



POLICY PAPER

Evidence-based Policy Cycle and its Application in Tourism Sector 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
November, 2022.

UNIVERSITY OF SARAJEVO



**School of Economics
and Business**



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



ABBREVIATIONS

BiH	Bosnia and Herzegovina
BEE	Business Enabling Environment
BD	Brčko District
CoE	Center of Excellence for Evaluation and Policy Research
FBiH	Federation of Bosnia and Herzegovina
GDP	Gross Domestic Product
RS	Republic of Srpska
EC	European Commission
EU	European Union
GCI	Global Competitiveness Index
JSER	Joynt Socioeconomic Reforms
MEASURE II	Monitoring and Evaluation Support Activity II
NGO	Non-governmental Organization
OECD	Organisation for Economic Co-operation and Development
SEBS	School of Economics and Business in Sarajevo, University of Sarajevo
SME	Small and Medium-sized Enterprise
T&T	Travel and Tourism
USAID	United States Agency for International Development
WTTC	The World Travel & Tourism Council

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1. Conduct surveys on relevant social and economic policy fields
2. Conduct data analysis 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
5. Assist BiH government institutions in designing and conducting rigorous evaluations of programs and initiatives

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

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EXECUTIVE SUMMARY

Travel and tourism contributions to BiH's GDP account for 6.6% and 8.7% of employment, respectively, while visitor spending is estimated to be 7.9% of total exports. The legislative framework for policymaking is consistent across all sectors in BiH, including for tourism. However, the tourism sector remains unique as there is no law or strategy for the development of tourism at the state level.

This policy paper is based on research on current policies to promote evidence-based policy making in terms of formulation, monitoring, and evaluation. The main focus of this policy paper is on the inconsistent implementation and evaluation of tourism policies/strategies, especially the process of defining evaluation requirements. This policy paper addresses inconsistent development of tourism across the country, due to fragmented governance structures, which translates into a lack of a coordinated and strategic approach to marketing BiH as a tourist destination. However, in addition to this, the challenges arise due to the lack of capacities and budgets to evaluate policies, and the lack of regulation to secure transparency in the process of impact assessments.

Methodologically, this policy paper is built on the previously developed studies, "*Tourism in Bosnia and Herzegovina: In-depth Analysis*" and "*Evidence-Based Policy Formulation and Implementation: A Conceptual, Methodological and Policy Model for the Tourism sector in Bosnia and Herzegovina in the field of Tourism*." Conclusions for this study draw from these previous research pieces, desk research and a literature review of policy-related documents, plus semi-structured interviews with key informants.

Starting with the problem posed by inconsistent tourism policies, this policy paper identifies three options, starting firstly with no policy changes, which would continue the status quo. The second option deals with the legal and strategic framework changes, institutional capacity building and increasing transparency to strengthen evidence-based preparation process. Finally, the third option assumes overall reform of the policy preparation process. Based on the financial, institutional and political criteria, we recommend the second policy option: Strengthening evidence-based preparation processes.

INTRODUCTION

Bosnia and Herzegovina is expected to fulfill 14 key priorities in order to join the European Union (EU), including “areas of democracy/functionality, the rule of law, fundamental rights, and public administration reform.”¹ One of the most challenging EU integration processes relates to the advancement of transparency and quality in the policy-making process and the use of evidence in the policy cycle. The existing policy-making legislative framework applies both to tourism and all other economic sectors in BiH. However, the tourism sector is neglected as there is no law or strategy for tourism development at the state level², with only some other economic sectors having country-wide strategies. Meanwhile, the legal framework for coordination of policy development as well as activities implementation at the state level is very limited³. However, the state is allowed to build its authority in this field only with agreement from the entities. Any new state-level strategy would be perceived as a “transfer of authorities to the state level” by Republic of Srpska (RS), an entity in Bosnia and Herzegovina, and, as such, not as a common priority⁴. However, improved policy-making in this field is necessary to make coordinated progress in the tourism sector, so that all stakeholders can benefit from it. Lower government levels (entities, cantons and Brčko District {BD}) have authority within the tourism sector, yet the entities and cantons have unharmonized laws (such as Law on Tourism in Sarajevo Canton or Law on Tourist Activity in Herzegovina-Neretva Canton). However, it remains unclear how these strategic documents and laws create value for different participants, as there are no available evaluation documents. To reach more accountable policies, it is necessary to introduce more rigorous monitoring and evaluation policies and practices at all levels of government.

Formulation and implementation of policies (in general), and evidence-based policy in BiH are organized based on the country’s constitutional arrangement. BiH’s Constitution stipulates the organization of the country as four layers of administrative units. First is the state level, second is the entity level (Federation of Bosnia and Herzegovina (FBiH) and RS and BD, third is the cantonal level in FBiH, and the fourth municipal level in FBiH and RS.

This policy paper is based on research about policies extant for the promotion of evidence-based policy making in terms of formulation, monitoring, and evaluation. The European Commission (2017) identifies that the policy cycle consists of the following processes: policy design and preparation, adoption, implementation and application; evaluation and revision⁵. Debate regarding evidence-based and integrated policy cycle in the EU is still ongoing⁶. However, programs and measures implemented by

¹ European Commission (2021). *Bosnia and Herzegovina Report 2021*. Available at: https://neighbourhood-enlargement.ec.europa.eu/bosnia-and-herzegovina-report-2021_en

² Center of Excellence for Evaluation and Policy Research (2022). *Tourism in Bosnia and Herzegovina: In-depth Analysis*.

³ Ibidem.

⁴ Ibidem.

⁵ European Commission (2017) ‘Better Regulation Guidelines’, SWD(2017) 350 final, 7 July. Available at: <https://ec.europa.eu/info/sites/info/files/better-regulation-guidelines.pdf>

⁶ Lisorti, Basyte-Ferrari, Acs and Smits (2022). *Towards an Evidence-Based and Integrated Policy Cycle in the EU: A Review of the Debate on the Better Regulation Agenda*. JCMS 2020, Volume 58. Number 6. pp. 1558–1577

different government levels in BiH are typically monitored, at the implementation level, with evaluations rarely being conducted.⁷ This creates a problem regarding the policy cycle, as improving the design of policies is only possible with appropriate monitoring and evaluation activities. As such, in the context of BiH, the results of these monitoring and evaluation activities are barely used to improve the provision of services⁸.

This policy paper addresses the issue of evidence-based policy making in general, and provides a focus on the tourism sector in BiH⁹. The focus is on the tourism sector as one of the sectors with high growth potential. However, the legislative framework applies to all sectors, so the results are generalizable. We provide general policy advice for the better use of evidence, and for the tourism sector in particular. The tourism sector was chosen as a part of the initial screening conducted by Center of Excellence for Evaluation and Policy Research. As noted in the Center of Excellence for Evaluation and Policy Research (2022) report, “over time, BiH has developed a unique blend of cultural; mountain and winter; eco and rural; outdoor and adventure; sport; religious, and health/spa tourisms.” Further, the *World Travel & Tourism Council (WTCC) (2022) report*¹⁰ provides evidence of the importance of the sector: 6.6% total contribution of travel and tourism for GDP, and 8.7% contribution for employment; while visitor spending is estimated to be 7.9% of total exports.

This policy paper is composed of the following sections. In the first part, we define and discuss policy problems. We analyze major elements of the policy cycle and why it is important to address this problem. Secondly, the methodology section provides insight into the methodological approach used to design the policy paper and research relevant policy models. Next, based on research of strategic policy documents and legislation, we provide relevant policy options and assessment of different policy options. Finally, we recommend a feasible policy option and discuss its implementation.

⁷ Center of Excellence for Evaluation and Policy Research (2022). *Creating a Business Enabling Environment: In-depth Analysis*. p. 53

⁸ OECD et al. (2019), *SME Policy Index: Western Balkans and Turkey 2019: Assessing the Implementation of the Small Business Act for Europe*, SME Policy Index, OECD Publishing, Paris, <https://doi.org/10.1787/g2g9fa9a-en>, p. 219

⁹ (i) Central government state institutions (BiH level).

(ii) Entity level (FBiH and RS level).

(iii) Brčko District level.

(iv) FBiH Cantonal level.

¹⁰ WTCC (2022). *Bosnia and Herzegovina: 2022 Annual Research: Key Highlights*. Available at: <https://wtcc.org/Research/Economic-Impact/moduleId>

POLICY PROBLEM DEFINITION

The first policy problem relates to the inconsistent development of tourism across BiH due to fragmented governance structures. Policies in BiH are defined at various levels. Policies are defined in strategic documents, and by laws according to mandates of the responsible institutions. Evidence-based policy preparation, in terms of the use of evidence during the key policy formulation process is regulated by laws and bylaws at the state, entity, and BD levels. For the tourism sector, our in-depth analysis provides evidence of fragmented governance structures and an inconsistent strategic approach to promoting tourism at the state level¹¹. This also partially results in an uncoordinated strategic approach to marketing BiH as a tourist destination¹². Finally, this produces suboptimal results in the sector.

In addition to fragmented government structures, the in-depth analysis of the tourism sector conducted by Center of Excellence for Evaluation and Policy Research demonstrates inconsistent implementation and evaluation of tourism policies/strategies. Overall, the legal framework specifies the needs for evidence in at least two stages.

- First, during the preparation of strategic documents where basic strategies are defined, policies are typically defined based on analysis, and the needs of society. However, in-depth analysis points to the problem related to the lack of accurate and relevant data to inform tourism sector policies and promotion as another issue that should be addressed¹³.
- Secondly, in the case of laws or sub-laws, once the draft policy is prepared, the proposing institution has to declare whether a fiscal impact is to be expected and whether a fiscal impact assessment of the proposed policy is required, by stating “Yes” or “No”. This is required by the entities rulebooks on fiscal impact assessments (FIA)¹⁴. If a fiscal impact is initially assumed to exist, then further detailed calculations are necessary. If the fiscal impact is not assumed (the statement is “No”), then no further details are needed.

At the same stage, and separately from fiscal impact assessment, it is decided if an overall impact assessment is necessary. The scope of the impact assessment ranges from “Overreaching” to “Short”, depending on the expected impact of the policy.¹⁵ Apart from these processes, policies can be also defined on an ad hoc basis, such as in *Joint Socioeconomic Reforms* (JSER), without the presentation of analysis and consultations.

Even though the impact assessment is often required, the practice is not without challenges. Firstly, there are neither sufficient capacities nor budgets within ministries or proposing institutions to conduct or outsource impact assessments to provide a full evaluation of the potentially complex policies. Secondly, the central bodies in charge of oversight also lack capacity for the evaluation of materials submitted as impact assessments. Thirdly, the need for a fiscal impact assessment is not clearly defined. Just a

¹¹ Center of Excellence for Evaluation and Policy Research (2022). Tourism in Bosnia and Herzegovina: In-depth Analysis.

¹² Ibidem.

¹³ Center of Excellence for Evaluation and Policy Research (2022). Tourism in Bosnia and Herzegovina: In-depth Analysis. Page 36Ibidem.

¹⁴ Rulebook on the procedure for creating a statement on the fiscal assessment of laws, other regulations and planning acts on the budget (Official Gazette of FBiH, 34/16), Law on Fiscal Responsibility of Republika Srpska (Official Gazette of RS, 94/15)

¹⁵ Decrees on the Procedure for Assessing the Impact of Regulations in FBiH and RS

declaration of “No” - as an expectation of fiscal impact - is sufficient to avoid any kind of impact assessment. For those policies with an expected fiscal impact, they are classified into two categories, those which need “overreaching” impact assessment and those which need “short” impact assessment. However, the criteria for such a classification are not clearly defined, which makes decisions on the need for impact assessment arbitrarily and without sufficient implementation. Finally, there is no regulation to guarantee transparency in the process of making impact assessments and the results are not always made available to the public for debate.

This poor legal framework and the evaluators’ lack of ability, often fail to provide adequate evidence, transparency, or consultation during policy debate. Furthermore, this often leads to enacting policies that are probably not the best option. At a minimum, the public does not know the goals or expected impacts of the policies.

The overview of gaps that need to be closed in BiH are provided in Table 1.

Table 1. Gaps needed to be closed in BiH	
Strategic framework and approach	Gaps needed to be closed to improve current state of tourism in BiH
Enabling Environment	<ul style="list-style-type: none"> • Lack of programs specially designed to support small tourism businesses to encourage entrepreneurship and enhance the quality of tourism. • Lack of a special incentive credit scheme to support investment in sustainable tourism and increase the competitiveness of tourism SMEs.
Travel and Tourism (T&T) Policy and Enabling Conditions	<ul style="list-style-type: none"> • Funds not allocated to the implementation of tourism strategies¹⁶ • Evaluation and monitoring of tourism policies was not done in previous period • Lack of additional strategic documents¹⁷ supporting tourism development • Statistical Tourism System in BiH does not provide all relevant tourism data necessary to assess the contribution of tourism sector to the GDP and employment and to implement policy approach based on evidence¹⁸
Infrastructure	<ul style="list-style-type: none"> • Lack of strategic approach to investment infrastructure projects
Natural and Cultural Resources	<ul style="list-style-type: none"> • Initiatives aimed at improving sustainability are mainly the results of internationally financed projects and there is a lack of governmental initiatives related to sustainable tourism
Legislative framework	Gaps needed to be closed in BiH
Enabling Environment	<ul style="list-style-type: none"> • Existing legal framework which regulates strategic investments does not create friendly environment for potential investors
T&T Policy and Enabling Conditions	<ul style="list-style-type: none"> • The tourism sector at the level of the Federation of BiH has remained without legal regulation since 2015
Infrastructure	<ul style="list-style-type: none"> • Fiscal incentives aimed to support tourism investments and tourism businesses have not been incorporated in the legislative framework yet
Natural and Cultural Resources	<ul style="list-style-type: none"> • The legislative framework for sustainability in BiH correctly regulates the basic principles of sustainability, but it does not set clear mechanisms to impose sustainability as the primary key to economic activity and spatial development.

¹⁶ Two entities in Bosnia and Herzegovina have only recently adopted the tourism strategies

¹⁷ Additional documents implemented in the Western Balkan countries and EU, such as Work Program of Tourist Boards, strategies for special type of tourism, operational marketing plan, Green Tourism Action Plan, etc.

¹⁸ For example, statistical tourism system across WB and EU countries provides data in line with the International Recommendations for Tourism Statistics.

METHODOLOGICAL FRAMEWORK

From the methodological point of view, we highlight that this policy paper is built on the previously developed CoE's publications, "*Tourism in Bosnia and Herzegovina: In-depth Analysis*" (hereafter: In-depth Analysis) and "*Evidence-Based Policy Formulation and Implementation: A Conceptual, Methodological and Policy Model for the Tourism sector in Bosnia and Herzegovina in the field of Tourism.*" (hereafter: Policy Models) The in-depth analysis reached five conclusions:

1. Fragmented governance structures and lack of consistent strategic approach impact tourism development at state level;
2. Inconsistent implementation and evaluation of tourism policies/strategies;
3. Weak business enabling environment for SMEs in the tourism sector;
4. Lack of accurate and relevant data to inform tourism sector policies and development; and
5. Lack of coordinated and strategic approach to marketing BiH as a tourist destination.

In addition, the follow-up document (Policy Models) provides an overview of what policies currently exist to promote evidence-based policy making in terms of formulation, monitoring and evaluation in the tourism sector in BiH. It also highlights current practices in terms of their application and use of evidence throughout the policy cycle (see Table 1 for identified gaps). So, this paper is a methodological continuation of the two previous reports (the *In-depth analysis* and *Policy models*) including their respective methodological frameworks where the research team employed a mixed method in conducting this research study. The team drew their analysis from a wide array of quantitative and qualitative data in order to both inform and answer research questions. These methods included:

1. Desk research and literature review of policy-related documents
2. Semi-structured interviews with key informants

Comparing and contrasting findings, to address the same research questions from multiple perspectives, helped us to gain a more complete understanding of the topic and provided more confidence in the findings.

Firstly, we extensively reviewed the relevant documents, laws, and strategies applicable to the different government levels, and sector assessments. Based on those findings, we prepared custom-based interview protocols, focusing on the tourism sector, including its legal framework, and practices of decision-making at the state level, entity levels, and BD. More precisely, we interviewed one key representative from the four key institutions in charge of preparing, monitoring, and evaluating policies in the tourism sector. Qualitative analysis of interview transcripts provided inputs into research findings, conclusions, and recommendations.

The team consolidated the information obtained from the desk research and the interviews of the key tourism experts and analyzed it. As a result, we present the conceptual and legislative framework for the evidence-based policy analysis, and recommendations on how to improve the concept and its practice, in order to be more effective in general and in particular to the tourism sector. The limits of this approach

include the response bias of the key informants, since sometimes there is a tendency to present a better picture than reality. We mitigated this by drawing on the policies as a source of information, guaranteeing the interviewees' confidentiality, and carefully asking them to describe specific examples of policies in their responses.

POLICY OPTIONS

In this section, three pathways are presented containing different policy mixes. The policy mixes within each pathway are based on research findings derived from In-depth Analysis and Policy. Various improvements in that regard are grouped into three sections: legal and strategic framework, institutional capacity development, and transparency. These three criteria address the most relevant issues identified in In-depth Analysis and Policy Models studies, developed by inductive reasoning/bottom-up reasoning (i.e. the specific issues are grouped to the moral general). Policy change 1 requires improvements in a legal and strategic framework, institutional capacity development, and increased transparency of the lower government levels, while Policy Change 2 proposes changes at the state level.

Table 2. Policy options overview			
	No policy change	Policy Change 1	Policy Change 2
Legal and strategic framework			
Requiring systematic changes in policy decision-making	No	Yes	Yes
Merge impact and fiscal impact assessment processes	No	Yes	Yes
Modify the impact assessment processes	No	Yes	Yes
Identify and remove barriers of a country-wide strategy adoption	No	Yes	Yes
Synchronize FBIH and RS strategy in the field of tourism	No	Yes	Yes
New state-level legislation for country-wide strategies.	No	No	Yes
Institutional capacity development			
Ensure cooperation between different stakeholders	By chance	Yes	Yes
Develop reliable statistical system in tourism	No	Yes	Yes
Strengthen capacities within public institutions to produce adequate impact assessments	No	Yes	Yes
Provide necessary funds	By chance	Yes	Yes
Strengthen the capacities at the state level	No	No	Yes
Transparency			
Make reports available and mandatory to publish.	No	Yes	Yes
Cooperation and knowledge sharing	No	Yes	Yes

No policy changes

The first option, “No policy changes”, means that the current fragmented governance, with its insufficient monitoring and evaluation across different sectors (including tourism), would lead to inconsistent implementation and evaluation of policies in general and in particular of tourism policies/strategies. As a consequence, current practice will not enable the development of a business environment for the overall tourism sector, nor for SMEs in the tourism sector. Without policy change, there would be no improvements in policy formulation and overarching strategic framework guiding development in the tourism sector. As such, this policy option envisions that the policy cycle remains as it is now, without synchronized and coordinated action.

Policy change 1. Strengthening the evidence-based preparation process

As the current legal and strategic framework contains important parts of the evidence-based policy cycle, feasible improvements can contribute to significant change in terms of the existing framework. Strengthening the evidence-based policy cycle means improvement in the legal and strategic framework, both at the state and the entity level, but also institutional capacity development. In addition to these two broad areas of action, transparency of assessment reports should increase. The following specific actions are advised, if this option is to be implemented:

Legal and Strategic framework

- **Requires systematic changes in policy decision-making.** At the state level, adopt legislation that will require procedures for drafting, implementing, monitoring, and evaluating strategic documents, in line with the entity laws on development planning and relevant bylaws. The legislation will also define cooperation mechanisms among various stakeholders during formulation, monitoring and evaluation of policies. These changes will address gaps that should be closed in the tourism sector¹⁹. These gaps are to be found in the: lack of programs specifically designed to support small tourism businesses to encourage entrepreneurship and enhance the quality of tourism opportunities; the lack of special incentive credit scheme to support investment in sustainable tourism and increase the competitiveness of tourism SMEs; the lack of strategic documents supporting tourism development and the lack of evaluation practices among existing policies.
- **Merge impact and fiscal impact assessment processes.** At all levels, instead of the current practice of two different regulations for fiscal impact assessment and impact assessment, make one regulation that combines the two and classify the level of analysis according to the level of expected impact on the society.
- **Modify the impact assessment processes.** The current practices allows the avoidance of fiscal impact assessment and impact assessment, simply by the policy-maker stating that no such activities are needed. At all levels, enact the rules/regulations that will prescribe in detail the drafting of the impact assessment for the legislation that is being drafted. The compulsory policy

¹⁹ Center of Excellence for Evaluation and Policy Research (2022). Tourism in Bosnia and Herzegovina: In-depth Analysis

impact assessment should be reclassified to several levels, according to expected impact of the policy, or rule on the society, and expertise needed. Three possible levels should be based on the complexity of the analysis: Basic (conducted by line ministry); Intermediate (conducted by more than one ministry and central oversight institutions) and overreaching or advanced (conducted by several line ministries, central institutions and external experts). This change will introduce regularity in impact assessment to all policy documents, based on its complexity and resources needed for it to be completed.

- **Identify and remove barriers to a country-wide strategy adoption (synchronize FBiH and RS strategy).** While a country-wide strategy for the development of the tourism sector is needed to achieve synchronized development of tourism in BiH, the lack of such strategic documentation at the state level reduces the chances to make tourism even more relevant for the development of BiH. It would boost the development of tourism sector in BiH and the activities would be comprehensive and coordinated.

Institutional capacity development

- **Ensure cooperation between different stakeholders.** In order to ensure better support and faster development of the tourism sector, it is necessary to standardize and establish cooperation between various institutional and non-institutional actors (e.g., private sector, tourism-related business associations, academia, international donors, other NGOs, etc.) in the tourism sector throughout BiH. Organizationally, the tourism sector lacks a representative at the state level, or at least efficient cooperation and coordination at the national level, in approaching the foreign markets which hinders BiH's visibility as a tourist destination globally²⁰. In order to maximize the use of local and international development funds, it is necessary to enhance coordination within the tourism sector.
- **Develop a reliable statistical system for the tourist industry.** Significant funds need to be invested in the development of a specific statistical system that will help generate reliable data for making informed decisions and the creation of policies modeled on EU practices. As such, a lack of reliable tourism data hinders appropriate strategic planning of tourism development²¹.
- **Strengthen capacities within public institutions to produce adequate impact assessments.** The institutions should also consider outsourcing these services. These changes are needed to identify discrepancies between the objectives for tourism development and the actual progress in the field for many activities implemented by public institutions. However, an increase in capacities would also solve a problem identified by the in-depth analysis related to the overall need to evaluate and implement tourism policies and strategies in BiH at all levels (entity, cantonal, local).
- **Provide necessary funds and establish cooperation** with institutions that can provide the relevant expertise to analyze the impact of individual policies at their various stages.

Transparency

²⁰ Ibidem.

²¹ Ibidem.

- **Make reports available and mandatory to publish.** Within bylaws, make the publication of impact assessment reports obligatory in all phases of the process.
- **Cooperation and knowledge sharing.** Improve the cooperation between the institutions of administrative bodies in BiH and international organizations which could make the evaluation results available to administrative bodies and citizens. The relevant institutions should meet and discuss findings from the completed assessments/evaluations, as well as lessons learned through the implementation of previous or existing policies/activities to foster the use of reports /evidence produced for learning purposes.

Policy change 2. Overall reform of the policy preparation process

This policy option creates an opportunity for coordinated action across the entities and BD, by enhancing the legal and strategic framework at the state level but also building institutional capacity at the state level. In addition to all specific recommendation in the policy change 1, the following specific actions are advised, if this option is to be implemented:

Legal and Strategic framework

- **New state-level legislation for country-wide strategies.** At the state level, it is necessary to develop a new legislative framework for the preparation of national strategies and in particular, develop a *National Tourism Development Strategy*. The lack of coordinated and strategic approach to marketing BiH as a tourist destination is identified as the main finding in the in-depth analysis of the tourism sector²². A lack of a strategic approach to the development of tourist destinations, is one of the main challenges to the development of tourism in BiH, which hinders the competitiveness of tourist destinations and private businesses. Management of tourist destinations is at an early stage of development. The destinations lack management, which should encourage them to establish cooperation among the tourist service providers and facilitate new innovative and unique tourist experiences for different target groups of tourists and target markets.

Institutional capacity development

- **Strengthen the capacities at state level** by establishing a government ministry or agency in charge of coordination and preparation of a state strategy
- **Provide necessary funds and capacity building** within a government ministry or agency in charge of coordination and preparation of a state strategy at the state level, in order to establish high standards in all processes of the policy cycle.

Criteria for the evaluation of the policy options and the best option

We identified three criteria for the evaluation of the policy options to be used for recommending the best option. These criteria include financial (financial resources needed to implement an option), institutional

²² Ibidem.

(the effect an option has on the institutional capacities), and political criteria (the challenges of implementing an option from the current political state).

RECOMMENDATIONS

Our recommendations are based on the potential impact of policy options, and they do not provide quantified monetary assessments of the effects on BiH's economy. Such evaluation of policy options should guide decision-makers to fully understand to potential positive and negative outcomes of their decisions, comparing one policy change in relation to another.

From the financial perspective, policy change 1, compared to no policy change, would require that more financial resources are spent on the development of institutional capacity. More effort would be needed to implement the various set of actions at different government levels. However, policy change 2 assumes the establishment of new agencies at the state level, which is not feasible at this point (from a political perspective). On the other hand, policy change 1 could yield benefits in strengthening the evidence-based preparation process. Based on the institutional criteria, increased transparency and improvement in policy design and preparation are expected, as well as increased institutional capacities in both policy option sets. Based on these criteria evaluation, we recommend policy change 1, i.e., "strengthening evidence-based preparation process".

Policy Evaluation Criteria	No policy Change	Policy change 1	Policy change 2
Criteria 1. Financial	No financial resources are spent on capacity development, but the underdeveloped approaches to policy-decision making, mean a loss in terms of opportunity cost/lost revenues due to inconsistent tourism development.	More financial resources are spent in institutional capacity development, as well as more effort is needed to implement the various set of actions at different government levels.	Less financial resources are needed as the state level will prescribe the policy cycle steps. Establishing a new agency or institution at the state level would require substantial costs at one level (BiH), with potential reduced costs at lower levels of government, assuming coordination and transfer of good practices.
Criteria 2. Institutional	Policy design would not be based on the evaluations of the existing policy documents and the needs of tourism sector, thus lacking opportunities to introduce improvements to policy documents.	Increased transparency and improvement in policy design and preparation are expected, as well as increased institutional capacities.	Increased transparency and improvement in policy design and preparation are expected, as well as increased institutional capacities.
Criteria 3. Political	Lack of coordinated and strategic approach would reduce chances	The current government levels could benefit from the process of strengthening	Set of policy changes presented as an ideal set of policies, assumes establishing

	to market BiH as a tourist destination, and local communities could only partially benefit from the tourism.	evidence-based preparation process.	new agencies at state level which is at this point (from the political perspective). not feasible.
Recommendation	No	Yes	No

CONCLUDING REMARKS

In this paper, we addressed the policy cycle in the tourism sector, although some points could also be applied to the broader policy cycle. From the methodology point of view, this policy paper is built on our previously developed studies, i.e., *“Tourism in Bosnia and Herzegovina: In-depth Analysis”* and *“Evidence-Based Policy Formulation and Implementation: A Conceptual, Methodological and Policy Model for the Tourism sector in Bosnia and Herzegovina in the field of Tourism.”*

The three options identified in this document aim to provide a possible path to the overall development of tourism in BiH. Having in mind possible financial, institutional, and political consequences of the various options, strengthening the current evidence-based preparation process is advised as the most feasible policy option. This option prescribes procedures for drafting, implementing, monitoring, and evaluating strategic documents at the state level, and also requires a lower level to engage in evaluation practices. Among other institutional capacity development measures, in order to ensure better support and faster development of the tourism sector, it is necessary to standardize and establish cooperation between various institutional and non-institutional actors (e.g., private sector, tourism-related business associations, academia, international donors, other NGOs, etc.) in the tourism sector throughout BiH. Finally, in order to increase transparency, this option envisions that the publishing of impact assessment reports be obligatory at all phases of the process.



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9. WTCC (2022). Bosnia and Herzegovina: 2022 Annual Research: Key Highlights. <https://wtcc.org/Research/Economic-Impact/moduleld>

ANNEX I. LIST OF REVIEWED DOCUMENTS

From the methodology point of view, this policy paper is built on the previously developed studies, i.e., "Tourism in Bosnia and Herzegovina: In-depth Analysis", which reviewed the following documents:

- The Strategy for Development of Tourism in the FBiH for 2008 – 2018
- The Strategy for the Development of Tourism in RS from 2016 to 2020
- Strategy for Development of Tourism in RS for 2021 – 2027
- The Strategy of Development of BD 2021-2027
- Law on Spas ("Official Gazette of RS", No. 20/18)
- Law on Tourism (" Official Gazette of RS ", No. 45/17)
- Law on Hospitality ("Official Gazette of RS", No. 45/17)
- Law on Sojourn Tax (" Official Gazette of RS ", No. 78/11, 106/15)
- Law on Public Ski Resorts (" Official Gazette of RS ", No. 15/10, 33/16)
- 22 Bylaws in the form of regulations related to the conditions regarding providing different tourism services (RS)
- Law on Tourism Activity ("Official Gazette of the Federation of BiH", No. 32/09)
- Law on Hospitality Activity ("Official Gazette of the Federation of BiH", No. 32/09)
- 23 Bylaws in the form of rules and regulations related to the conditions regarding providing different tourism services (FBiH)

ANNEX II. LIST OF INTERVIEWED INSTITUTIONS

From the methodology point of view, this policy paper is built on the previously developed studies, i.e., "Tourism in Bosnia and Herzegovina: In-depth Analysis", the study in which conclusions are supported by the focus group with the following participants:

- Tourism board Sarajevo Canton (two participants),
- Tourism board Herzegovina Canton,
- Travel agency from Mostar
- Restaurant from Mostar
- Ethno village from Bijeljina