant.

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EXECUTIVE SUMMARY

Business Survey 2022, conducted in Bosnia and Herzegovina (BiH), explores companies' perceptions and experiences of a wide range of factors, including: the political and legal environment, business support policies, doing business and the business environment, macroeconomic analysis, foreign investments, export orientation, fiscal and parafiscal charges and burdens, sources of and access to finance, anti-corruption measures, and the labor market. The survey also captured the perceptions of required skills and employment practices, migration and the diaspora, e-commerce, and digital skills. The survey was conducted on a nationally representative sample of BiH companies between June 29 and November 22, 2022. During this period, the Custom Concept Agency conducted 870 face-to-face, telephone, and online surveys with BiH companies across the country, covering 93 municipalities in the Federation of Bosnia and Herzegovina (FBiH) and Republika Srpska (RS) as well as Brčko District (BD). The major topics and corresponding findings are outlined below.

Business Survey 2022 was carried out as part of the Center of Excellence for Evaluation and Policy Research's (CoE) work to build a foundation of evidence-based data to help inform the decisions of policy makers vis-à-vis BiH's business environment. The overall objective of this survey was to assess the business environment and ease of doing business for enterprises across BiH. Findings from this survey will be used to inform the creation of economic and social policies for employment, taxation, education, and training and other relevant and connected policies within BiH. This survey will be an important element in the decision-making process for all stakeholders, including the public sector, the business community, and academia.

The survey was conducted on a representative sample of companies (registered as LLCs/*d.o.o.*) from across BiH. Within the sample frame, the FBiH, RS, and BD were proportionally represented, based on the number of companies registered in those administrative areas. The hoped-for sample size was 1,000 companies. A link to the questionnaire, along with an invitation e-mail, was sent to 37,112 company e-mail addresses. The survey was conducted between August and November 2022. For various reasons, response rates were low, and by the end of fieldwork, 870 companies had been surveyed. With 870 companies surveyed instead of 1,000, the margin of error increased from +/- 3.1 percent to +/- 3.3 percent. One solution to this issue might have been to include trades and crafts in the sample, because it was expected that owners in these industries are more available and inclined to take the time needed to fill out the questionnaire. However, this would have had a negative impact on the quality of the data and the results obtained because the questionnaire was too sophisticated in relation to the types of activities these entities are engaged in and the profile of their management, and would have prevented the draft report from being ready by the November 30 deadline.

POLITICAL AND LEGAL ENVIRONMENT

Thirty-four percent of the companies evaluated by the survey believe that there are serious deficiencies in economic and pro-business policymaking in BiH, and 30 percent believe that the policies are inconsistent with sustained stability. Along the same lines, the efficiency of institutional support for business development is seen by 36 percent of businesses as "very weak" and "not independent" (22 percent) or as being "moderate but subject to strong political pressure" (25 percent). According to the survey results, the most important perceived obstacles to successfully managing a business are

corruption (60 percent), followed by tax regulation (49 percent), inspections (39 percent), political pressure (25 percent), and lack of adequate infrastructure (21 percent). The experience of companies over the previous five years indicates the presence of numerous factors that negatively affected their business: a thriving gray economy (83 percent), taxes and salary contributions (81 percent), governance and political (in)stability (79 percent), other compulsory (quasi-fiscal) charges (78 percent), and abuse of dominant position within the sector and unfair commercial practices (77 percent).

BUSINESS SUPPORT POLICIES – DOING BUSINESS AND THE BUSINESS ENVIRONMENT

Businesses in BiH lack comprehensive support systems that would ease their daily activities and improve both national and international competitiveness. More than a half of companies (51 percent) agree that distortions in BiH's business environment are the result of lobbying of government or political influence over policymaking by special interest groups. Forty-seven percent agree that the long and inefficient processes of starting a business discourage entrepreneurial activities and negatively affect business development in general. At the same time, around two-thirds of companies (66 percent) disagree with the statement that the government promotes a value chain approach and thus strengthens relationships between buyers, sellers, suppliers, service providers, and regulatory institutions. Sixty-four percent also disagree with the statement that the government implements relevant and effective technology transfer policies, and 66 percent disagree that the government provides incentives for interfirm relationships and networking.

MACROECONOMIC ISSUES

The macroeconomic environment is important for doing business but also for attracting foreign investments. Most companies stated that several factors affect their competitiveness either negatively or very negatively. Companies were most likely (72 percent) to say that the general economic situation in the country and general distrust in the state and public institutions (64 percent) negatively or very negatively affects their competitiveness. They were slightly less likely (58 percent) to say the same of availability of qualified staff or experienced managers, investment politics (55 percent), and labor costs (54 percent). Sixty-five percent of companies stated that in order to grow, they require government support for infrastructure and equipment, fixed assets, and support for start-up companies and access to finance in general.

Data on the trends of respondents' overall business results indicate that half of the companies surveyed saw an increase or decrease in their overall business results. Expectations regarding the economic situation in BiH in the next 12 months tended to be negative: only one in five companies surveyed believes that the economic situation in BiH will improve, whereas almost half of companies expect that the economic situation will worsen to some extent.

FOREIGN INVESTMENT AND EXPORT ORIENTATION

The European Union (EU) is the most important investor in BiH and is the largest foreign market for BiH companies to export to internationally. Four in ten companies (41 percent) made investments in the previous 12 months and almost the same percentage (42 percent) plan to invest in the next 12 months. In most cases (93 percent), these investments were made in-country and 90 percent of future investments will also be made in the country. In the same time period, 39 percent of companies imported and 30 percent exported goods or services. Most (47 percent) of last year's imports came from the EU, whereas the majority of goods and services (30 percent) are exported primarily to the EU market. Therefore, the EU remains the most important business partner for BiH.

However, it is evident that significant challenges in accessing the EU market exist. Companies that export goods and services list the following main obstacles: excessive bureaucracy and paperwork (36 percent); complicated administrative procedures (30 percent); and slow import-export procedures (27 percent). At the same time, they provided a generally negative assessment of each of the government's support measures for export and/or foreign investments. For instance, only 3 percent of companies believe that the quality of the government's financial support to exporters and the quality of government export promotion policies and initiatives are "good" and "very good," whereas only 4 percent believe the same of tax effects on foreign investments.

The companies surveyed have a more positive view of the (potential) competitiveness of their products and services on the EU market than they do of the competitiveness of BiH companies in general. Specifically, 57 percent of the companies agree with the statement: *"My company's products, goods and services can compete well with products, goods and services from other EU countries."* Meanwhile, only 14 percent disagree with the statement: *"Companies in our country are generally lacking export competitiveness."*

FISCAL AND PARAFISCAL CHARGES AND BURDENS

Companies identified several fiscal and parafiscal charges and burdens as impediments to business operations. Almost half the companies (45 percent) stated that they perceive both their compulsory social security contribution and employers' fiscal burden as major obstacles to business growth. Nearly as many, 43 percent, likewise believe that local and national taxes, environmental taxes, municipal taxes, land development fees, water fees, and administrative fees impede business operations. Road charges, excise tax, and chambers' membership fees are less broadly perceived as burdensome, but these costs are still seen as either high or very high impediments to business operations by 31 percent (road charges), 27 percent (excise tax), and 25 percent (chambers' fees) of companies.

SOURCES AND ACCESS TO FINANCE

The degree to which the availability and affordability of funding sources encourage business in BiH is perceived as "moderate" by 39 percent of companies and as "low" or "very low" by 43 percent. Consequently, internal funds/retained earnings are the most commonly used source of financing. They were used by 55 percent of companies in the previous five years, whereas an additional 40 percent relied on equity. Nevertheless, almost a third of companies (31 percent) had applied for a bank loan in the previous 12 months. Sixty-one percent of them view the loan application procedure as either "complicated" and/or "very complicated," whereas 37 percent see it as "simple" and/or "very simple." A majority of companies (86 percent) that applied for a bank loan had the loan approved within a different time frame, although approval periods could vary considerably. Twenty-four percent of companies waited up to seven days for loan approval, whereas an almost equal percentage (23 percent) waited over 21 days. If the company's application was rejected, the most common reason was a perceived lack of profitability (29 percent) and lack of acceptable collateral (21 percent). Beyond this, eight in ten companies use online banking services (79 percent) for their daily business needs, and a majority of this group of respondents (49 percent) are "mostly" and/or "completely" satisfied with these services.

ANTI-CORRUPTION

Six in ten (60 percent) of the companies surveyed believe that giving gifts, money, or favors to public administration officials or employees is considered normal behavior in BiH. The same percentage of companies reported that these practices present either a serious or moderate problem, and more than half (57 percent) believe that corruption is widespread in public procurement, in the judiciary (48 percent), and in the process of obtaining permits for exploitation of natural resources (47 percent). Additionally, 72 percent of companies do not believe that public officials in BiH who violate the law are usually identified and prosecuted. As a result, 11 percent of companies stated that they are considering moving abroad because of the systemic corruption in BiH society.

Very few companies (6 percent) said that they have undertaken some anti-corruption activity during the previous 12 months, but 71 percent of companies identified the fight against organized crime and corruption as one of three recommendations to be tackled by the international community in BiH, together with support for economic and business development (68 percent) and better control of public spending (43 percent).

LABOR MARKET, SKILLS NEEDS, AND EMPLOYMENT PRACTICES

Most companies (56 percent) stated that, in the previous 12 months, the number of their employees remained the same. The remaining companies were slightly more likely to add than to shed employees (21 percent versus 18 percent). However, expectations linked to the number of employees in the next 12 months are more positive, with 30 percent of companies expecting to add to their staff, and only 10 percent expecting to cut jobs.

The availability and quality of foreign labor were assessed negatively when compared to domestic labor. Availability of trained foreign labor is considered to be “very low” or “low” by the majority (68 percent) of BiH companies, whereas a similar amount (61 percent) of companies said the same of domestic labor. Employing foreign citizens is a “highly urgent issue” for only 9 percent of those surveyed and a “medium-urgent” issue for 16 percent. In contrast, over half (58 percent) of respondents do not look for foreign nationals when hiring. Companies that do tend to look for foreign workers look for those who have completed secondary school (69 percent) and for those who have completed higher education (32 percent).

Nearly one company in three stated that their employees have all the skills required for their jobs (29 percent). Almost the same number stated that their employees currently lack specialist skills or knowledge (27 percent). Employees were identified as lacking: foreign language skills (20 percent of surveyed companies), problem-solving skills (19 percent), and soft skills (17 percent). In an attempt to address skill gaps among their existing staff, companies were most likely to increase supervision of staff and increase training activities, including increased spending on trainings (21 percent each).

When it comes to the assessment of current labor laws and regulations, 54 percent of companies tend to agree or completely agree that wage regulations should be set according to sector-specific criteria, and 41 percent of companies consider wage regulations too strict and see them as an impediment to business development and the creation of new jobs. In general, the most common (53 percent)

employee recruitment method is the recommendations of friends and colleagues. When it comes to integrating minorities in the labor market, it is important to assess the Roma population as one of the most significant minorities in BiH society.¹ Members of the Roma population and other minority groups are most likely to be discriminated against when it comes to employment.

MIGRATION AND DIASPORA

Most companies (41 percent) said that fewer than 5 percent of their employees had left the company to go abroad. The reasons given for leaving BiH are: better employment opportunities abroad (35 percent), lack of domestic economic prosperity (35 percent), and political instability within the country (30 percent).

In one out of every four companies (23 percent), owners or senior managers have spent time living and working abroad as members of the diaspora. These companies are significantly more likely to have established cooperation and collaboration with other companies owned by the BiH diaspora: 44 percent compared to 15 percent in the case of owners/senior managers who lack experience of living and working abroad. In half of these cases, this cooperation was related to export and networking, followed by joint investments (20 percent) and joint projects (16 percent). At the same time, over half the companies (52 percent) see potential for their company in cooperation and collaboration with the diaspora.

E-COMMERCE

More than half (57 percent) of the companies surveyed have a website, and 13 percent a web shop. Two-thirds of companies (65 percent) have a website/web shop that is optimized for mobile phones, and one out of every fourteen companies has its own mobile application (7 percent), with larger companies being more likely to have one. Sixty-nine percent of companies that have a web shop also offer the option of online payment. When it comes to the presence of companies on social networks, 52 percent of companies have an active profile on Facebook, 32 percent on Instagram, and 16 percent on LinkedIn. Sixty-three percent of companies believe that e-commerce will grow globally as a commercial channel in the future, whereas nearly as many (58 percent) believe that the same will be the case in BiH, specifically. Currently, over half (55 percent) of the companies that have a website/web shop consider it either “very” or “moderately” important as a sales channel.

BiH companies still have not recognized the need for e-commerce and the potential it brings to their business development. Most companies that do not have a website (69 percent) stated that it was because they do not have a need for it. Sixty-six percent of companies that do not have a web shop stated that they have not considered introducing online services (in most instances because this is not relevant to their business/sector), whereas companies that considered but decided against introducing web-based services mentioned a number of reasons for deciding against it, including: uncertainty about the benefits of web-based services; the perceived complexities of maintenance; perceived high costs; and uncertainty about the ability of the company to provide a web shop. Companies that do not offer

¹ According to official estimates, there are between 25,000 and 50,000 Roma people in Bosnia and Herzegovina. They are recognized as the largest, most neglected, and most vulnerable minority in the country (UNICEF, BiH).

online payment options (35 percent) were most likely to say that they have no need for this, or that the service is too costly (19 percent).

Companies also stated that the three biggest security threats to their protected information or intellectual property are malicious software programs, including viruses and worms (35 percent), internal dangers and risks (22 percent), and botnets (19 percent).

DIGITAL SKILLS

Nine percent of companies stated that candidates applying for a position in their company lack the necessary digital skills. Half of the companies (51 percent) said that they expect that their employees possess basic digital skills. For three out of every ten companies, advanced digital skills are also important, whereas 22 percent said the same of specialized digital skills.

1. INTRODUCTION

This project was carried out in alignment with the Foreign Aid Transparency and Accountability Law of 2016. It was delivered with the support of USAID, which is committed to the implementation of rigorous monitoring, evaluation, and learning (MEL) activities as a critical component of achieving progress toward the Agency’s development goals. USAID in Bosnia and Herzegovina (USAID/BiH) is further committed to fostering a results-oriented culture and continuing efforts to strengthen the Mission’s MEL systems, including the MEL capacity of the Mission’s implementing partners.

Funding for the report was delivered as part of MEASURE II (Monitoring and Evaluation Support Activity II). This is a follow-on activity and extension of the USAID-funded Monitoring and Evaluation Support Activity in Bosnia and Herzegovina (MEASURE-BiH) implemented by IMPAQ International from September 2014 to September 2019. In 2021, MEASURE II launched a grants program that helps USAID/BiH place local systems at the heart of the achievement of sustainable, resilient results and strengthen commitment and capacity for MEL in BiH. The grant aims to strengthen the capacity of under-utilized local institutions with deep roots in BiH that can deliver high-quality evaluations and public policy research. The School of Economics and Business at the University of Sarajevo was selected to partner in MEASURE II and received the **Partnering for Excellence in Evaluation and Research (PEER)** grant in March of 2021. Following the grant, the School of Economics and Business established the Center of Excellence (CoE) for Evaluation and Policy Research in March 2021. The CoE strives to serve as a centralized training facility and thought leader to support the sustainability of efforts to build research and evaluation capacity and provide monitoring and evaluation services in BiH. Specifically, working closely with experts in social science research and program evaluation from across BiH, the CoE will:

1. Conduct surveys in relevant social and economic policy fields;
2. Conduct data analyses and develop survey reports;
3. Develop conceptual, methodological, and policy models and present them to relevant ministries, employment bureaus, chambers of commerce, and industry leaders;
4. Design and produce policy papers to identify key social and economic issues; and
5. Assist BiH government institutions in designing and conducting rigorous evaluations of programs and initiatives.

Through these activities, the CoE will build close cooperation networks with key stakeholders, academia, and the private and public sectors that will promote collaboration and evidence-based decision-making at all government levels in BiH.

This report presents the main findings and conclusions from the survey. The report consists of four chapters. Chapter 1 introduces the survey. Chapter 2 explains the methodology, including the sample

design, survey questionnaire, and data collection procedures. Chapter 3 includes descriptive statistics and the main findings from the survey. Chapter 4 presents conclusions based on the results and findings.

2. METHODOLOGY

2.1. ABOUT THE SURVEY

Business Survey 2022 explores companies' perceptions and experiences related to 13 thematic areas:

- Information about the company
- Political and legal environment
- Business support policies – doing business and business environment
- Macroeconomic analysis
- Foreign investments
- Export orientation
- Fiscal and parafiscal charges and burdens
- Sources and access to finance
- Anti-corruption
- Labor market
- Required skills and employment practices
- Migration and diaspora
- E-commerce and digital skills

The survey was conducted on a nationally representative sample of BiH companies between June 29 and November 22, 2022. During this period, the School of Economics and Business and its partners conducted 870 face-to-face, telephone, and online surveys with BiH companies across the country, covering 93 municipalities in the Federation of Bosnia and Herzegovina (FBiH) and Republika Srpska (RS) and including Brčko District (BD).² The remainder of this section provides a brief description of each step. The questionnaire consisted of questions based on the Likert scale, multiple choice questions, and where possible, open questions, which were used for explorative purposes.

2.2. SAMPLE DESIGN

The survey was conducted on a representative sample of companies registered as an LLC (*d.o.o.*) from across BiH. Within the sample frame, the FBiH, RS, and BD were proportionally represented based on the number of companies registered in them. The planned sample size was 1,000 companies, with 870 companies of the 37,112 contacted responding to the survey by the end of fieldwork. Considering the sample size ($n=870$) and the total number of companies in BiH ($N=58,169$), the sampling error, with a confidence level of 95 percent, is ± 3.3 percent ($p \leq 0.05$). The research team determined that this level of precision was sufficient and any precision gains by expanding the sample to unregistered firms would be outweighed by the bias introduced by changing the sampling frame. All deviations from the representation of companies by entity and size were adjusted by weighting.

Exhibit 1. Registered companies disaggregated by entity and size, population, and sample distribution

	POPULATION	SAMPLE	SAMPLE (WEIGHTED)
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² Nine companies did not want to say in which municipality their headquarters were.

		N	%	N	%	N	%
Entity	Federation of BiH	39,440	67.8%	607	69.8%	590	67.8%
	Republika Srpska	16,821	28.9%	229	26.3%	251	28.9%
	Brčko District	1,908	3.3%	34	3.9%	29	3.3%
	TOTAL	58,169	100%	870	100%	870	100%
Company size³	Micro (1–9 employees)	28,265	73.9%	573	65.9%	643	73.9%
	Small (10–49 employees)	6,783	17.7%	203	23.3%	154	17.7%
	Medium (50–249 employees)	2,228	5.8%	75	8.6%	51	5.8%
	Large (250+ employees)	381	1.0%	18	2.1%	9	1.0%
	No data	582	1.5%	1	0.1%	13	1.5%
	TOTAL	38,239	100%	870	100%	870	100%

Potential survey participants in face-to-face surveys and computer-assisted telephone interviewing were randomly selected from a complete database of companies in BiH.

2.3. DATA COLLECTION

Data collection was conducted using three methods: online survey, face-to-face survey, and telephone survey. Sixty-one percent of companies were surveyed using the online method. A link to the questionnaire, along with an invitation e-mail, was sent to 37,112 company e-mail addresses in 10 rounds (one round of e-mails takes approximately 4–5 days) between August and November 2022, with breaks in between to avoid saturating company inboxes. From this total number of e-mail addresses, 2,732 proved to be non-existent or the e-mails could not be delivered, whereas 1,105 companies responded with an e-mail stating their refusal to participate in the survey and were deleted from the e-mail database. Data on the number of companies that received an e-mail but did not take any action (applying, filling the questionnaire, or refusing to participate) are not available. Thus, based on available data, the response rate for the online survey was 1.1 percent. A total of 20 interviewers conducted face-to-face interviews. At the beginning, interviewers were given starting points to conduct a transect random sampling strategy for face-to-face surveys. The final response rate for the face-to-face survey was 23 percent. For the rest of the companies, a survey was conducted using computer-assisted telephone interviewing. It took five telephone interviewers seven days to contact 181 companies and reach an appropriate interlocutor (managerial or HR personnel) and conduct a total of 17 surveys. Thus, the response rate for telephone surveying was 9 percent. Due to time inefficiency and a high refusal rate, a decision was made to forego this method. It should be noted that, during the entire period of data collection and with all surveying methods used (respecting all methodological principles and rules), the refusal rate was very high. There were three reasons for this: (a) lack of interest on the part of the companies (not recognizing the benefits of participating in the survey and how the survey results could be applied); (b) unavailability of relevant persons in the company capable of providing the relevant data, and (c) the length and complexity of the questionnaire.

³ Data on the number of companies and their various sizes (active enterprises that submitted financial reports) are from December 31, 2020 and were taken based on data received from the Agency for Statistics of BiH in December 2022.

2.4. DATA PROCESSING AND ANALYSIS

Data management, including data checking, editing, and coding, was completed by Custom Concept's central office staff. Data analysis was conducted in Statistical Package for the Social Sciences (SPSS) 21. Each section of the questionnaire was analyzed separately, following the order of the questions within the questionnaire, thus ensuring consistency. Analyses provide descriptive statistics and cross-tabulations of relevant variables. Weighting of data was conducted by using the Random Iterative Method using company entity and size to ensure representativeness. Weighting was conducted in SPSS 21, with a sample balance of 94.6.

2.5. QUALITY CONTROL

Quality controls were applied during both data collection and data analysis. During the entire period of fieldwork, newly arrived surveys were checked and counted every day for completed and partially completed status, company type of completed survey, and so on. It should be noted that 38 public institutions and 42 trade and crafts businesses completed the questionnaire as well. They were excluded from the database. Monitoring of the interviewers' work was conducted as well. Ten percent of each interviewer's surveys was checked. No systematic irregularities were found.

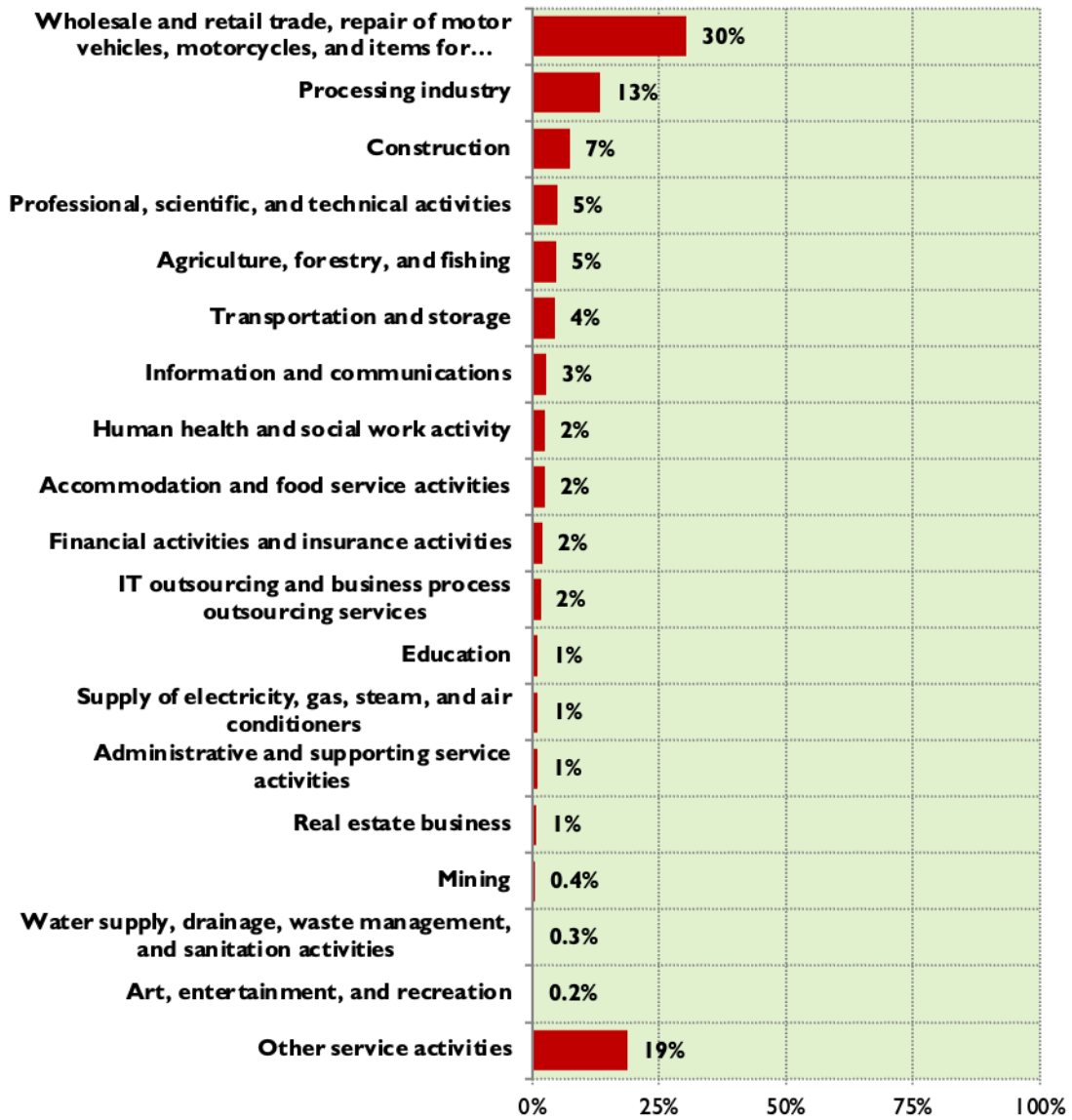
2.6. CHARACTERISTICS OF THE SURVEY SAMPLE

The largest portion (30 percent) of companies in the sample operate in the wholesale and retail trade sector, repair of motor vehicles, motorcycles, and items for personal and household use, and other service activities (19 percent), followed by the processing industry (13 percent) and construction (7 percent). A small percentage of companies operate in other sectors (5 percent or less) (refer to Exhibit 2). If these sectors are grouped in broader categories according to the five main sectors of the economy,⁴ 5 percent operate in the primary sector, 22 percent in the secondary sector, 44 percent in the tertiary sector, and 9 percent in the quaternary, whereas a very small number of businesses (2 percent) are in the quintal sector.⁵

⁴ The five economic sectors are known as the primary sector (raw materials), the secondary sector (manufacturing), the tertiary sector (services), the quaternary sector (information services), and the quintal sector (human services) (Clark, 1940; Kuznets, 1966).

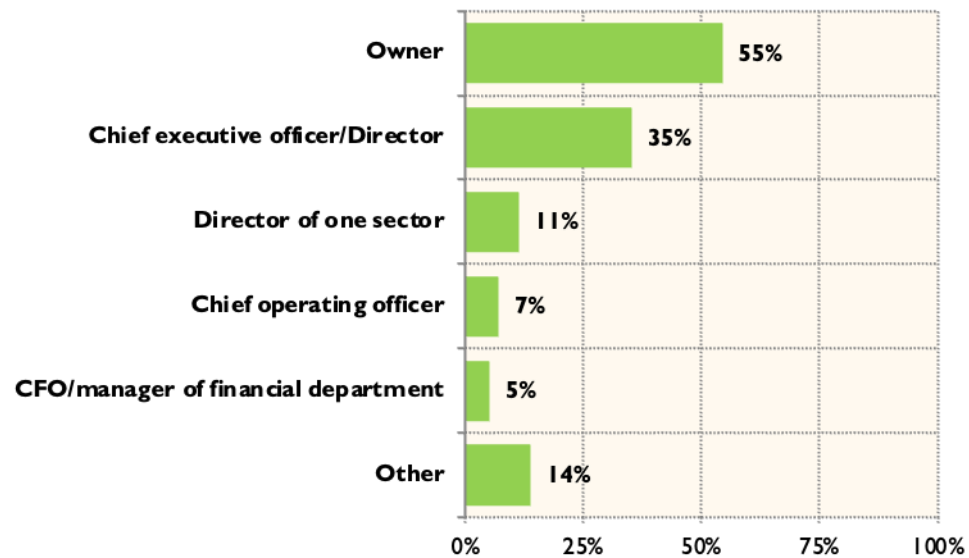
⁵ Companies that operate in the "other service activities" (19 percent) were impossible to categorize using this classification, because they did not specify exactly what they do.

Exhibit 2. Companies disaggregated by the business sector they predominantly operate within



The majority of respondents (62 percent) were company owners and/or directors, whereas other company employees made up a significantly smaller percentage of respondents (refer to Exhibit 3).

Exhibit 3. Respondent's position in the company (possibility of multiple answers)



3. FINDINGS FROM THE BiH NATIONALLY REPRESENTATIVE SAMPLE

This chapter presents the key findings and descriptive statistics derived from *Business Survey 2022* survey data. The findings are organized according to thematic areas of interest. The sections that follow provide a description of companies' attitudes, perceptions, and experience on each topic assessed in the survey. The survey topics are organized into thematic sections and presented in this report as follows:

- Information about the company
- Political and legal environment
- Business support policies – doing business and business environment
- Macroeconomic issues
- Foreign investment and export orientation
- Fiscal and parafiscal charges and burdens
- Sources and access to finance
- Anti-corruption
- Labor market, skill needs, and employment practices
- Migration and diaspora
- E-commerce
- Digital skills

3.1. INFORMATION ABOUT THE COMPANY

The *Business Survey 2022* questionnaire began with questions about the age and gender structure of the company owner(s), management, and employees.

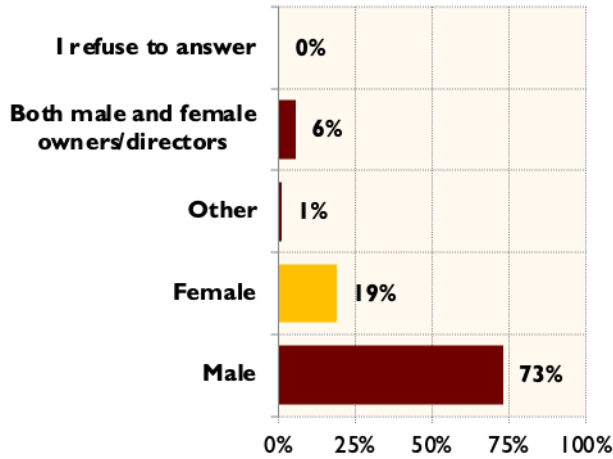
3.1.1. GENDER AND AGE STRUCTURES OF COMPANIES

3.1.1.1. Gender structure

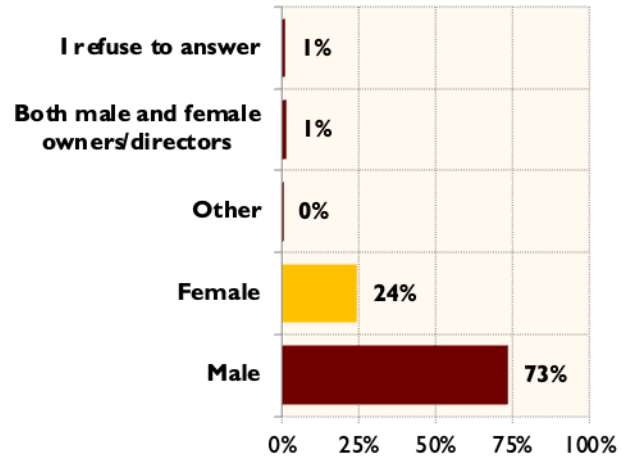
In the majority of the companies surveyed, the owner and the director are male (73 percent). Less than one-fifth of businesses are owned by women (19 percent), whereas slightly more (24 percent) have a female director (refer to Exhibit 4). The management structure of the companies, as well as the structure of employees, reflects this trend—only a quarter of companies (24 percent) have more than 50 percent of women in their management and employee structure.

Exhibit 4. Gender structure of companies⁶

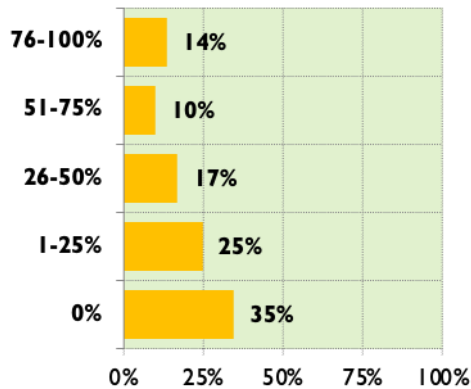
Gender of the owner of the company



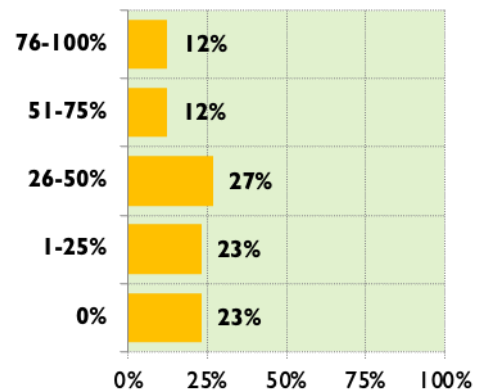
Gender of the director of the company



Percentage of women in the management structure



Percentage of female employees



Thirty-five percent of all surveyed companies do not have any women in their management structures. The smaller the company, the more likely it is to have an all-male management structure. This is true for 40 percent of micro-companies, 26 percent of small-sized, and 9 percent of mid-sized companies. Meanwhile, there are no large companies whose management structure consists exclusively of men. There are no significant differences between the gender structure of company owners and directors from RS and the FBiH, but companies in the FBiH are more likely to not have women in their management structure than those in RS (38 percent of companies from the FBiH versus 27 percent of

⁶ The graphical representation does not include the answers: “I don’t know” (N=3, 0.4 percent) and “I refuse to answer” (N=18, 2.1 percent).

companies from RS), as well as to not have women among their employees (26 percent of companies from the FBIH versus 17 percent of companies from RS) (Data not shown).⁷

3.1.1.2. Age of owner(s)

There are very few young company owners. Only one in ten companies is owned by someone younger than 35, and under 1 percent are owned by someone younger than 25 (0.7 percent). The larger the company, the older the owner(s) tend to be: all micro-companies are owned by persons younger than 25, whereas all large companies are owned by persons older than 35.

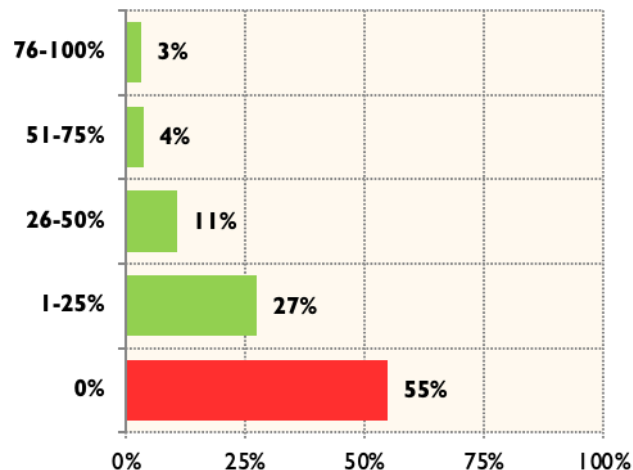
3.1.2. THE OWNERSHIP STRUCTURE OF COMPANIES

The ownership structure of the companies surveyed tends to be private and domestic. This is true for roughly nine in ten companies (88 percent). Meanwhile, 8 percent have a private foreign owner and 2 percent a cooperative ownership structure. Under 1 percent of companies have a public-private ownership structure or are socially and state owned, or have other ownership structures.

3.1.3. SALES OF PRODUCTS/SERVICES TO THE PUBLIC SECTOR

More than half of the surveyed companies do not sell their products/services to the public sector (54 percent) (refer to Exhibit 5). Among those that do, the largest share of companies (27 percent) sell up to 25 percent of their products/services to the public sector, followed by companies that sell 26–50 percent of their products/services to the public sector (11 percent). Less than a tenth of companies (7 percent) sell more than 50 percent of their products/services to the public sector.

Exhibit 5. Percentage of sales of products/services to the public sector



⁷ Only statistically significant differences were listed in the text: those differences for which it can be said with a certainty of 95 percent that they were not obtained randomly, but are the results of a systematic factor (in this case, one of the independent variables on the basis of which analysis was carried out). If a difference was stated in the text that is not statistically significant, this is noted in the text of the report.

Companies from RS are more likely than those in the FBiH to establish sales to the public sector (54 percent of companies from RS versus 43 percent of companies from the FBiH) and are also more likely to sell 26–50 percent of their products/services to public enterprises and local governments than companies from the FBiH (17 percent of companies from RS versus 8 percent of companies from the FBiH) (data not shown).

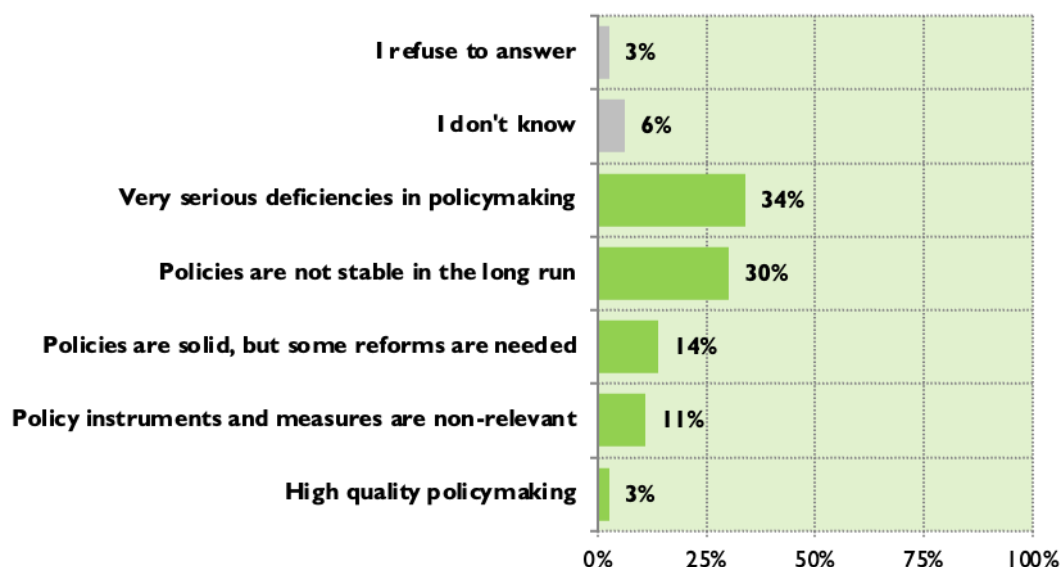
3.2. POLITICAL AND LEGAL ENVIRONMENT

BiH companies were also asked about their perceptions of the quality of economic and pro-business policymaking in BiH; the efficiency of the institutional framework for business development; obstacles to running a business successfully; and the effect of certain factors on their business operations.

3.2.1. ASSESSMENT OF THE QUALITY OF ECONOMIC AND PRO-BUSINESS POLICYMAKING AND ASSESSMENT OF THE EFFICIENCY OF INSTITUTIONAL SUPPORT FOR BUSINESS DEVELOPMENT

The survey asked respondents to assess both the quality of economic and pro-business policymaking in BiH and the efficiency of institutional support for business development. As illustrated in Exhibit 6, almost two-thirds (64 percent) of companies believe that there are very serious deficiencies in policymaking and that policies do not provide sustainable stability to the business sector.

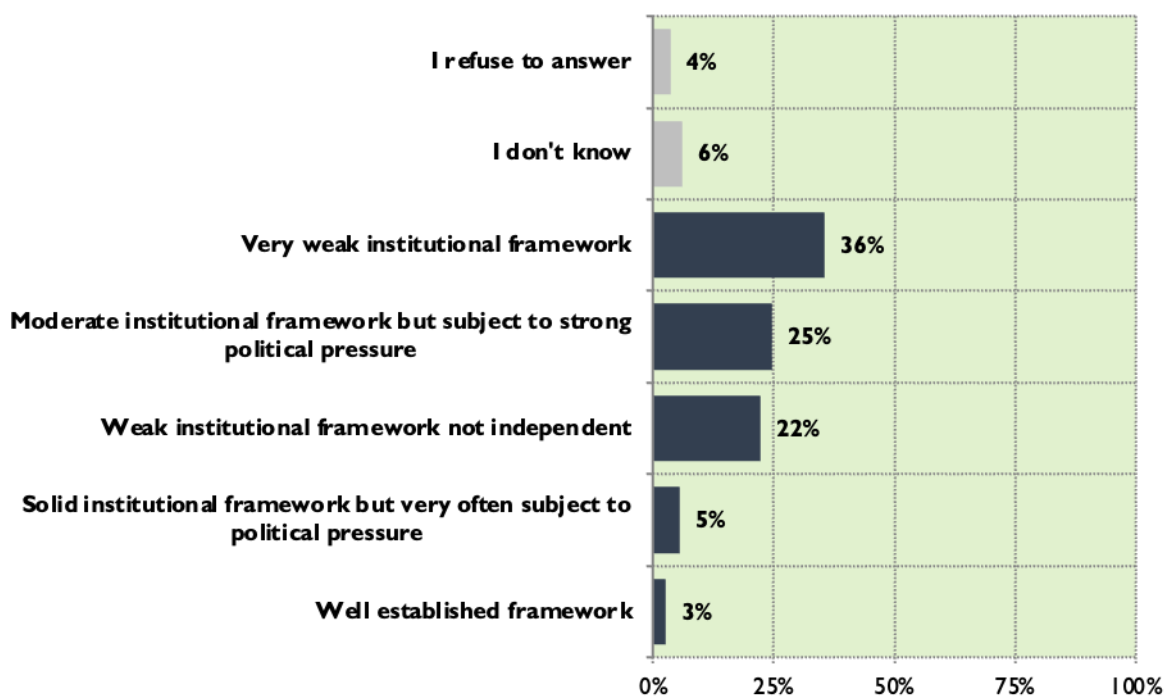
Exhibit 6. Assessment of the quality of economic and pro-business policymaking



Companies from the FBiH tend to have a more negative assessment of the quality of economic and pro-business policymaking than companies from RS. Almost two-fifths of companies from the FBiH, compared to more than one-fifth of companies from RS, believe that there are very serious deficiencies in policymaking (39 percent of companies from the FBiH versus 22 percent of companies from RS) (data not shown).

Thirty-six percent of companies believe that the institutional framework for providing support for business development is “very weak,” whereas just under half of companies (47 percent) believe that it is either “weak” or “moderate” and that it is either “not independent” or, worse, “subject to strong political pressure” (refer to Exhibit 7).

Exhibit 7. Assessment of the efficiency of institutional support for business development

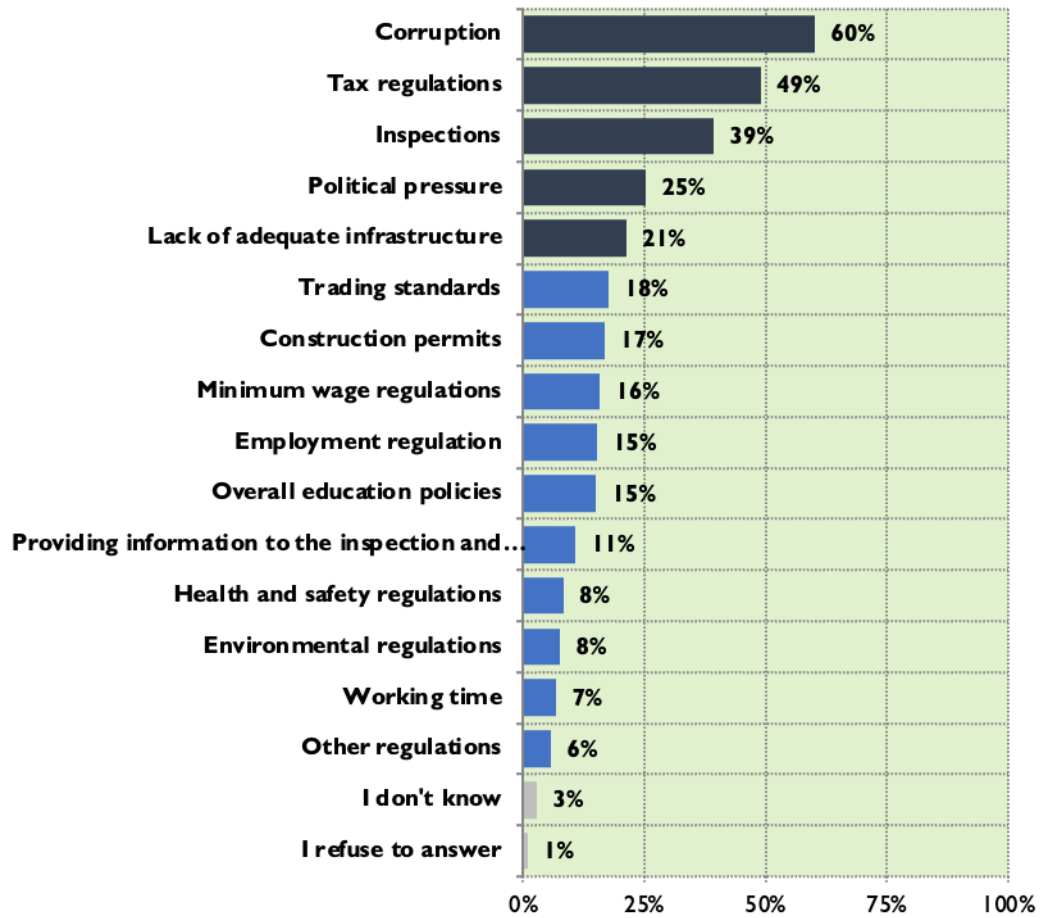


Companies from the FBiH tend to have a more negative assessment of the efficiency of institutional support for business development than companies from RS. Two-fifths of companies from the FBiH, compared to a quarter of companies from RS, believe that the institutional framework is very weak (40 percent of companies from the FBiH versus 25 percent of companies from RS) (data not shown).

3.2.2. OBSTACLES TO SUCCESSFULLY MANAGING A BUSINESS

Sixty percent of companies identified corruption as the biggest challenge/issue they face in successfully managing a business (refer to Exhibit 8). This is followed by tax regulation (49 percent) and inspections (39 percent). Political pressure is the fourth biggest obstacle, highlighted by one in four companies, and lack of adequate infrastructure is the fifth (21 percent).

Exhibit 8. Obstacles to successfully managing a business



Companies from FBiH and RS agree in their assessment of the four biggest obstacles to managing a successful business. However, companies from RS believe that “trading standards” is the fifth biggest obstacle, whereas companies from the FBiH rank “lack of adequate infrastructure” in fifth place and “trading standards” in ninth place (data not shown). The only difference when it comes to companies of different sizes is that the larger the company, the more likely it is to list overall (national) education policies as one of the biggest obstacles to their success (from 11 percent of micro-companies to over 28 percent of small companies, 30 percent of mid-sized companies, and 35 percent of large companies) (data not shown).

3.2.3. ACTORS THAT HAVE A POSITIVE/NEGATIVE EFFECT ON BUSINESS OPERATIONS

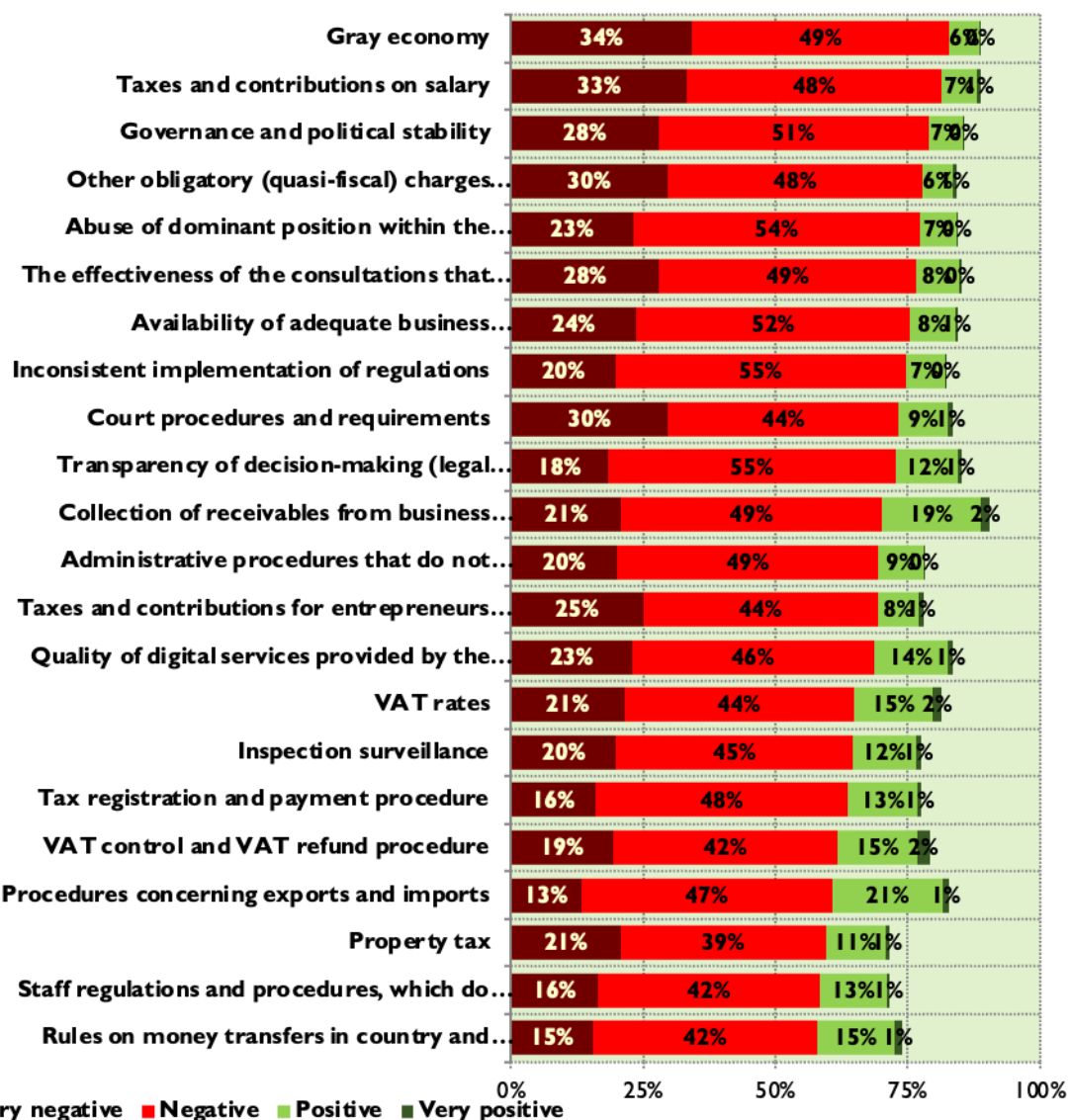
The results indicate that the majority of companies believe that all business environment factors have a negative effect, with only a small number of companies believing that any of these factors have a positive effect on their business. Companies were then asked to assess the effects of a range of general

factors on their business operations on the basis of their experience in the previous five years. They were given a scale of 1 to 5, where 1 is very negative and 5 very positive.⁸

Over eight in ten companies believe that the gray economy, taxes, and salary contributions have a negative effect on their business operations (refer to Exhibit 9); meanwhile, just under 80 percent believe the governance and political stability and other obligatory (quasi-fiscal) charges (communal tax, etc.) have a negative effect on their business operations. They felt similarly about the abuse of dominant positions within the sector and unfair commercial practices; the effectiveness of the consultations the public administration performs with the private sector when adopting new laws; regulations and policies relevant to companies and their operations; the availability of adequate business development services provided by the public administration; and inconsistent implementation of regulations. Factors that are slightly better rated in relation to their effect on companies' business are the procedures concerning exports and imports and collection of receivables from business partners, although only one in five companies share this opinion (22 percent and 21 percent, respectively).

⁸ Questions taken from Annual Business Survey administered in Serbia by the USAID/Serbia Cooperation for Growth Activity.

Exhibit 9. Assessment of the effect of general factors on companies' business operations



Note: "No effect on business operation of my enterprise" answers are excluded from the exhibit, and "No answer" is not shown in the exhibit.

3.3. BUSINESS SUPPORT POLICIES – DOING BUSINESS AND THE BUSINESS ENVIRONMENT

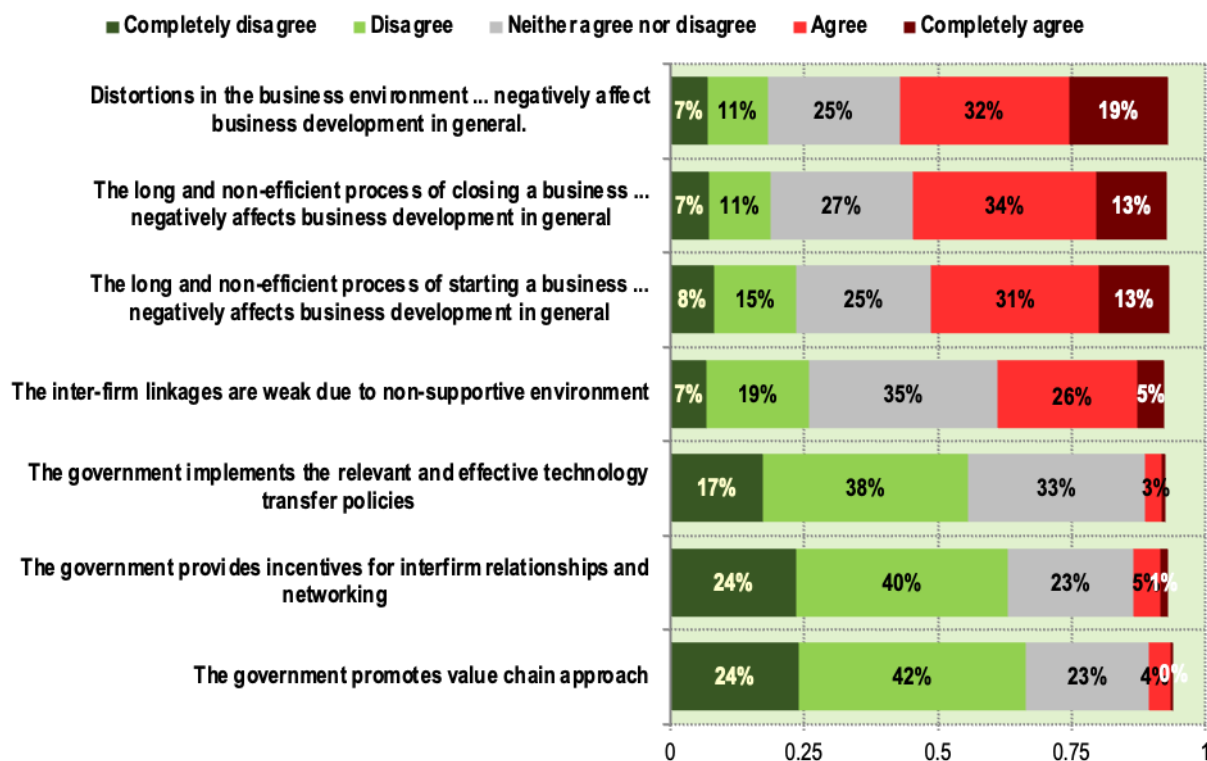
This section shows the results obtained when BiH companies were asked about their experience with various business support policies, and about the trend of their overall business results and expectations regarding the economic situation in BiH.

3.3.1. ASSESSMENT OF GOVERNMENT BUSINESS SUPPORT POLICIES

About half the companies (51 percent) agree that distortions in the business environment arise from special interest groups' lobbying of government or political influence over policymaking. Forty-seven percent agree that the long and non-efficient processes of starting a business discourage

entrepreneurial activities and negatively affect business development in general. Around two-thirds of companies (66 percent) disagreed with the survey's statement that *"the government promotes a value chain approach and thus strengthens relationships between buyers, sellers, suppliers, service providers and regulatory institutions."* They also disagreed with the statement that the government implements the relevant and effective technology transfer policies (55 percent) and provides incentives for interfirm relationships and networking (64 percent) (refer to Exhibit 10).

Exhibit 10. Level of agreement with the following statements



Note: "No answer" answers are not shown in the exhibit.

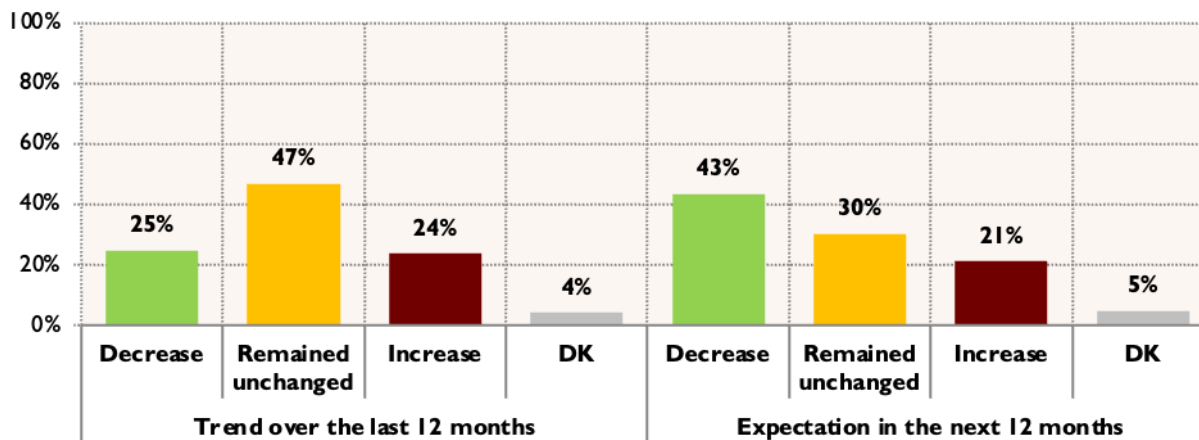
Companies from RS stated less often than companies from FBiH that the long and inefficient process of starting a business discourages entrepreneurial activities in the country and thus negatively affects business development in general (29 percent of companies from the FBiH versus 20 percent of companies from RS), whereas companies from the FBiH agree more that the government provides incentives for interfirm relationships and networking (8 percent of companies from the FBiH versus 2 percent of companies from RS) (data not shown).

3.3.2. TREND OF OVERALL BUSINESS RESULTS

Forty-seven percent of the companies surveyed stated that the overall trend of their business results had not changed during the previous 12 months. In contrast, approximately half of the companies reported a change in their overall business results, with 25 percent reporting a decrease and 24 percent

reporting an increase. Additionally, 21 percent of companies expect that the economic situation in BiH will improve, whereas 43 percent of companies believe that it will worsen in the next 12 months (refer to Exhibit 11).

Exhibit 11. Trend of overall business results and expectations regarding the economic situation in BiH



The larger the company, the more likely it is to positively rate the trend of its overall business results over the previous 12 months (19 percent of micro-companies, 34 percent of small companies, 49 percent of mid-sized companies, and 63 percent of large companies shared that their business results increased over the last 12 months) (data not shown).

3.4. MACROECONOMIC ISSUES⁹

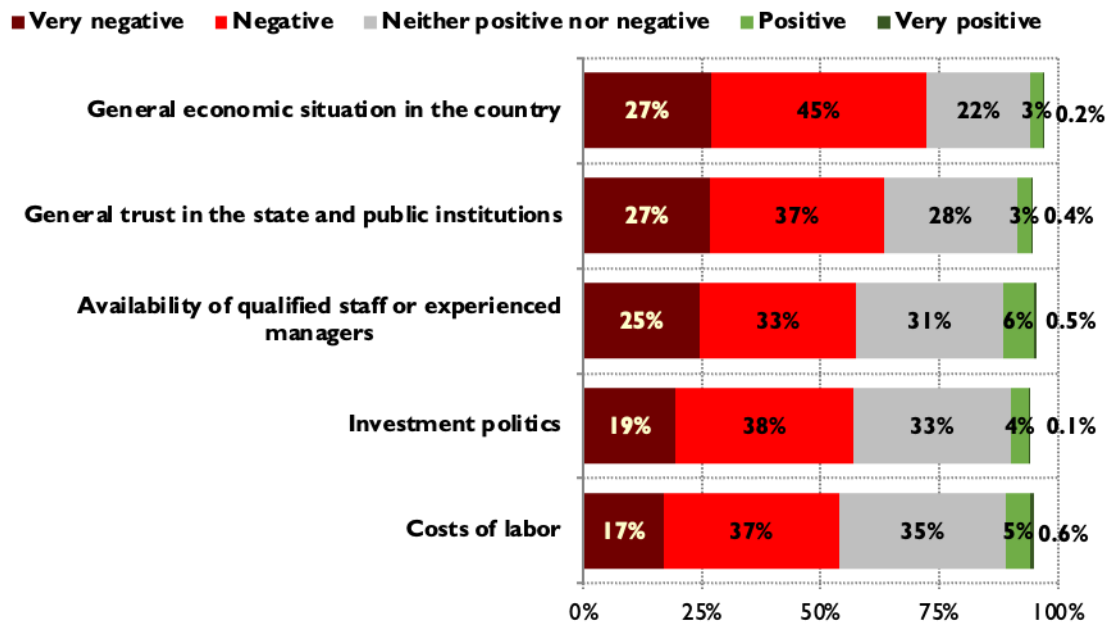
The survey subsequently asked BiH companies to assess the effect of a range of individual factors on their competitiveness and to state which type of government support they consider most significant.

3.4.1. ASSESSMENT OF FACTORS THAT INFLUENCE COMPETITIVENESS

The percentage of companies that stated that the different factors they were asked about affected their competitiveness “negatively” or “very negatively” varies. (See Exhibit 12.)

⁹ This section of questions is taken from the Annual Business Survey administered in Serbia by the USAID/Serbia Cooperation for Growth Activity.

Exhibit 12. Assessment of the effect of individual factors on competitiveness

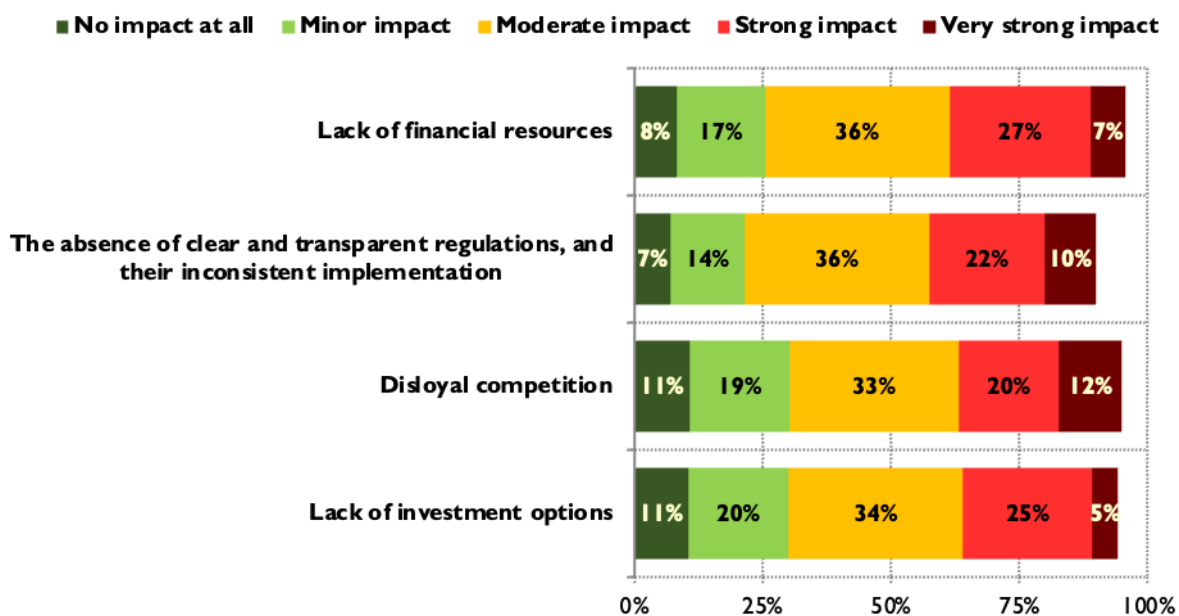


Note: "No answer" answers are not shown in the exhibit.

Exhibit 12 shows that about half of the respondents consider labor costs to affect their competitiveness negatively or very negatively. In addition, most of the respondents (57 percent or more) believe the effect of the remaining factors they were asked about is either negative or very negative. Thus, 72 percent of surveyed companies stated that the general economic situation in the country has a "very negative" or "negative" effect. Similarly, 64 percent of them said that general distrust in state and public institutions affects their competitiveness "negatively" or "very negatively," and between 54 percent and 58 percent of them said the same for the remaining three factors: availability of qualified staff or experienced managers, investment politics, and costs of labor.

Large companies were more likely than micro-companies to say that unavailability of qualified staff or experienced managers has a negative effect on their competitiveness (79 percent of large companies versus 53 percent of micro-companies)(data not shown). The survey data indicate that companies perceive a lack of financial resources and absence of clear and transparent regulations and their inconsistent implementation as having a "moderate" or "strong" influence (lack of financial resources: 70 percent; transparent regulations and their inconsistent implementation: 68 percent) more often than having "no" or "minor" influence (lack of financial resources: 25 percent; transparent regulations and their inconsistent implementation: 21 percent) (refer to Exhibit 13). On the other hand, disloyal competition and lack of investment options are considered to have "no" or "minor" effects (lack of investment options: 31 percent; disloyal competition: 30 percent), whereas others have "moderate" effects (lack of investment options: 34 percent; disloyal competition: 33 percent). Several factors were deemed to have either a "strong" or "very strong" influence (disloyal competition: 32 percent; lack of investment options: 30 percent) by almost the same proportion of the surveyed companies.

Exhibit 13. Assessment of the degree to which individual factors influence competitiveness



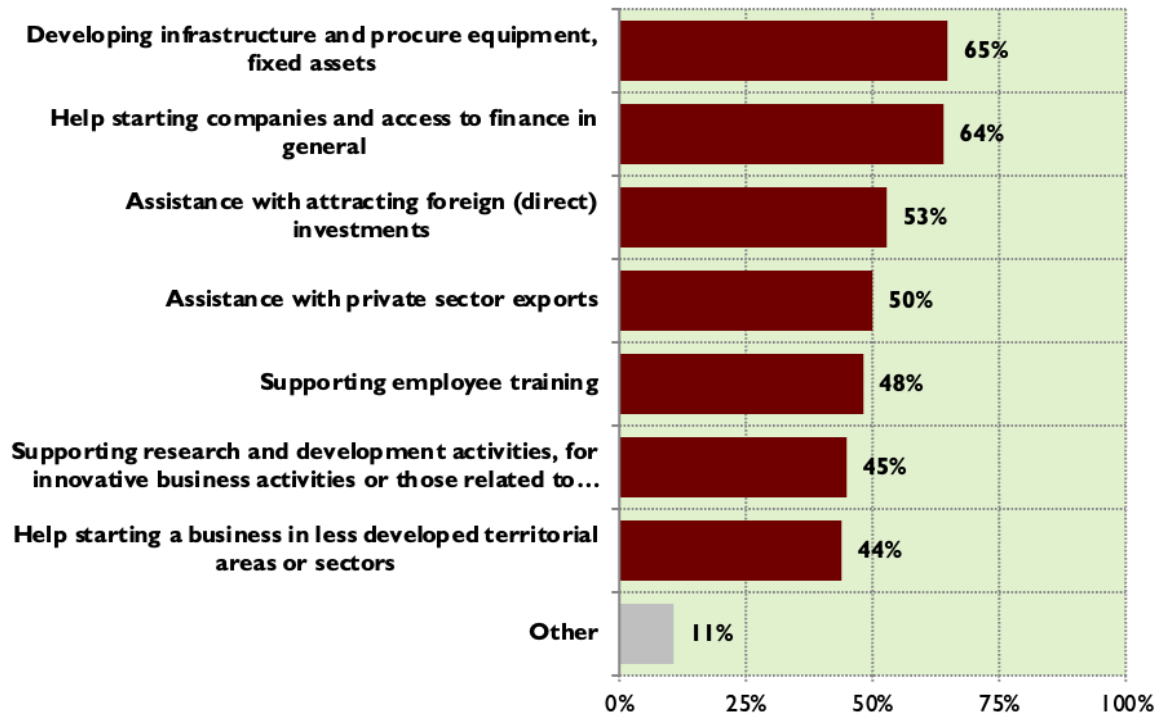
Note: "No answer" answers are not shown on the exhibit.

3.4.2. MOST SIGNIFICANT TYPE OF GOVERNMENT SUPPORT

Around two-thirds of the companies surveyed stated that in order to grow further, they need government support to procure equipment, develop infrastructure, and access finance (in general and to start up a business) (refer to Exhibit 14). The need for foreign (direct) investment was emphasized by more than half the companies (53 percent), whereas each of the other proposed types of support were said to be needed by either half or just under half of the companies surveyed. These types of support were defined as:

- Help starting a business in less developed areas of BiH
- Support for research and development activities
- Trying out innovative approaches
- Activities related to intellectual property
- Help with exporting from the private sector

Exhibit 14. Necessary types of government support to companies in order to stimulate the growth of their business

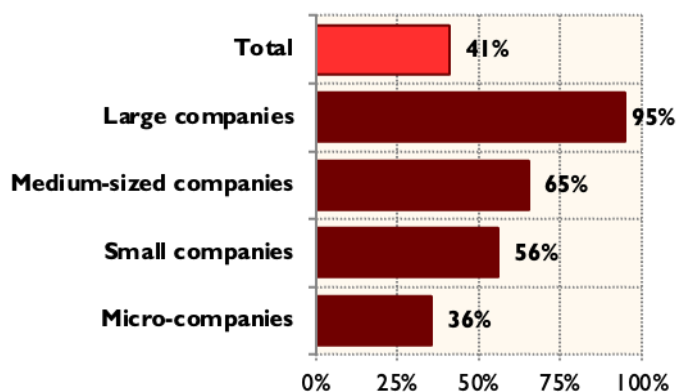


3.5. FOREIGN INVESTMENT AND EXPORT ORIENTATION

3.5.1. INVESTMENTS IN THE PREVIOUS YEAR

Forty-one percent of companies made investments in the previous 12 months. In most cases (93 percent), these were investments made in-country. To a significantly lesser extent, companies made investments in the EU during the previous 12 months (5 percent), and in the region/Southeast Europe (1 percent). (data not shown). The larger the company, the more likely it was to have invested during the previous year (refer to Exhibit 15). In addition, companies in RS were more likely to make investments than those in the FBiH (49 percent of companies from RS versus 37 percent of companies from the FBiH) (data not shown).

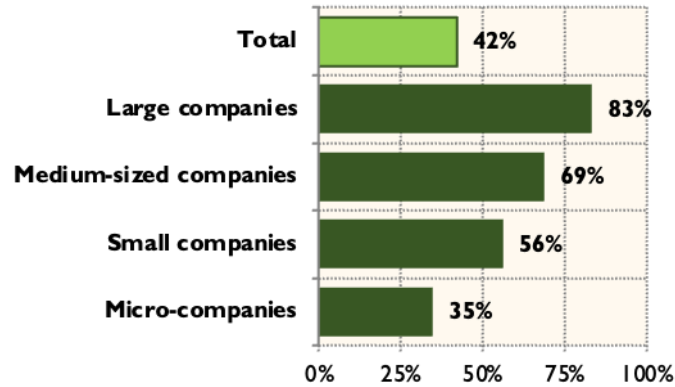
Exhibit 15. Percentage of companies that have invested in the previous 12 months



3.5.2. INVESTMENT PLANS

Forty-two percent of companies plan to make investments in the next 12 months (refer to Exhibit 13). Sixty-seven percent of these companies (who plan to invest) had already made investments in the past 12 months. Thirty percent of companies planning to invest this year did not make any investments in the previous year, whereas the remaining 3 percent of these companies did not know or refused to answer. In most cases (90 percent), these planned investments will be made in-country. This is followed by investment in the EU (5 percent) and Southeast Europe (2 percent) (data not shown). In general, the larger the company, the more likely it is to have plans to invest in the next 12 months (refer to Exhibit 16).

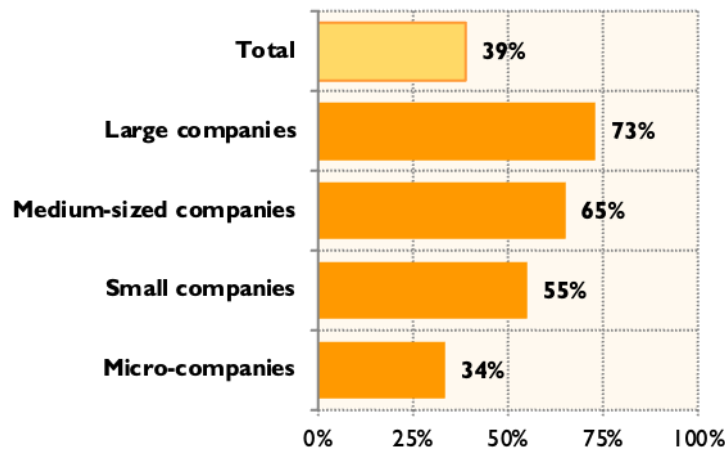
Exhibit 16. Percentage of companies that plan to invest in the next 12 months



3.5.3. IMPORTS IN THE PREVIOUS YEAR

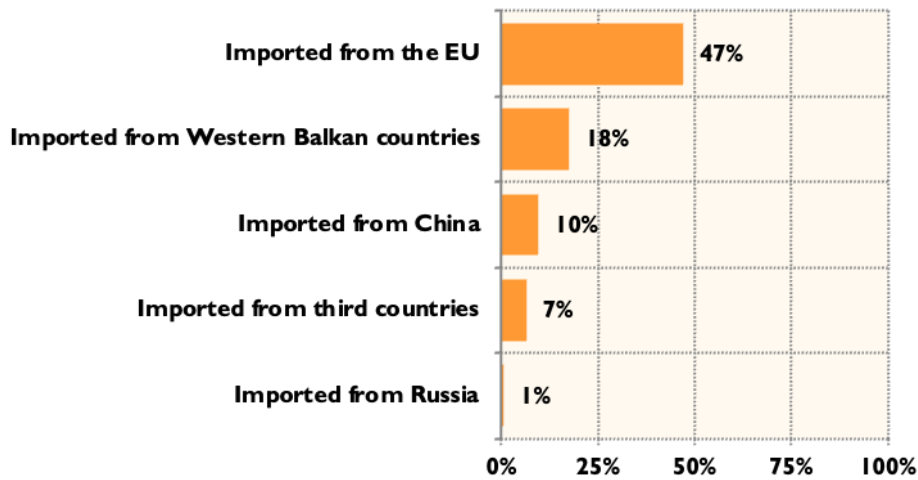
Thirty-nine percent of companies imported goods or services in the previous 12 months. The larger the company, the more likely it was to have imported goods and services (refer to Exhibit 17). Companies in RS were more likely to import goods and services than companies in the FBiH (47 percent of companies from RS versus 36 percent of companies from the FBiH) (data not shown).

Exhibit 17. Percentage of companies that imported goods or services during the previous 12 months



The largest portion of the previous year's (2021) imports were from the EU. On average, almost half the imports of goods and services were from the EU (47 percent). Companies also imported goods and services from countries of the Western Balkans (18 percent) and China (10 percent) (refer to Exhibit 18).

Exhibit 18. Average percentage of imports from various countries in the last 12 months (N=340)

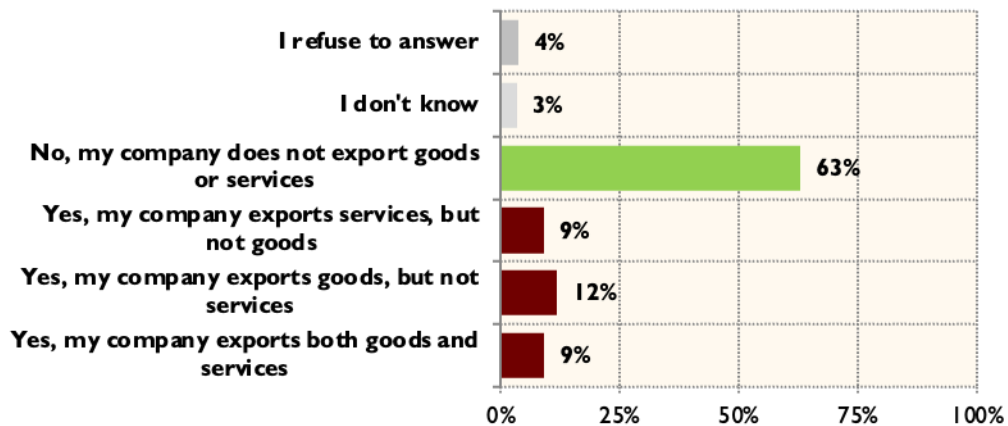


Companies in the FBiH were more likely to import goods and services from the EU than those in RS (54 percent versus 35 percent) (data not shown).

3.5.4. EXPORTS IN THE PREVIOUS YEAR

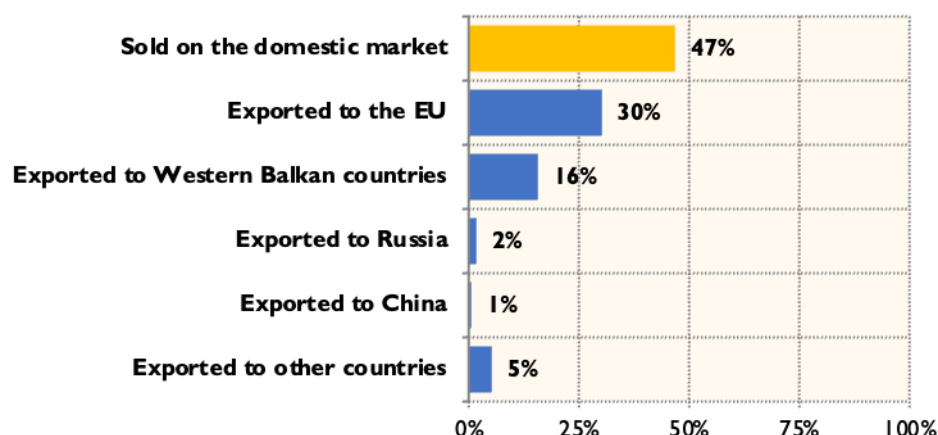
Three out of ten (30 percent) companies exported goods or services in the previous 12 months (refer to Exhibit 19). Twelve percent of companies exported goods, 9 percent exported services, and 9 percent exported both.

Exhibit 19. Percentage of companies that exported goods or services during the previous 12 months



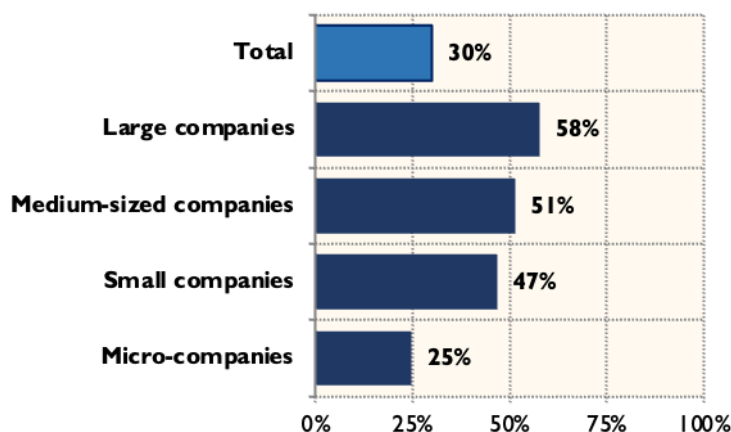
Companies that exported goods and services during the previous 12 months mostly exported to the EU (30 percent) (refer to Exhibit 20). Half as many exported goods and services to Western Balkan countries (16 percent) and significantly fewer to Russia (2 percent), China (1 percent), and other countries (5 percent).

Exhibit 20. Average percentage of sales made on the domestic and export market (N=262)



The larger the company, the more likely it was to have exported goods and services in the previous twelve months (refer to Exhibit 21). Small, mid-sized, and large companies were more likely to export goods and services to the EU than micro-companies. Furthermore, companies from the FBiH that exported goods and services sold a greater share of their goods and services on the domestic market than companies from RS (51 percent of companies from the FBiH versus 38 percent of companies from RS) (data not shown).

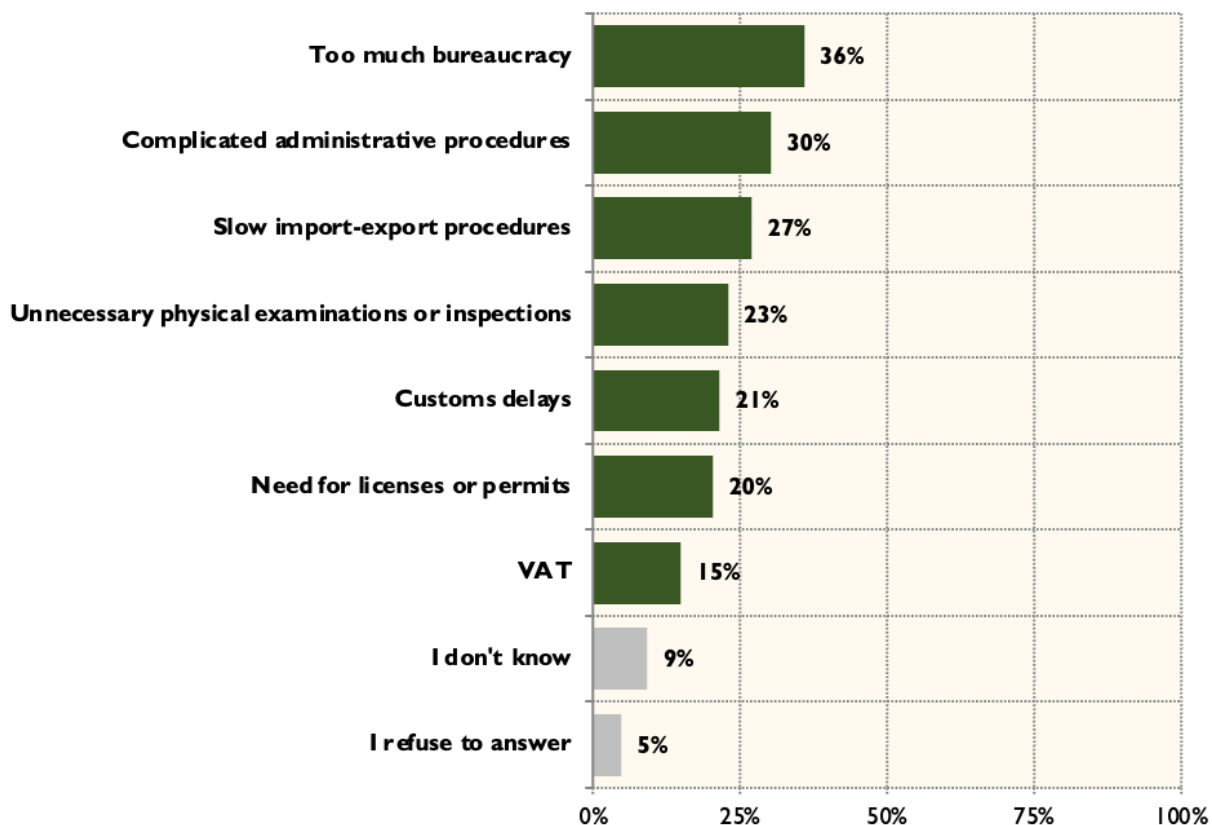
Exhibit 21. Percentage of companies of various sizes that exported goods or services in the previous 12 months



3.5.4.1. Main obstacles to exporting goods and services

The companies that export goods and services list the following as the main obstacles they face: excessive bureaucracy and paperwork (36 percent); complex administrative procedures (30 percent); slow import-export procedures (27 percent); and unnecessary physical examinations or inspections (23 percent). They also listed customs delays (21 percent); the need for licenses or permits (20 percent); and VAT (15 percent) (refer to Exhibit 22).

Exhibit 22. Main obstacles to exporting goods and services (N=262)

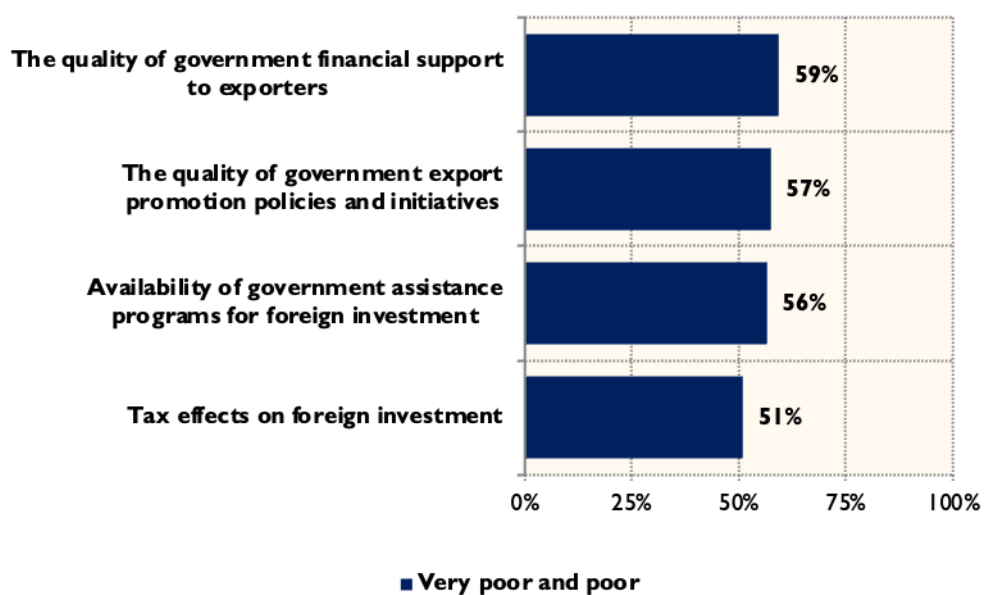


3.5.5. ASSESSMENT OF GOVERNMENT SUPPORT FACTORS FOR EXPORTS AND/OR FOREIGN INVESTMENTS

The majority of respondents consider government support to be “poor” or “very poor” (refer to Exhibit 23). Very few companies consider the types of support to be “good” or “very good.” Thus, only a small percentage of companies rated as “positive” the:

- Availability of government assistance programs for foreign investment (3 percent)
- The quality of government financial support to exporters (3 percent)
- The quality of government export promotion policies and initiatives (3 percent)
- Tax effects on foreign investment (4 percent) (data not shown)

Exhibit 23. Assessment of government support for exporters and/or foreign investments

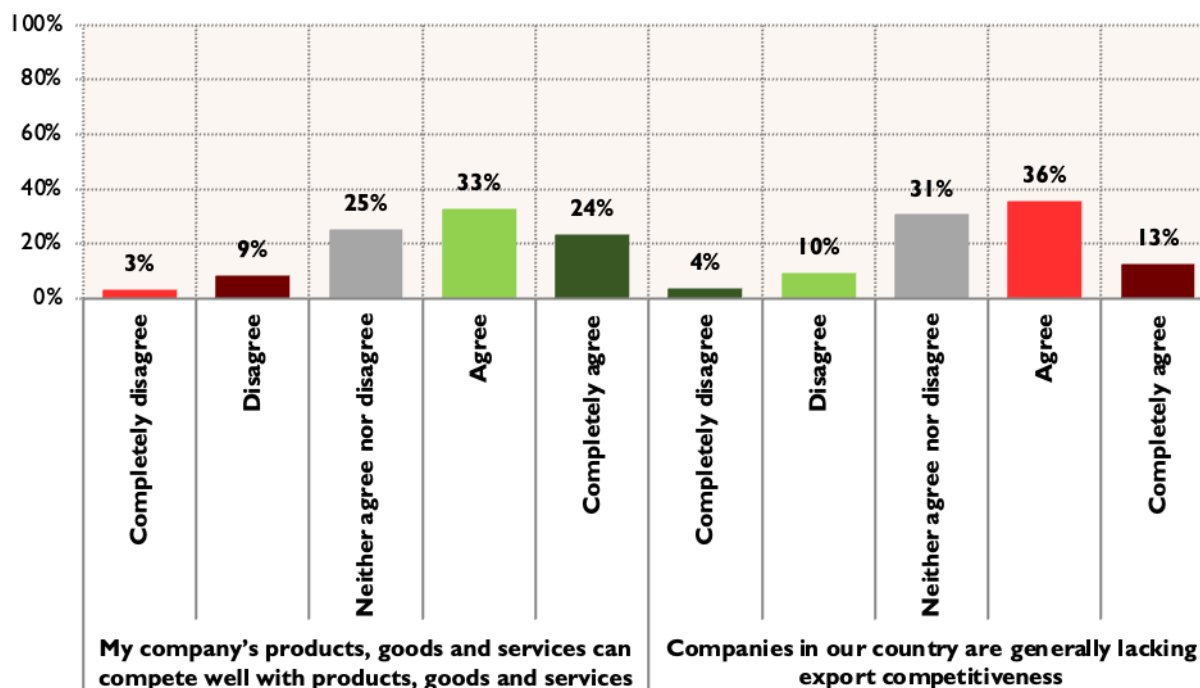


Companies from the FBiH tend to be less satisfied with government support for exporters and/or foreign investments compared to companies from RS. The differences in assessment are important when it comes to the availability of government assistance programs for attracting foreign investment (“very poor”: 25 percent of companies from the FBiH versus 15 percent of companies from RS); the quality of government export promotion policies and initiatives (“very poor”: 34 percent of companies from the FBiH versus 24 percent of companies from RS) and the quality of government financial support to exporters (“very poor”: 28 percent of companies from the FBiH versus 19 percent of companies from RS) (data not shown).

3.5.6. ASSESSMENT OF EXPORT COMPETITIVENESS

The companies surveyed (regardless of whether they exported their goods and services in the previous year), have a more positive assessment of the (potential) competitiveness of their own products and services on the EU market than they do of the general competitiveness of BiH companies. Fifty-seven percent of companies agree with the statement, “*My company’s products, goods and services can compete well with products, goods and services from other EU countries*” (refer to Exhibit 24). Only 14 percent disagree with the statement, “*Companies in our country are generally lacking export competitiveness,*” whereas 49 percent of companies agree with it.

Exhibit 24. Assessment of competitiveness of own company on the EU market and general competitiveness of BiH companies



Note: "No answer" answers are not shown in the exhibit.

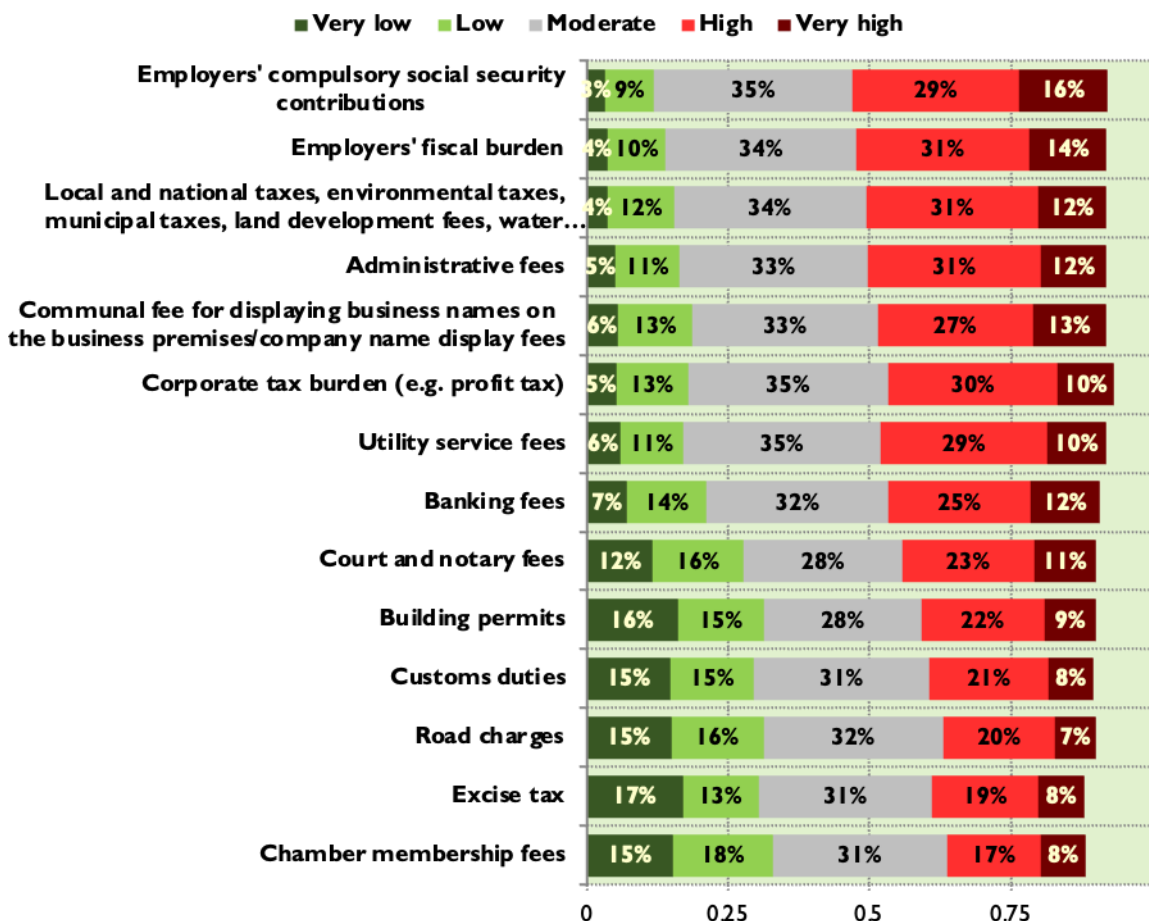
Companies from the FBiH tend to have a more positive assessment of their own competitiveness than companies from RS. Twenty-six percent of companies from the FBiH versus 16 percent of companies from RS completely agree with the statement, "My company's products, goods and services can compete well with products, goods and services from other EU countries." FBiH companies also gave a more negative assessment of general export competitiveness of BiH companies. Fourteen percent of companies from the FBiH versus 8 percent of companies from RS completely agree with statement: "Companies in our country are generally lacking export competitiveness." (data not shown).

3.6. FISCAL AND PARAFISCAL CHARGES AND BURDENS

3.6.1. DEGREE TO WHICH FISCAL AND PARAFISCAL CHARGES BURDEN A COMPANY

Companies were asked about the extent to which fiscal and parafiscal charges have a negative effect on business. Data indicate that companies perceive most of the listed charges as impediments to business operations. Between 40 and 45 percent of the companies consider half of the charges listed as negative to a "high" or "very high" extent. Employers' fiscal burden and employers' compulsory social security contributions are considered to be most burdensome. Considered least burdensome were chambers' membership fees, excise tax, and road charges. Nevertheless, around a quarter of companies still believe these to also "highly" and "very highly" impede their business operations (refer to Exhibit 25).

Exhibit 25. Assessment of the degree to which fiscal and parafiscal charges burden a company¹⁰



Note: "No answer" answers are not shown in the exhibit.

Companies from the FBiH are more likely than those from RS to consider the following as significant obstacles to business growth: employers' compulsory social security contributions (50 percent in FBiH versus 35 percent in RS), employers' fiscal burden (50 percent versus 32 percent), communal fees for displaying business names on the business premises (44 percent versus 34 percent), and local and

¹⁰ These questions were taken from the Annual Business Survey administered in Serbia by the USAID/Serbia Cooperation for Growth Activity, except questions regarding corporate tax burden, employers' compulsory social security contributions, and employers' fiscal burden.

national taxes, municipal taxes, land development fees, and water fees (47 percent versus 34 percent) (data not shown).

3.7. SOURCES AND ACCESS TO FINANCE

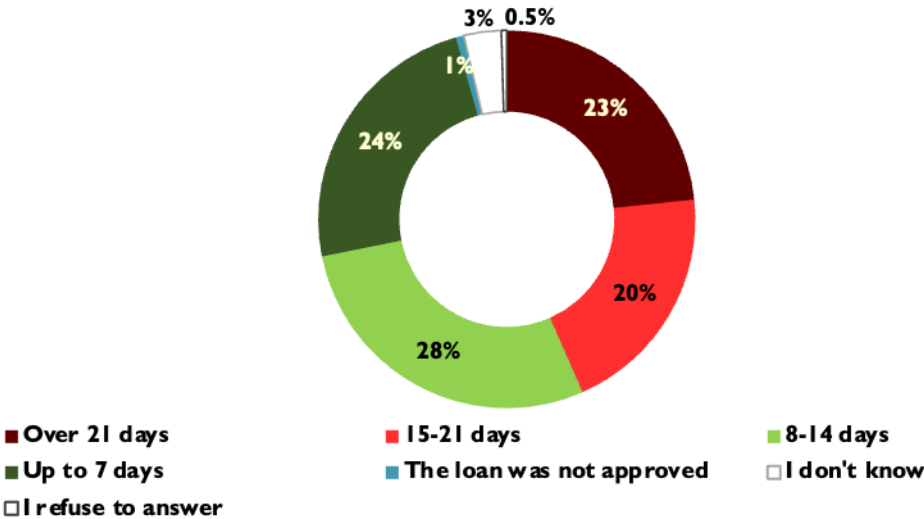
3.7.1. USE OF ONLINE BANKING SERVICES

Eight in ten companies (79 percent) use online banking services. Micro-companies are less likely to use online banking services compared to small and mid-sized companies (75 percent of micro-companies compared to 88 percent of small and mid-sized companies) (data not shown). These services are less likely to be used by companies from RS than those in the FBiH (68 percent of companies from RS versus 84 percent of companies from the FBiH) (data not shown). In addition, half of the companies that use online banking services are mostly satisfied with them (49 percent), whereas an additional fifth are completely satisfied (18 percent) (data not shown).

3.7.2. RECENT EXPERIENCES WITH APPLYING FOR BANK LOANS

Approximately a third of companies (31 percent) had applied for a bank loan in the previous 12 months (data not shown). Micro-companies were less likely to have applied for a loan in the previous 12 months (27 percent of micro-companies compared to 46 percent of small, 48 percent of mid-sized, and 44 percent of large companies) (data not shown). Companies from the FBiH were less likely to have applied for a loan than companies from RS (29 percent of companies from the FBiH versus 38 percent of companies from RS) (data not shown). The majority of companies (86 percent) that applied for a bank loan had their application approved (data not shown). The waiting period for approval varied. Twenty-four percent of companies waited up to seven days, whereas an almost equal percentage (23 percent) waited over 21 days for loan approval from the date of loan application (refer to Exhibit 26).

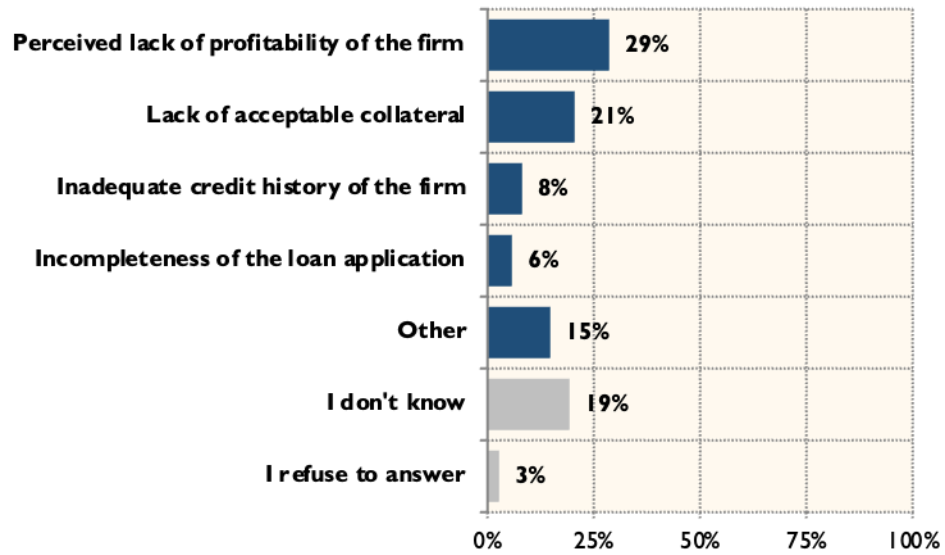
Exhibit 26. Waiting period for approval of loan



If the company's application was rejected, the most common reason given was the perceived lack of profitability. This was the stated experience of nearly three in ten companies (29 percent) (refer to Exhibit 27). The next most common reason given for refusing a loan was the lack of acceptable

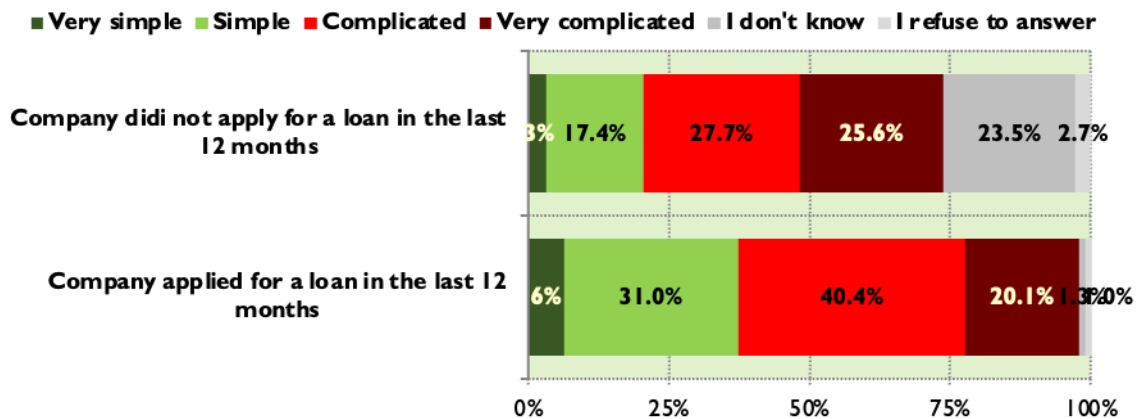
collateral, which was an obstacle faced by two in ten “rejected” companies. All the other reasons were mentioned only by a very small number of companies (N≤2).

Exhibit 27. Reasons for rejecting the company's application (N=22)



More than half of all companies (53 percent) consider the loan application procedure for businesses to be “complicated” or “very complicated,” whereas 25 percent of them consider it “simple” or “very simple.”

Exhibit 28. Companies applying for loans

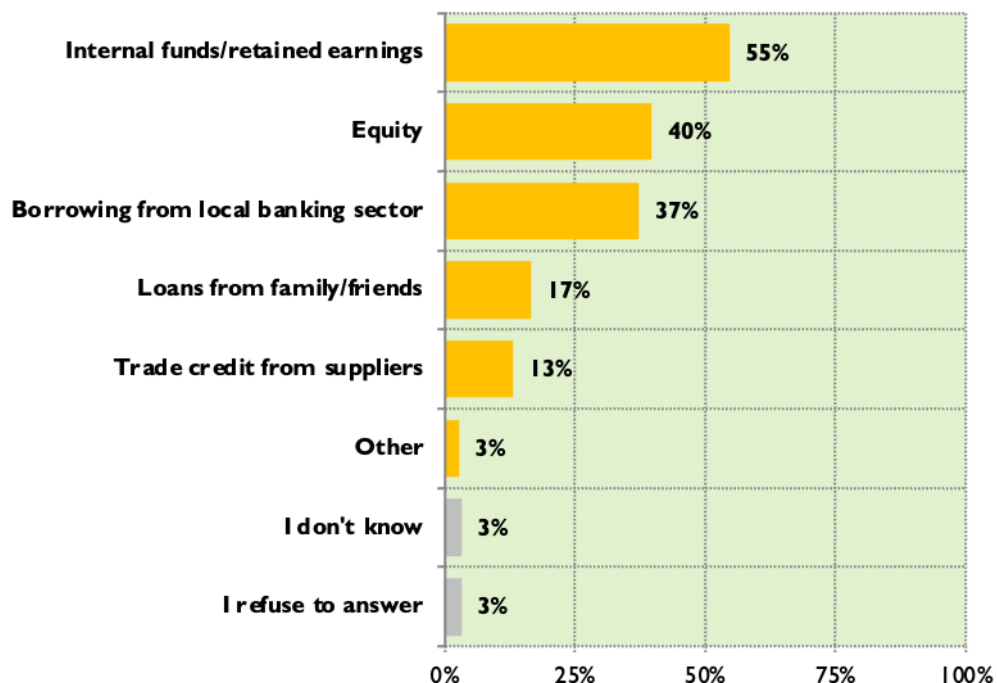


Companies that applied for a bank loan in the previous 12 months are more likely than those that did not to view this procedure as simple (31 percent of those who applied versus 17 percent of those who did not) or very simple (6 percent versus 3 percent), but are also more likely to see it as complicated (40 percent of those who applied versus 28 percent of those who did not).

3.7.3. SOURCES OF FUNDING

Firms regularly report challenges in accessing additional funding for their business. Regarding the degree to which availability and affordability of funding sources encourages business in BiH, companies are most likely to consider the availability/affordability of additional funding as “moderate” (39 percent). This is followed by those that consider it to be “low” (26 percent) or “very low” (17 percent). Only 5 percent of companies find the availability and affordability of these sources to be “high” and less than 1 percent to be “very high” (0.8 percent). (data not shown). In that sense, internal funds and retained earnings are the most commonly used source of funding. They were used by over half the companies in the last five years (refer to Exhibit 28). Outside sources of funding tended to be loans from local banks rather than from family members and suppliers.

Exhibit 28. Sources of funding used by companies in the last five years



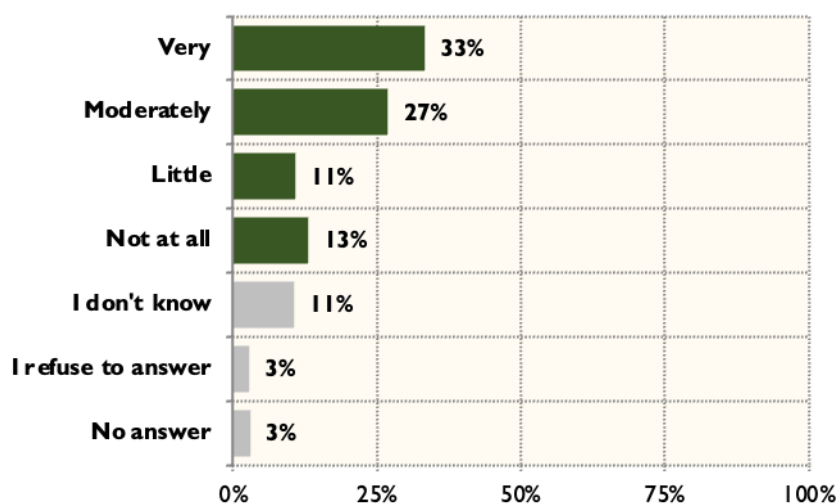
The bigger the companies are, the more frequent their use of loans from local banks was in the last five years (34 percent of micro, 48 percent of small, 51 percent of mid-sized, and 62 percent of large companies), and less frequently from family and friends (17 percent of micro, 13 percent of small, 7 percent of mid-sized, and 5 percent of large companies) (data not shown). Companies from RS borrowed money less frequently from family and friends (10 percent of companies from RS versus 19 percent of companies from the FBiH), and more frequently relied on trade credit from suppliers (23 percent of companies from RS versus 9 percent of companies from the FBiH) (data not shown).

3.8. ANTI-CORRUPTION

3.8.1. EFFECT OF CORRUPTION ON BUSINESS ACTIVITIES

Six out of ten (60 percent) companies believe that giving gifts, money, or favors to obtain public administrative services is considered normal behavior in BiH (data not shown). The same percentage reported that these practices present a “serious” or “moderate” problem in their access to public administrative services, such as obtaining permits, approvals, and/or certificates (refer to Exhibit 29). Eleven percent of companies stated that they are considering moving abroad due to systemic corruption in BiH society.

Exhibit 29. To what extent are bribes or reliance on personal/private connections a problem?

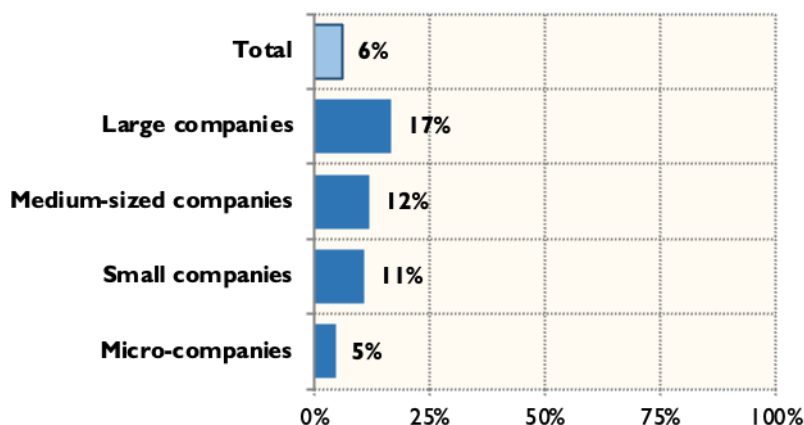


Companies from the FBiH are more likely than companies from RS to “completely agree” that giving gifts, money, or favors for obtaining public administrative services is understood as normal behavior in BiH (28 percent of companies from the FBiH versus 15 percent companies from RS), whereas companies from RS are more likely to simply “agree” with this statement (43 percent of companies from RS versus 33 percent of companies from the FBiH). In addition, companies from the FBiH are more likely than companies from RS to believe that bribes or reliance on personal/private connections present a serious problem in their access to public administrative services (35 percent of companies from the FBiH versus 27 percent of companies from RS) (data not shown).

3.8.2. UNDERTAKING ANTI-CORRUPTION ACTIVITIES

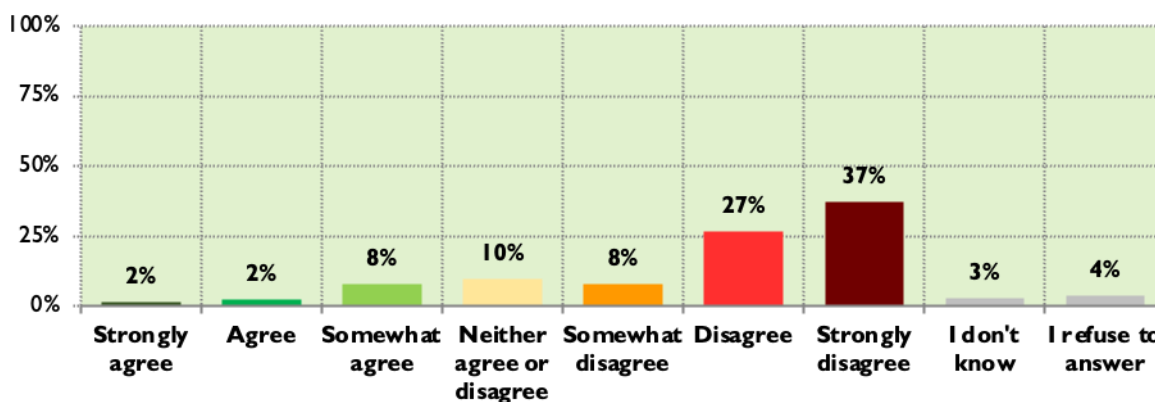
Only 6 percent of companies stated that they had undertaken an anti-corruption activity in the previous 12 months (e.g., filed a complaint in the public procurement process, reported corruption of a public official to an anti-corruption NGO or competent institution) (data not shown). The larger the company, the more likely it is to undertake such activities (refer to Exhibit 30). Only one in twenty micro-companies carried out an anti-corruption activity. On the other hand, one in six large companies carried out an anti-corruption activity.

Exhibit 30. Percentage of companies of various sizes that undertook an anti-corruption activity in the last 12 months



Although companies were not asked about the reasons for (not) undertaking these (anti-corruption) activities, the findings show that nearly three quarters of companies (72 percent) do not believe that public officials who violate the law are usually identified and punished. This could serve as an indication of how BiH companies perceive the effectiveness of the fight against corruption. (Refer to Exhibit 31).

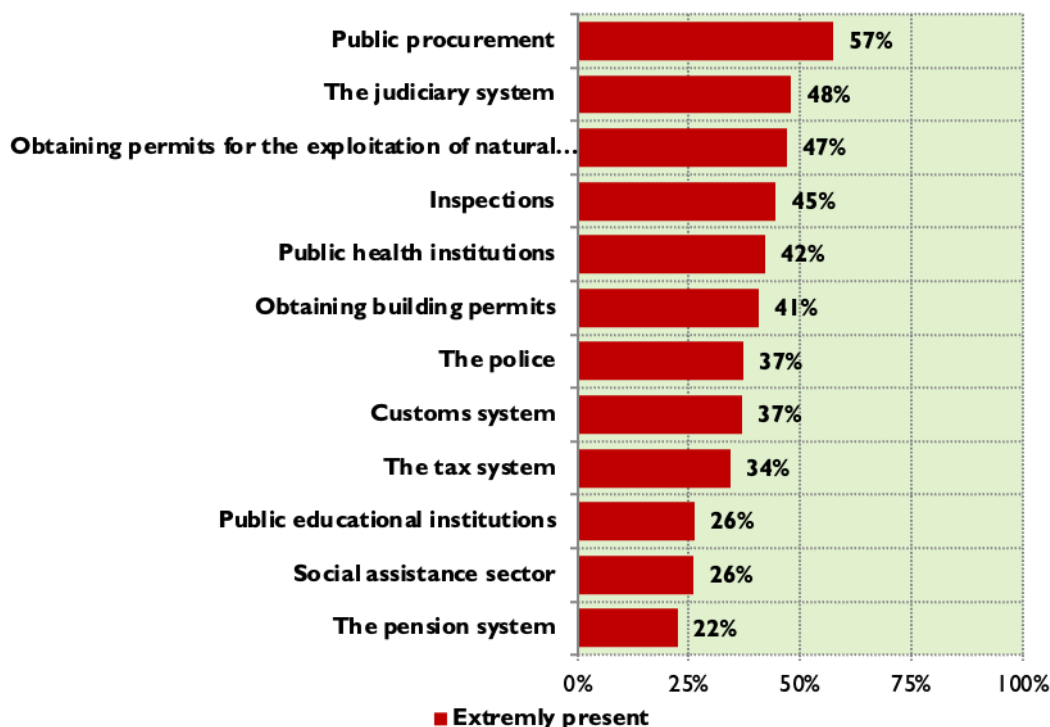
Exhibit 31. Level of agreement with the statement, "Public officials who break the law are usually identified and punished"



3.8.3. PREVALENCE OF CORRUPTION ACROSS SECTORS

Public procurement is a process that almost six out of ten BiH companies perceive as extremely corrupt (refer to Exhibit 32). About half have the same perception of the judicial system and the process of obtaining permits for exploitation of natural resources. Among other actors perceived as extremely corrupt are: government inspectors (45 percent), public health care institutions (42 percent), and those in charge of granting building permits (41 percent).

Exhibit 32. How prevalent do you believe corruption in BiH is in the following sectors?



3.8.4. CORRUPTION IN THE JUDICIAL SYSTEM

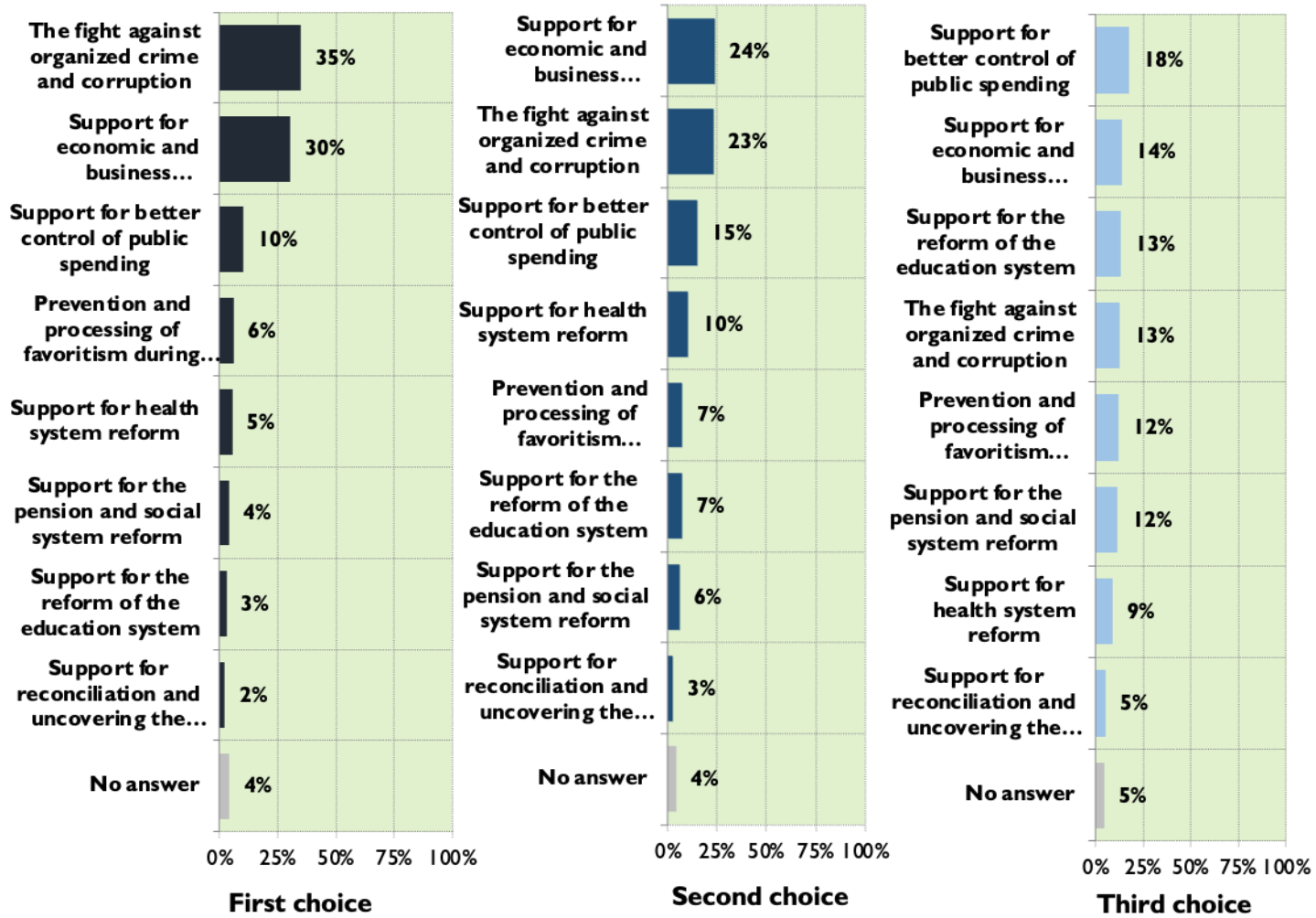
When asked to assess the level of corruption in the judicial system in BiH (on a scale of 1 to 7, where 1 is “not corrupt at all” and 7 is “extremely corrupt”), 34 percent of companies said that the judicial system in the country is “extremely corrupt,” whereas 19 percent rated it as “corrupt.”¹¹ Companies in RS had a somewhat more favorable perception of the situation in the judiciary; 27 percent of them believe that it is extremely corrupt compared to 36 percent of companies in the FBiH (data not shown).

3.8.5. RECOMMENDATIONS FOR ACTION BY THE INTERNATIONAL COMMUNITY

According to respondents, fighting organized crime and corruption and supporting economic and business development are what the international community should first tackle in BiH (refer to Exhibit 33). Support for better control of public spending was ranked third.

¹¹ For assessing the prevalence of corruption in the various sectors (Exhibit 32), a scale of 1 to 7 was used, where 1 is “not at all” and 7 is “extremely present.”

Exhibit 33. What three challenges should the international community first face in BiH?



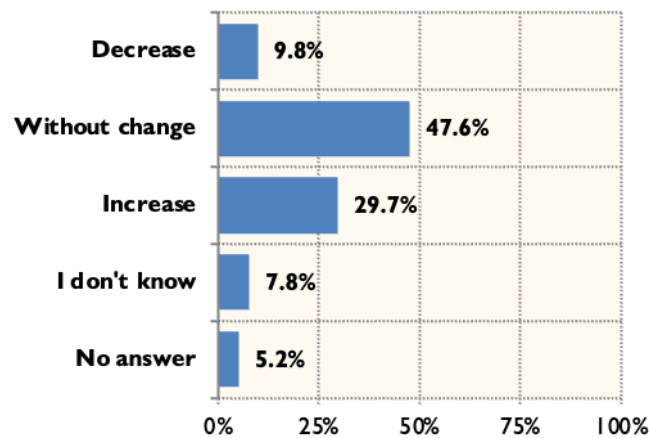
3.9. LABOR MARKET, SKILLS NEEDS, AND EMPLOYMENT PRACTICES

In this section of the survey, companies were asked about their experiences of trends in employee numbers, availability and quality of the workforce, employment legislation, employee knowledge and skills, employment of foreign citizens, employee recruitment methods, and their attitudes toward the employment of women, youth, and members of minority groups.

3.9.1. TRENDS IN THE NUMBER OF EMPLOYEES

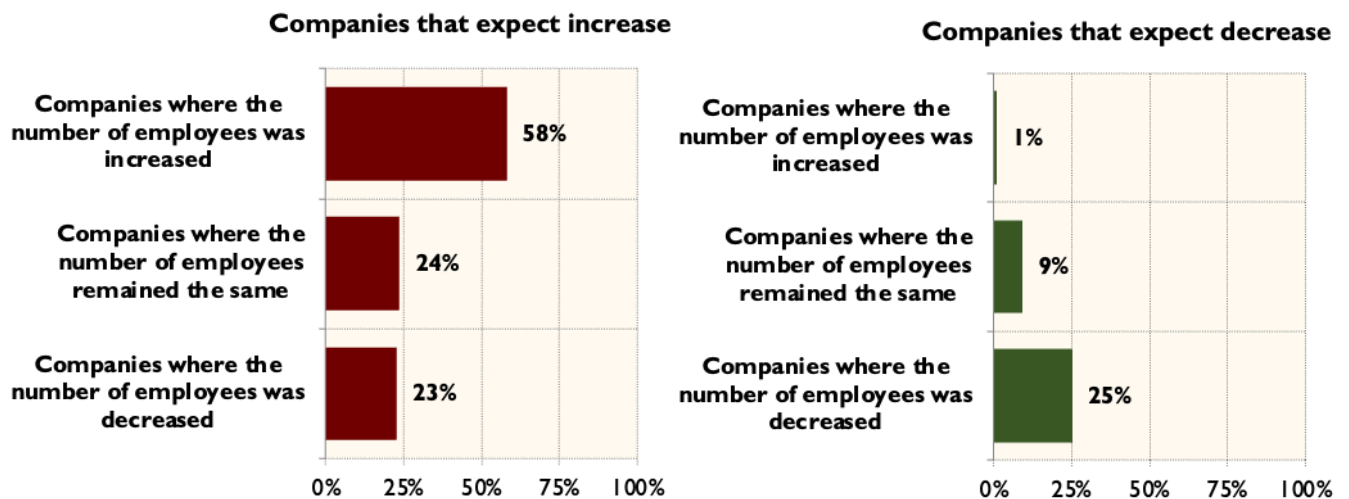
In most cases, there had been no changes in the total number of employees in the companies surveyed in the previous 12 months. However, changes were expected in number of employees in the next 12 months. Forty-eight percent of companies expect the number of their employees to stay the same, whereas among the rest there are more companies that expect an increase (30 percent) than a decrease (10 percent) in their employee numbers in the next 12 months (refer to Exhibit 36).

Exhibit 36. Company expectations regarding the number of employees in the next 12 months



Companies that had an increase in the number of their employees in the previous 12 months expect this trend to continue, with 58 percent of companies that had an increase in the number of employees in the previous 12 months expecting to hire more workers in the next 12 months. Only 24 percent of companies that had no changes in their employee numbers and 23 percent of companies that had a decrease in their employee numbers expected an increase in the number of employees in the next 12 months (refer to Exhibit 37). In line with that, companies that had a decrease in the number of employees in the previous 12 months are more likely to expect this trend to continue in the future (25 percent), whereas only a few companies (9 percent) that did not have changes in the number of employees and very few of those (1 percent) that had an increase in the number of employees expect a decrease in employee numbers in the next 12 months.

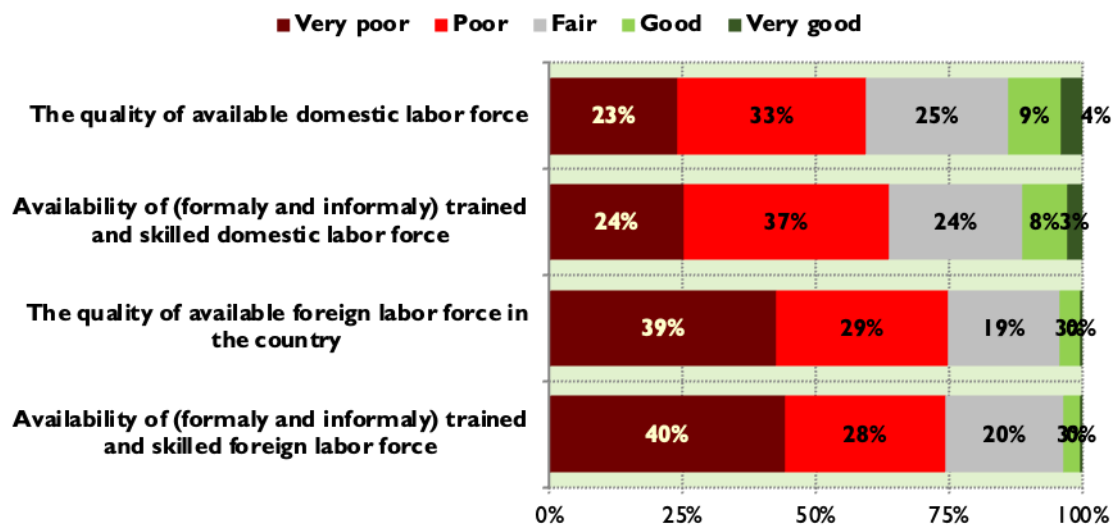
Exhibit 37. Company expectations regarding the number of employees in the next 12 months (based on experiences regarding employee numbers over the previous 12 months)



3.9.2. ASSESSMENT OF THE AVAILABILITY AND QUALITY OF SKILLED AND QUALIFIED WORK FORCE

The results indicate that availability and quality of foreign labor force are considered to be poor compared to domestic labor force. Sixty-eight percent of BiH companies consider the availability of skilled foreign labor to be “poor” or “very poor” (refer to Exhibit 38). At the same time, 61 percent of companies stated that the availability of skilled domestic labor is also “poor” or “very poor.” Similarly, 56 percent stated that the quality of the available domestic (unqualified) labor force is either “poor” or “very poor”. Very few companies (3 percent) perceive the quality of the foreign labor force as “good” or “very good”; meanwhile, their assessment of the quality of the domestic labor force is somewhat more positive: 13 percent of companies view it as good or very good.

Exhibit 38. Assessment of availability and quality of domestic and foreign labor



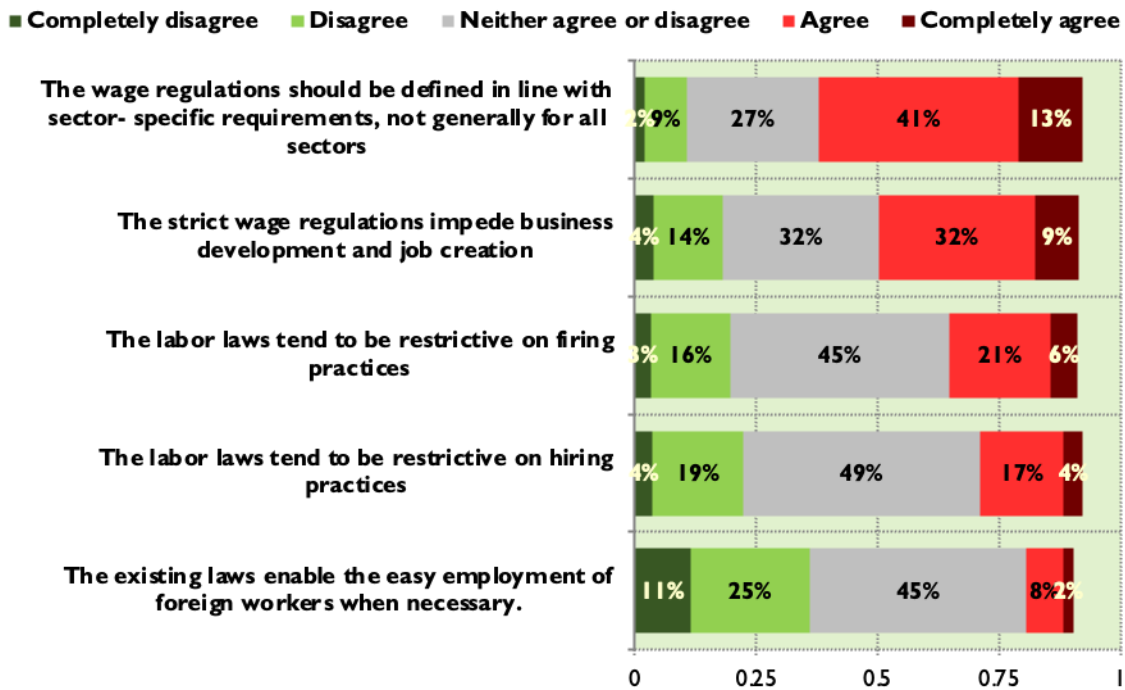
Note: "No answer" answers are not shown in the exhibit.

Companies from RS are more likely than companies from the FBiH to have a negative assessment of the availability of both domestic and foreign labor and the quality of domestic labor: 67 percent of companies from RS versus 58 percent of companies from the FBiH consider the availability of qualified skilled labor in the country to be "very poor," whereas 73 percent of companies from RS and 65 percent of companies from the FBiH believe the same of the availability of trained foreign skilled labor. In addition, 62 percent of companies from RS and 53 percent of companies from the FBiH rate the quality of available domestic labor as either "poor" or "very poor."

3.9.3. ASSESSMENT OF EMPLOYMENT LAWS AND REGULATIONS

More than half of the companies either "agree" or "completely agree" that wage regulations should be defined in line with sector-specific requirements, and slightly more than four in ten companies believe that wage regulations are too strict and impede business development and the creation of new jobs (refer to Exhibit 39). In addition, almost four in ten companies believe that existing legislation does not allow them to employ foreign workers easily in case the need arises. The Labor Law is seen in a more positive light when it comes to hiring and firing employees. Only 27 percent of companies believe that the law on labor is restrictive when it comes to firing employees, whereas 21 percent companies believe the same in regard to employing workers.

Exhibit 39. Assessment of employment laws and regulations

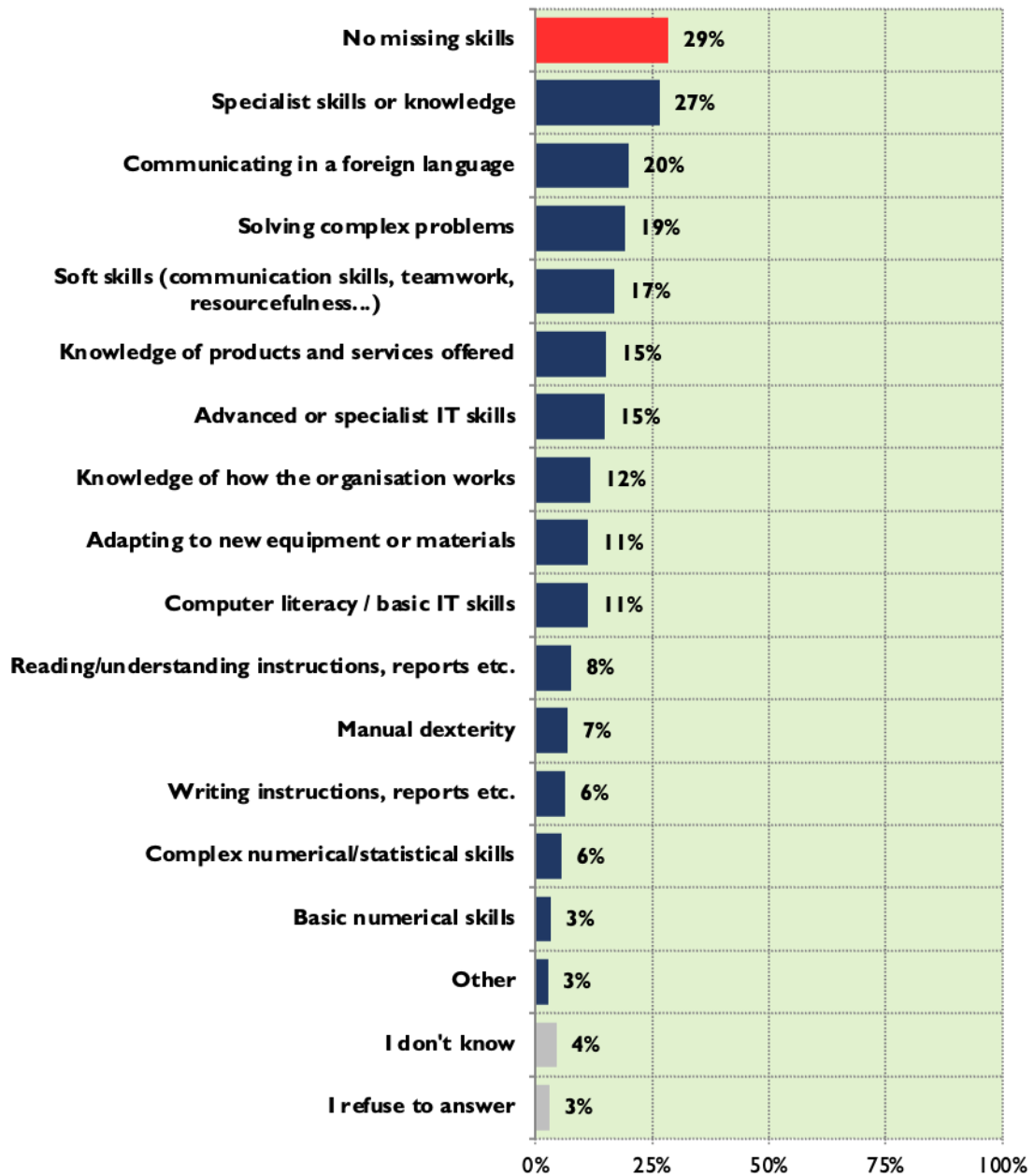


When assessing the employment laws and regulations, 46 percent of companies from the FBiH and 34 percent of companies from RS agree that they are too strict and present an obstacle.

3.9.4. NECESSARY SKILLS AND ACTIONS TAKEN

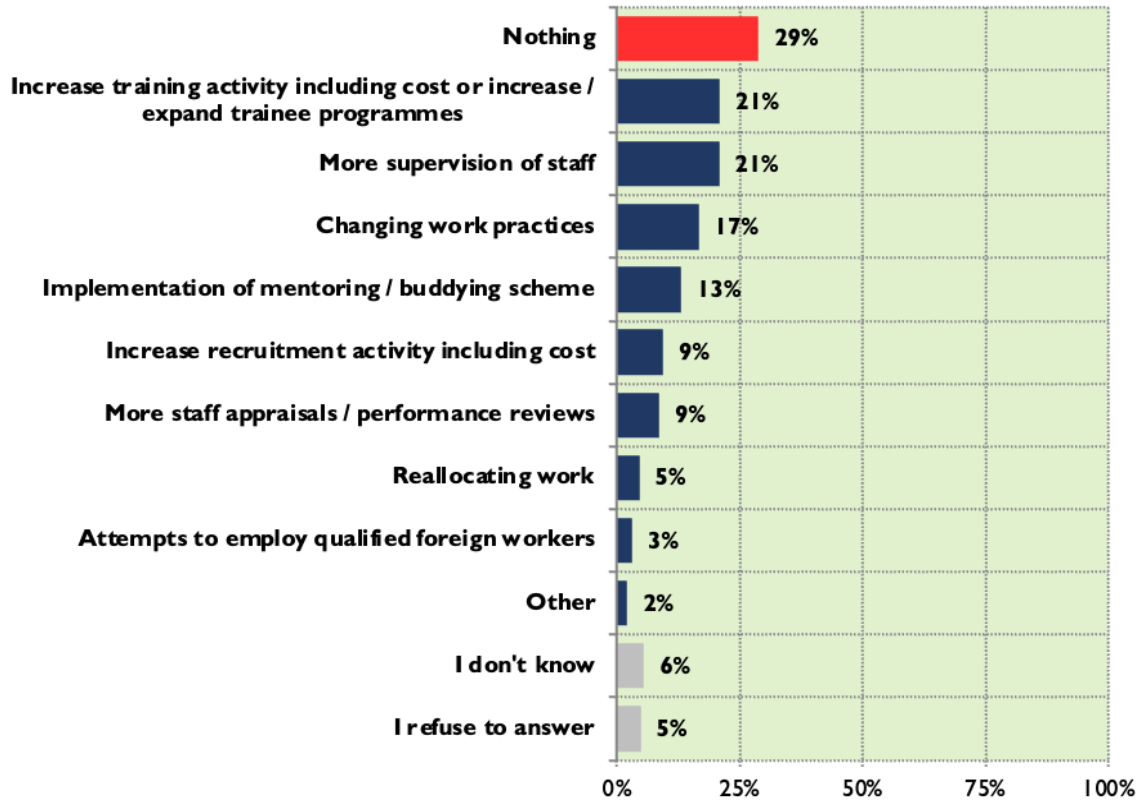
Nearly 30 percent of companies stated that their employees have all the skills required for their job (refer to Exhibit 40). Almost the same number stated that their employees are currently lacking specialist skills or knowledge. In 20 percent of companies, employees lack the skills necessary to solve complex problems and to communicate in a foreign language, and employees lack soft skills in 16 percent of companies. Micro-companies were more likely to state that their employees possess all necessary skills (36 percent compared to 8 percent of small companies, 13 percent of mid-sized, and 0 percent of large companies) (data not shown).

Exhibit 40. Which skills are currently lacking in your company's employees?



Among companies that took steps to address skill gaps among their existing staff, the measures they took were most likely to include more supervision of staff and increased training expenditure and activity, specifically, increasing and/or expanding their trainee programs. This step was undertaken by one in five companies (refer to Exhibit 41). One in six companies changed its work practices, and one in eight implemented a mentoring scheme.

Exhibit 41. Actions taken by companies to address skill gaps among their existing staff



Presumably because they were more likely to state that their employees possess all the necessary skills, micro-companies were also less likely to take any action to address skill gaps among employees (36 percent of micro-companies were less likely, 11 percent of small companies, 10 percent of mid-sized, and 5 percent of large companies). The larger the company, the more likely it was to attempt to solve this problem by increasing training expenditure and activities (16 percent of micro companies, 28 percent of small, 39 percent of mid-sized, and 40 percent of large companies). Meanwhile, small companies were more likely than micro-companies to increase recruitment activity and expenditure (16 percent of small companies versus 8 percent of micro companies). Small and mid-sized companies were more likely than micro-companies to implement a mentoring/buddying scheme (26 percent of mid-sized companies and 21 percent of small companies versus 8 percent of micro-companies) and to increase supervision of staff (38 percent of mid-sized companies and 27 percent of small companies versus 16 percent of micro-companies). On the other hand, mid-size companies were more likely than micro and small companies to conduct staff appraisals/performance reviews (27 percent of mid-size companies versus 7 percent of micro-companies and 10 percent of small companies) (data not shown).

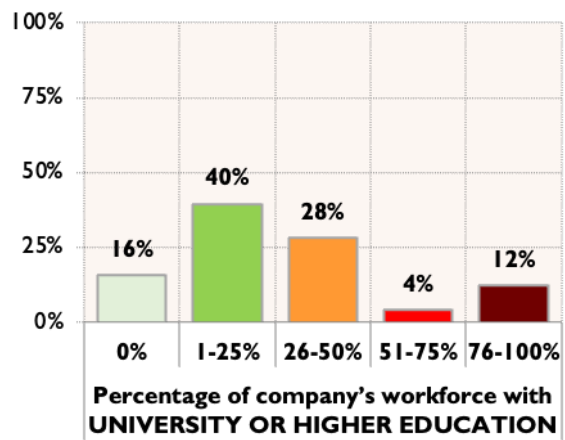
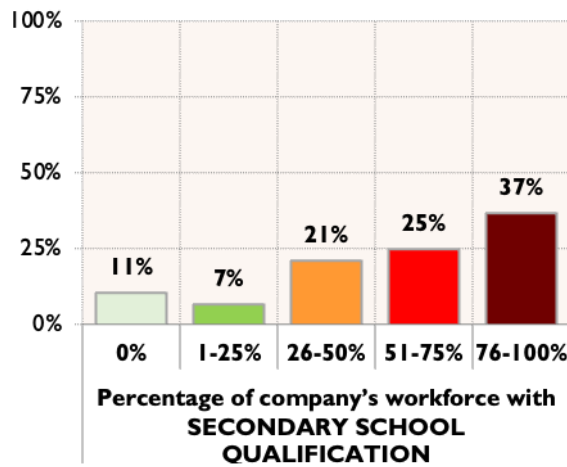
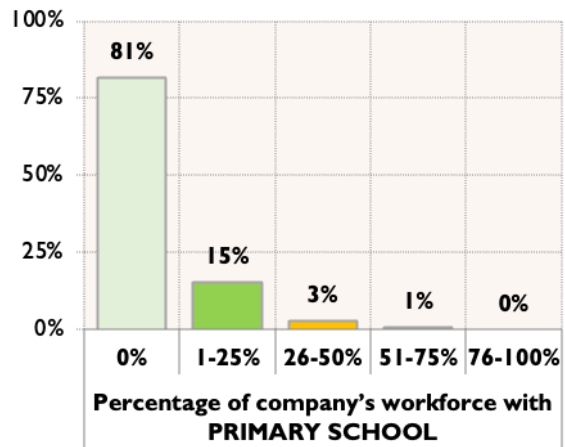
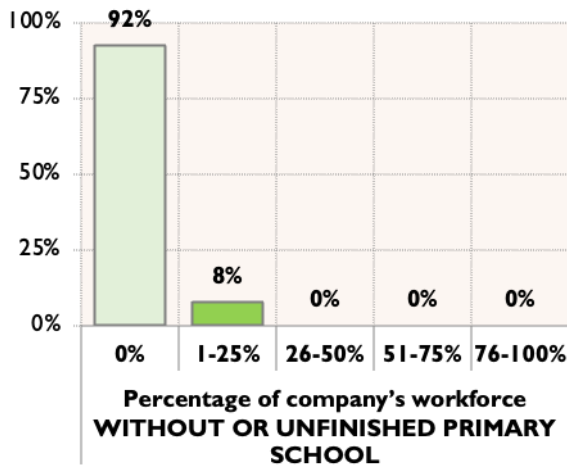
3.9.5. EDUCATION OF EMPLOYEES

Problematically, 66 percent of companies completely skipped the questions regarding education level of their employees. Seven percent directly stated that they do not know the answer to this question.¹² Those answers that were usable indicate that most companies employ workers with secondary education levels. In 62 percent of the responding companies, a majority of workers have completed secondary school, in 16 percent of companies a majority of workers have a university education, and in only 1 percent of companies have the majority of workers completed only primary school (refer to Exhibit 42).¹³ Companies that employ workers with only a primary education are generally in the processing industry and mining. Companies in which most workers have a university education are usually wholesale or retail companies, or those performing professional scientific and technical activities.

Exhibit 42. What percentage of your company's workforce has the following education levels?

¹² 3 percent of respondents gave answers that were not useful.

¹³ Within this question, respondents also were asked about the percentage of employees with vocational qualifications. It was not possible to conduct an adequate analysis of these data because relatively few respondents gave usable answers to the question pertaining to the percentage of employees with differing education levels and realized that the question is about employees who have a specific level of education. The rest stated the percentage of their employees they consider qualified for accomplishing their work tasks, which was not what the questionnaire asked.



Mid-sized companies are more likely than small and micro-companies to employ people who haven't finished primary school (40 percent of mid-sized companies versus 6 percent of small companies and micro-companies). The bigger the company, the more likely it is to employ people with only primary education (76 percent of large companies, 58 percent of mid-sized companies, 20 percent of small companies, and 8 percent of micro-companies). In addition, the bigger the company, the more likely it is that people with a secondary education make up between 51 percent and 75 percent of its workforce (55 percent of large companies, 50 percent of mid-sized companies, 28 percent of small companies, and 18 percent of micro-companies). People with university or higher education make up over 50 percent of the workforce in 20 percent of micro and 17 percent of small companies (this is not the case in any mid-sized or large company). On the other hand, although 5 percent of small and 24 percent of micro-companies reported having no employees with university or higher education, no mid-sized or large company reported having no employees with university or higher education (data not shown).

Companies from RS more often employ people with only primary education than those in the FBiH (26 percent of companies from RS versus 14 percent of companies from the FBiH) (data not shown).

3.9.6. EMPLOYING FOREIGN CITIZENS

Only a small number of companies (9 percent), believe that employing foreign citizens is an issue of “high urgency,” whereas only slightly more of the rest of the companies see it as a “medium” urgency issue (16 percent) (data not shown). In line with that, most companies (58 percent) do not look for foreign nationals when hiring. Of the 25 percent of companies that do,¹⁴ 69 percent tend to seek foreign citizens with a secondary school qualification, 32 percent tend to seek foreign citizen with university or higher education degree, and 16 percent tend to seek foreign citizens with vocational qualifications (data not shown).

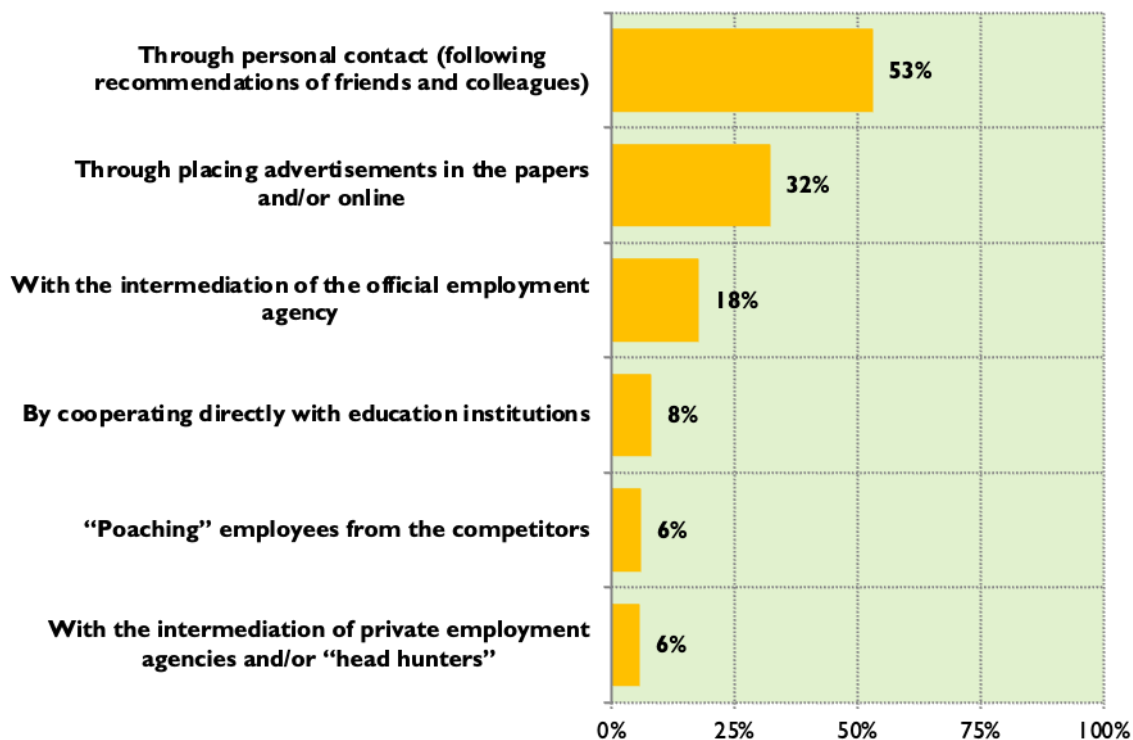
Companies from the FBiH were more likely to state that employment of foreign citizens is a high priority issue than companies from RS (12 percent from the FBiH versus 3 percent from RS) (data not shown). Micro-companies were more likely to state that this issue is not urgent at all (39 percent of micro-companies versus 28 percent of small companies, 20 percent of mid-sized companies, and 24 percent of large companies) and that they do not look for foreign nationals at all when hiring (65 percent of micro-companies versus 41 percent of small companies, 43 of mid-sized companies, and 31 percent of large companies) (data not shown).

3.9.7. EMPLOYEE RECRUITMENT METHODS

When hiring new employees, most companies tend to find them on the recommendation of friends and colleagues (53 percent) (refer to Exhibit 43). One in three companies also rely on placing advertisements in the papers and/or online, and one in six on the official employment agency.

¹⁴ The remaining companies (17 percent) did not know or did not want to answer this question.

Exhibit 43. Employee recruitment methods

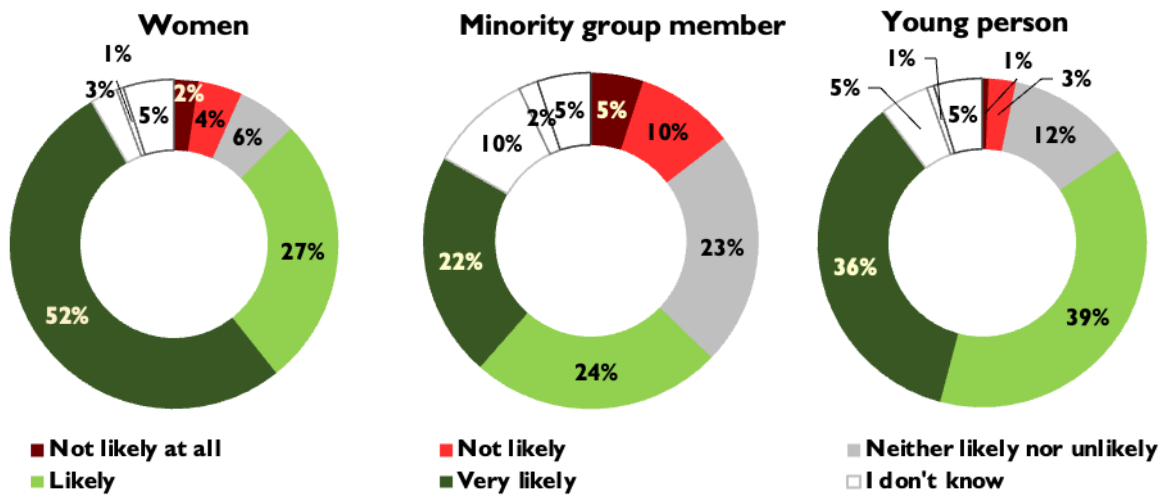


The larger the company, the more likely it is to recruit potential employees through placing advertisements in the papers and/or online (28 percent of micro companies, 37 percent of small companies, 48 percent of mid-sized companies, and 55 percent of large companies) (data not shown). Companies from RS were more likely to cooperate directly with educational institutions than those in the FBiH (12 percent from RS versus 6 percent from the FBiH) and were more likely to “poach” employees from competitors (9 percent of companies from RS versus 4 percent of companies from the FBiH) (data not shown).

3.9.8. ATTITUDES TOWARD EMPLOYING WOMEN, YOUTH, AND MINORITY GROUP MEMBERS

Members of the Roma population and other minority groups are most likely to be discriminated against when it comes to employment. Women are least likely to be discriminated against in these cases. Over half the companies stated that they would very likely hire a woman whose educational profile and experience completely meets the needs of their business, but less than a quarter of them would do the same for a member of the Roma community or other minority group with the same qualifications (refer to Exhibit 44). Slightly more than a third of companies would very likely hire a young person whose educational profile fully meets the required categories but has no work experience.

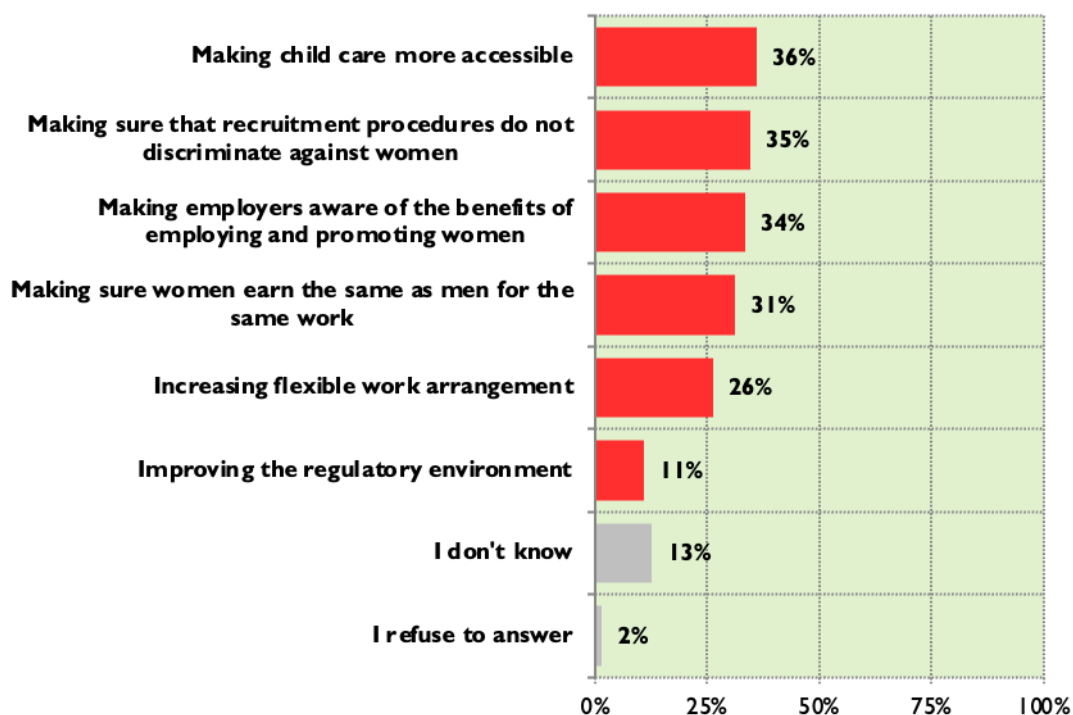
Exhibit 44. Willingness to employ women, youth, and members of minority groups



The larger the company, the more willing it is to hire people whose education and experience meet the needs of their business regardless of their gender and minority status. Thus, 51 percent of micro-companies, 56 percent of small companies, 65 percent of mid-sized companies and 73 percent of large companies stated that in this situation they would very likely hire a woman, but the differences are not statistically significant when it comes to hiring females and males. Eighteen percent of micro-companies, 34 percent of small companies, 33 percent of mid-sized companies, and 44 percent of large companies would very likely hire a member of the Roma population or other minority group member if their education and experience meet the needs of their business. Finally, 34 percent of micro-companies, 45 percent of small companies, 39 percent of mid-sized companies, and 40 percent of large companies would be willing to hire educated young people without experience (data not shown).

Companies were then asked about the opportunities that exist in the business sector in terms of women's empowerment and equality. The obtained results indicate that companies largely agree that it is necessary to increase accessibility to childcare, ensure that employment procedures are non-discriminatory, increase awareness about the advantages of employing women and promoting them to higher positions in the business sector, and ensuring equal pay (refer to Exhibit 45).

Exhibit 45. Proposals for empowering women and achieving equality in the business sector



Companies from the FBiH are more likely than those from RS to recommend the following as measures to empower women and achieve equality: raising awareness among employers about the benefits of employing and promoting women (38 percent of companies from the FBiH versus 22 percent of companies from RS); ensuring that recruitment procedures do not discriminate against women (38 percent from the FBiH versus 26 percent from RS), and improving the regulatory environment (13 percent from the FBiH versus 6 percent from RS). Companies from RS were more likely than those from the FBiH to state that they do not know what can or should be done (18 percent from RS versus 10 percent from the FBiH) (data not shown).

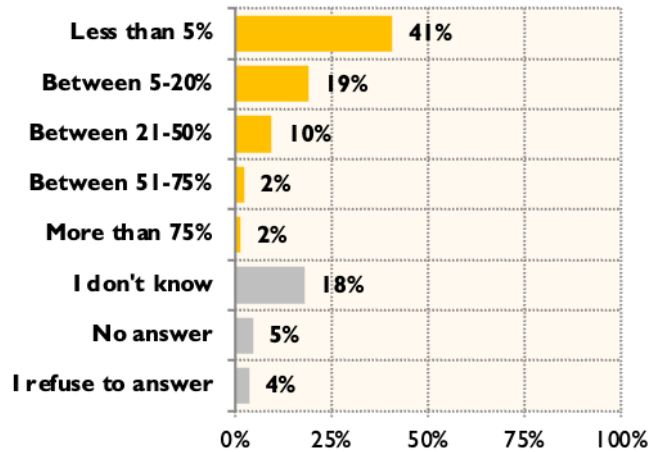
3.10. MIGRATION AND DIASPORA

Businesses were also asked about their opinions regarding migration of employees and the influence of the diaspora on business.

3.10.1. MIGRATION

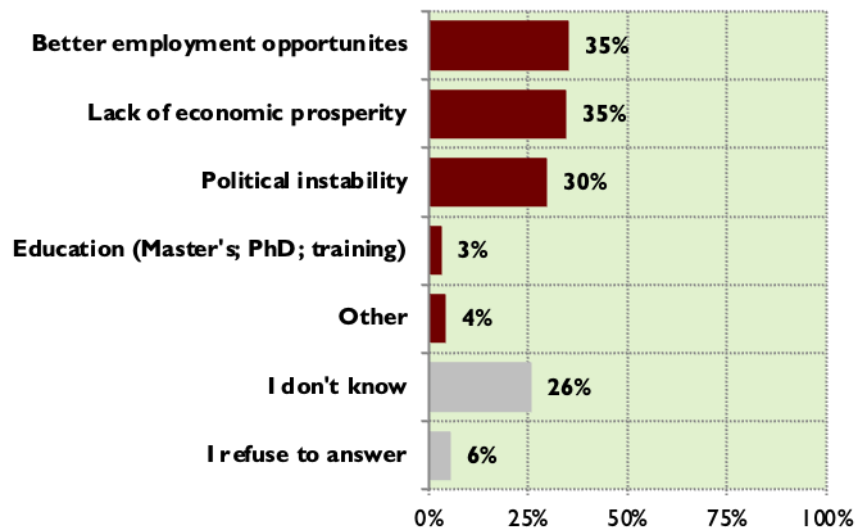
When it comes to employees leaving BiH, the largest share of companies (41 percent) said that less than 5 percent of their employees had left the company to go abroad. This is followed by companies in which 5–20 percent of employees left to go abroad (19 percent), and then those in which 21–50 percent of employees left (10 percent) (refer to Exhibit 46). Very few companies (4 percent) had lost over 50 percent of their employees to migration. Companies from the FBiH reported a lower number of employees leaving than companies in RS (data not shown).

Exhibit 46. Percentage of employees that left BiH



When it comes to the reasons for their employees leaving BiH, an equal percentage of companies (35 percent) stated that it was for better employment opportunities in other countries and lack of economic prosperity in BiH, followed by political instability in BiH (refer to Exhibit 47). Political instability was stated as a reason more frequently by companies from the FBiH than those from RS (35 percent of companies from the FBiH versus 19 percent of companies from RS) (data not shown).

Exhibit 47. Reasons for leaving BiH



3.10.2. DIASPORA

In almost a quarter (23 percent) of the companies, the owners or senior managers had spent time living and working abroad as members of the diaspora. Almost the same percentage of companies (21 percent) had established cooperation and collaboration with companies abroad owned by members of the BiH diaspora. Cooperation was significantly more often established by companies whose owners or senior managers had work experience as members of the diaspora. This was true in the case of almost half of such companies versus almost one in seven companies whose owner/senior managers did not have this kind of work experience (44 percent versus 15 percent). In half the cases (51 percent), this cooperation was related to export and networking (common business and professional interest), followed by joint investment (20 percent) and joint projects (e.g., projects funded by international donors or the EU) (16 percent). Over half the companies (52 percent) see potential for their company to cooperate and collaborate with the diaspora. Considerably more often, these are companies that have already had experiences in cooperation and collaboration with the diaspora—almost nine in ten (89 percent) such companies see potential in this kind of cooperation, which is only the case in slightly more than four in ten companies (44 percent) that did not have such experiences (data not shown).

In general, the larger the company, the more likely it is that its owners or senior managers had spent time living and working abroad as members of the diaspora (17 percent of micro-companies, 35 percent of small companies, 38 percent of mid-sized companies, and 41 percent of large companies). This is also true for companies that have established cooperation with the diaspora (18 percent of micro companies, 33 percent of small companies, 34 percent of mid-sized companies, and 53 percent of large companies). A similar pattern is evident in the perception these companies have of their potential to cooperate and collaborate (47 percent of micro companies, 66 percent of small companies, 50 percent of mid-sized companies, and 59 percent of large companies) (data not shown).

3.11. E – COMMERCE

3.11.1. OPINIONS ON THE RELEVANCE OF E-COMMERCE

An important part of *Business Survey 2022* asked companies their opinions on the relevance of e-commerce.¹⁵ The data collected reveals that 63 percent of companies believe that e-commerce will grow globally as a commercial channel in the future, whereas slightly less, 58 percent, believe that this will also be the case in BiH, specifically (data not shown).

3.11.2. HAVING A WEBSITE, WEB SHOP, MOBILE APPLICATION, AND PROFILE ON SOCIAL NETWORKS

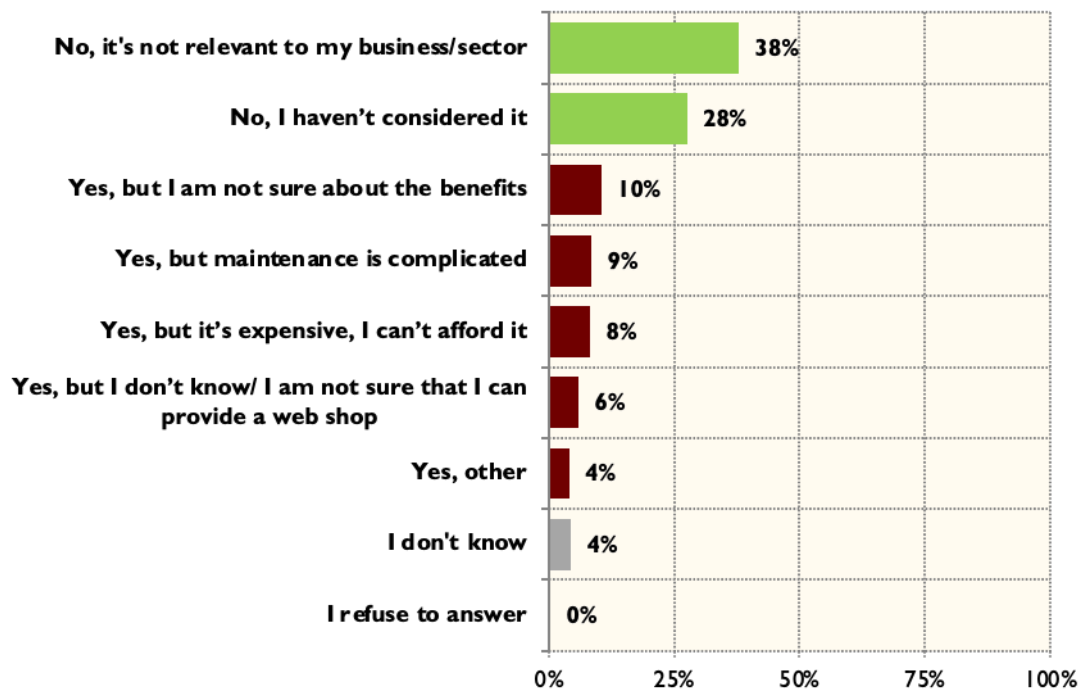
More than half (57 percent) of the companies have a website, yet very few (13 percent) have a web shop (data not shown). Most of the companies that do not have a website, over two-thirds (69 percent), said the primary reason for this is that they simply have no need for it. Significantly fewer companies listed other reasons as obstacles to their having a web presence: 18 percent stated the high costs of website development and maintenance as a primary obstacle, whereas 13 percent stated insufficient internal technical expertise as an obstacle (data not shown). In general, the larger the company, the

¹⁵ Section taken from the Annual Business Survey administered in Serbia by the USAID/Serbia Cooperation for Growth Activity.

more likely it is to have a website/web shop (51 percent of micro-companies, 74 percent of small companies, 84 percent of mid-sized companies, and 79 percent of large companies). Likewise, mid-sized companies were more likely to highlight insufficient internal technical expertise as the reason for not having a website/web shop than micro-companies (52 percent of mid-sized companies versus 12 percent of micro-companies, 19 percent of small companies, and 0 percent of large companies) (data not shown).

Companies that do not have a web shop were asked whether they had considered creating one. Two-thirds said that they had not considered this. Most of them (58 percent) felt that a web shop is not relevant, whereas the remaining companies (42 percent) did not explore this possibility for various reasons (42 percent). A third of companies that did consider it, but did not develop one, mentioned all the stated reasons to an almost equal degree (refer to Exhibit 48).

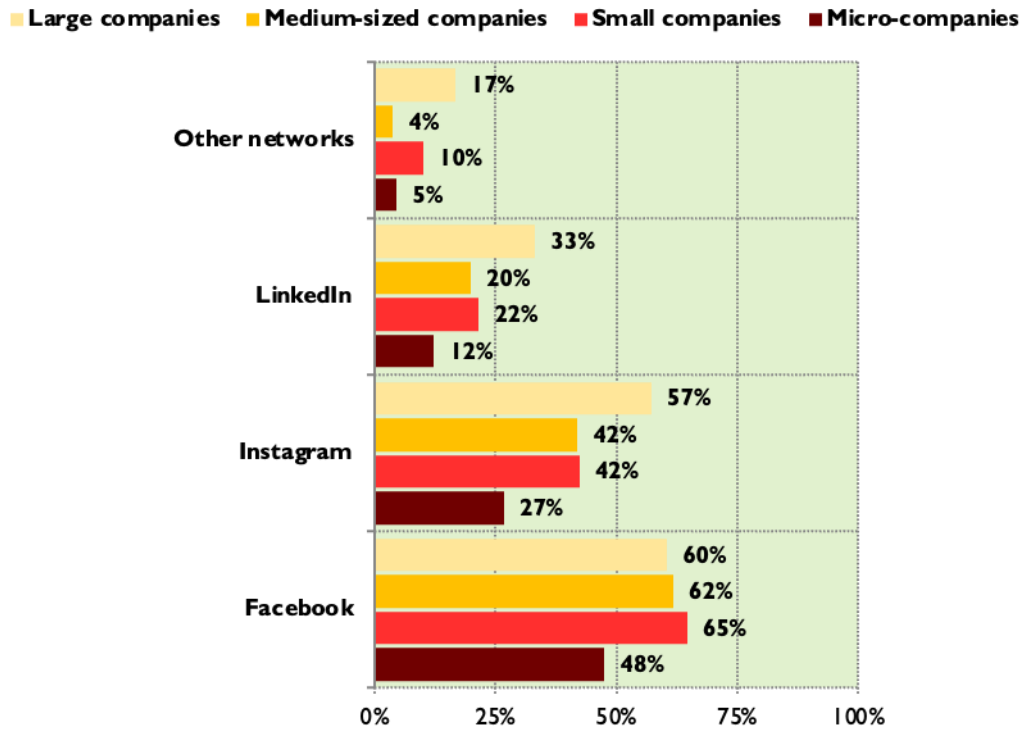
Exhibit 48. Considering building a web shop (N=682)



Seven in ten companies (69 percent) that have a web shop offer the option of online payment (by credit/debit card, e-money, etc.). Companies that do not are most likely to say that they have no need for it (35 percent), followed by companies that consider this service to be too expensive for them (19 percent) (data not shown). Other reasons were rarely mentioned, or cannot be categorized. Almost half (48 percent) of companies that engage in e-commerce have adequate information about consumers' rights on their web shop. Of the companies that do not, a large majority (76 percent) are unfamiliar with this information. For more than half the companies that have a website/web shop, it is a "very" (17 percent) or "moderately" important sales channel (38 percent). Two-thirds of companies (65 percent) have optimized their website/web shop for mobile phones. Only 7 percent of companies have their own mobile application, with larger companies being most likely to have one (6 percent of micro-companies, 11 percent of small companies, 12 percent of mid-sized companies, and 24 percent of large companies).

With regards to companies' presence on social networks, over half (52 percent) of the companies have an active profile on Facebook. This is followed by Instagram, on which almost a third (32 percent) of companies have an active profile, and LinkedIn, where 16 percent of companies have an active profile. Other social networks used by companies are Twitter and olx.ba. Micro-companies are less likely than others to have profiles on Facebook, Instagram, and LinkedIn (refer to Exhibit 49).

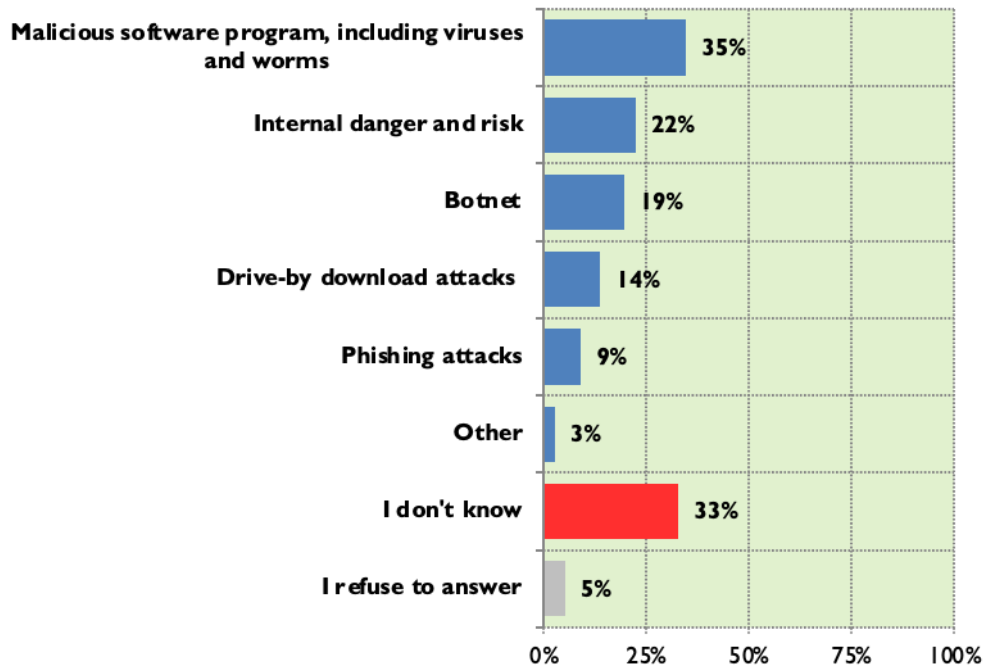
Exhibit 49. Social networks used by companies



3.11.3. SECURITY THREATS AND INCIDENTS

Companies were asked about their opinion regarding the biggest security threat to their company's protected information or intellectual property. Notably, one in three companies did not know how to respond to this question, which indicates their low level of familiarity with these issues (refer to Exhibit 50). Slightly more than one in three companies mentioned malicious software programs, including viruses and worms, whereas around one in five listed internal dangers, risks, and botnets as the biggest security threat to their company's protected information or intellectual property. Other possible threats were rarely mentioned. In general, companies from the FBIH were more likely to be familiar with internal dangers and risks and malicious software programs, including viruses and worms, than companies from RS (internal dangers: 25 percent of companies from the FBIH versus 17 percent of companies from RS; malicious software programs: 40 percent of companies from the FBIH versus 25 percent of companies from RS).

Exhibit 50. The biggest security threat to a company's protected information or intellectual property



Nine percent of companies had some security incidents in the last two years involving hacking or theft of the company's protected information or intellectual property (data not shown).

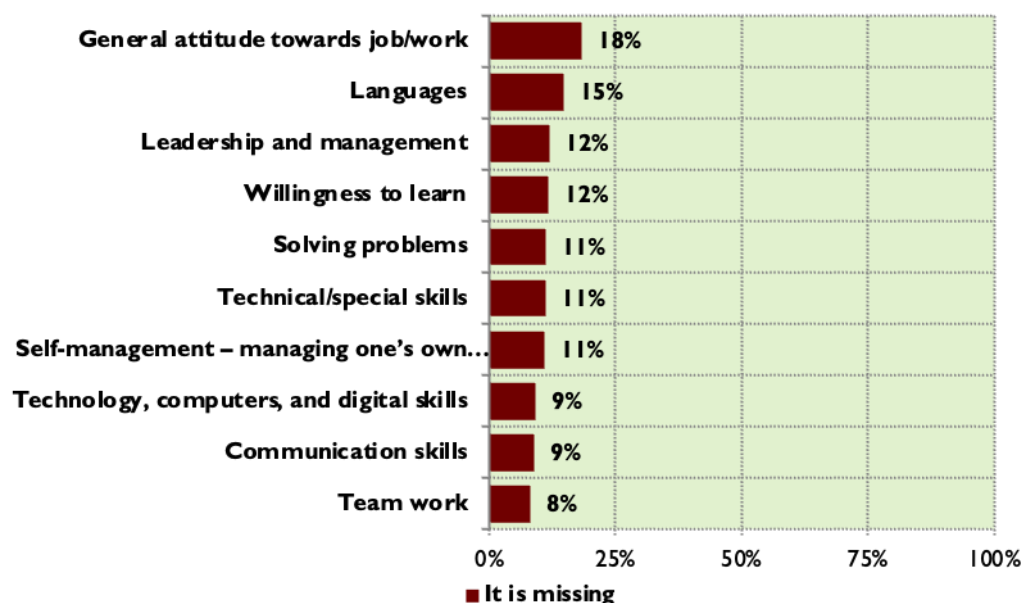
3.12. DIGITAL SKILLS

3.12.1. ASSESSMENT OF SIGNIFICANCE

Companies were asked to what extent candidates applying for positions in the company lacked certain skills.¹⁶ Data indicate that a general attitude toward job/work and knowing languages were more likely to be identified as missing skills, compared to other skills—they were listed by 18 percent and 15 percent of companies, respectively, whereas 9 percent of companies stated that applicants lack the necessary digital (computer-related) skills (refer to Exhibit 51).

¹⁶ Section taken from the Annual Business Survey administered in Serbia by the USAID/Serbia Cooperation for Growth Activity.

Exhibit 51. Skills that candidates applying for positions in a company completely lack



Micro-companies tend to be more satisfied with the skills of their candidates and are more likely to think that candidates have these skills than other companies (refer to Exhibit 52).

Exhibit 52. Skills that candidates applying for positions in company have completely

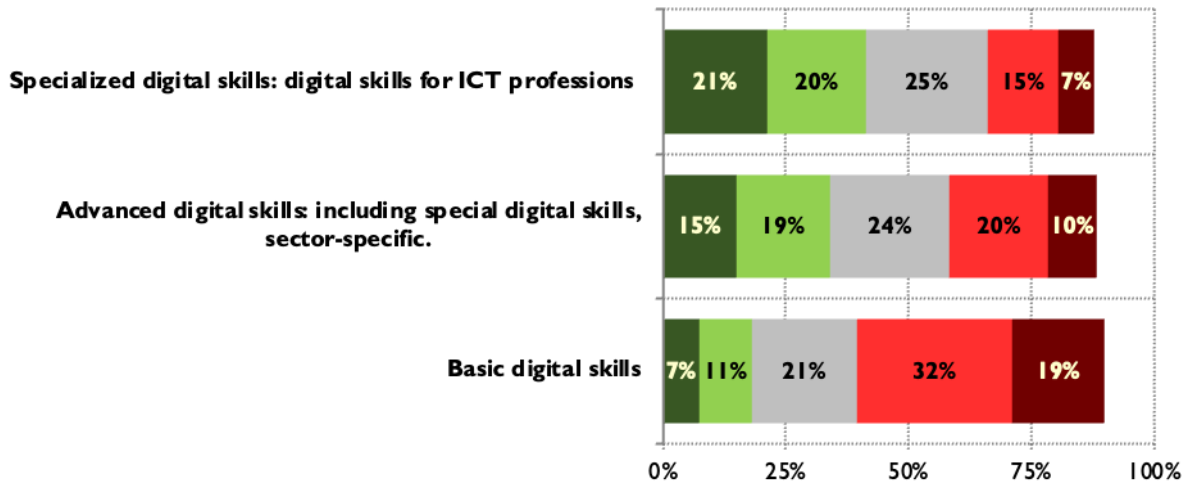
General attitude toward job/work	16.4%	6.8%	5.3%	0.0%
Communication skills	16.7%	7.2%	6.5%	0.0%
Self-management	13.9%	6.0%	2.8%	0.0%
Solving problems	14.5%	5.8%	2.8%	0.0%
Technical/special skills	13.3%	6.2%	6.3%	0.0%
Technology, computers, and digital skills	11.6%	6.4%	7.5%	6.3%
Teamwork	17.3%	8.2%	6.3%	6.3%
Leadership and management	8.2%	3.4%	5.0%	0.0%
Languages	7.1%	7.6%	1.3%	0.0%
Willingness to learn	13.4%	7.2%	6.5%	5.2%

3.12.2. NEED FOR DIGITAL SKILLS

When it comes to employees’ digital skills, companies consider basic digital skills (such as using digital applications for communication and basic internet search, including safety on the internet) to be most important; 50 percent of respondents view these skills as “important” or “very important.” Somewhat less than one in three companies stated that advanced digital skills are also important or very important (30 percent), and nearly one company in four (22 percent) said the same of specialized digital skills/digital skills for ICT professions (Categories 1 and 2, plus skills necessary for working in various IT sectors and skills required for development of new digital technologies, products, and services) (refer to Exhibit 53).

Exhibit 53. Importance of different level digital skills for company employees

■ It's not important at all ■ It's not important ■ Neither important nor unimportant ■ Important ■ Very important



Note: "No answer" answers are not shown in the exhibit.

4. CONCLUSION

Business Survey 2022 investigated companies'

perceptions and experiences with a variety of factors such as the political and legal environment, business support policies, macroeconomic analysis, foreign investments, export orientation, fiscal and parafiscal charges and burdens, sources and access to finance, anti-corruption, labor market, required skills and employment practices, and migration. Between June 29 and November 22, 2022, a nationally representative sample of BiH companies was polled. The Center of Excellence for Evaluation and Policy Research and its partners conducted 870 face-to-face, phone, and online surveys with BiH businesses in 93 municipalities throughout FBiH and RS, including the BD.

The objective was to collect evidence-based data to help policymakers make decisions about the country's business climate. This poll assessed the economic climate and ease of doing business in BiH. This poll will additionally help to shape the

country's economic and social policies in areas such as employment, taxation, education, and training, among others. This survey will aid decision-making in the public, commercial, and academic sectors. However, companies' high rejection rate made the data collection process challenging. Companies frequently declined to participate despite using a variety of surveying methods (while adhering to all methodological rules). Another issue was the inability of important company personnel to be reached.

The quality of economic and pro-business policymaking in BiH, current policies, and the efficiency of institutional support for business development are assessed as *"weak – not good enough to provide sustainable stability to the business sector and favorable conditions for business development."* Businesses in BiH lack a comprehensive support system that would ease their daily activities and improve both national and international competitiveness.

Corruption and tax regulation are the top-ranked obstacles to running a business successfully, and the gray economy and taxes and salary contributions are seen as factors with the biggest negative effect on

- Forty-one percent of companies invested in the past year, and 42 percent plan to invest in the next to increase export capabilities.
- Businesses say fiscal and parafiscal charges and burdens hinder operations.
- Forty-five percent of companies said their mandatory social security contribution and employer fiscal burden hinder business growth.
- Forty-three percent of companies think local and national taxes, environmental taxes, municipal taxes, land development fees, water fees, and administrative fees hinder business operations.

discourage entrepreneurship and hurt business development.

- Thirty-four percent of the companies surveyed stated that BiH's economic and pro-business policies are insufficient (30 percent).
- Sixty percent of companies named corruption as the most significant obstacle to success, followed by tax regulation (49 percent), inspections (39 percent), political pressure (25 percent), and inadequate infrastructure (21 percent).

business operations. Various business support policies are most often regarded as inefficient and even discouraging. Accordingly, expectations regarding the economic situation in BiH in 2023 are quite pessimistic. Engagement in anti-corruption activities is at a very low level, despite the widespread presence of corrupt practices being highlighted, especially in the public procurement sector. The main recommendations made by the companies for the international community are to fight against organized crime and corruption and to provide support to economic and business development.

Most companies believe that the country's general economic situation and lack of trust in the state and public institutions have a negative impact on their competitiveness, but also strongly suggest that difficulties in finding quality staff and managers has a negative impact. At the same time, businesses consider government assistance in purchasing

equipment and developing infrastructure, as well as assistance in obtaining financing, to be critical

growth factors. The majority of investments in the previous year were made in-country, a trend that will continue in 2023. The majority of imports came from the EU, and the majority of exports went to the EU market as well. Moreover, despite the fact that more than half of the companies believe their products can compete well with those of other EU countries, excessive bureaucracy and paperwork; complex administrative procedures; slow import-export procedures; and poor government support for exporters and/or foreign investments were all identified as negatively affecting BiH companies' export orientation.

- Twenty-seven percent of companies stated that their employees currently lack specialized skills or knowledge.
- Employees were found to be lacking in the following areas: foreign language skills (20 percent of companies), problem-solving skills (19 percent), and soft skills (17 percent).
- Companies were most likely to increase staff supervision, increase training activity, including cost, or expand trainee programs in an attempt to address skill gaps among their existing staff (21 percent each)

- Sixty percent of companies think giving gifts, money, or favors to public administration officials or employees is normal in BiH.
- More than half (57 percent) of companies believe that corruption is widespread in public procurement, the judiciary (48 percent), and the process of obtaining permits.
- Due to systemic corruption in BiH, 11 percent of companies are considering moving abroad.

Companies point out that numerous fiscal and parafiscal charges also have a negative effect on their business, especially emphasizing the effect of employers' fiscal burden and the employers' compulsory social security contributions. Companies assess availability and affordability of funding sources as "moderate" or "lower than moderate," and the belief that the business loan application procedure is complex is widespread. Therefore, the most commonly used source of funding by companies are internal funds/retained earnings.

Companies are moderately optimistic regarding the number of their employees in 2023 but are concerned by the quality and availability of the workforce. In most cases, they identify that their current employees are lacking specialist skills or knowledge. When it comes to addressing skill gaps among their existing staff, companies most often increase supervision and intensify training activities. Employing foreign citizens is not seen as an urgent issue. Companies are more prone to hire women than youth and

minorities, and are more likely to hire young people without experience than members of the Roma population and other minority groups with the same qualifications. The most frequently used method for recruiting employees was the recommendation of friends and colleagues. Companies' experiences show that the migration of employees is a factor, but for the time being it is not a major issue. If the company's owner or senior manager has spent time abroad, the frequency of establishing cooperation and collaboration with the diaspora increases, most often in the form of exports and networking. The experience of cooperation and collaboration with the diaspora enables companies to more easily understand the positive effect this can have on their business.

The relevance of e-commerce is recognized by only a few companies; therefore, the percentage of companies that have a website is slightly over half, whereas few companies have a web store. Of those that have a web store, they quite frequently offer the option of online payment. For those companies for which a website/web store might be relevant, it seems that unfamiliarity with the benefits/not seeing the potential is the main reason why these services are not developed. A small portion of companies stated that the candidates applying for positions in the company lacked digital skills. For them, it is most important that their current employees have basic digital skills, although quite a high percentage of companies say that it is important that their employees have advanced and specialized digital skills.

- Seventy-two percent of companies were most likely to say that the general economic situation in the country; 64 percent said that the general distrust in state and public institutions negatively affected their competitiveness.
- Although half of the companies saw a change in their overall business results, only one in five expects the BiH economy to improve in the next year, whereas just under half expect it to worsen.

ANNEX: THE *BUSINESS SURVEY 2022*—SURVEY QUESTIONNAIRE