



Tourism in Bosnia and Herzegovina: In-depth Analysis

Center of Excellence for Evaluation and Policy Research

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UNIVERSITY OF SARAJEVO



**School of Economics
and Business**



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



ABBREVIATIONS

| | |
|----------|---|
| BD | Brčko District |
| BiH | Bosnia and Herzegovina |
| DMO | Destination Management Organisation |
| EBRD | European Bank for Reconstruction and Development |
| EU | European Union |
| FBiH | Federation of Bosnia and Herzegovina |
| FDI | Foreign Direct Investments |
| FIPA | Foreign Investment Promotion Agency |
| FMoET | Federal Ministry of Environment and Tourism |
| GDP | Gross Domestic Product |
| GIZ | German Corporation for International Cooperation |
| IMF | International Monetary Fund |
| IQM | Integrated Quality Management |
| IRTS | International Recommendations for Tourism Statistics |
| KM | Convertible mark |
| MICE | Meetings, Incentives, Conference/ Conventions and Exhibitions/ Events |
| MoFTER | Ministry of Foreign Trade and Economic Relations |
| MSMEs | Micro, small and medium-sized enterprises |
| MTT RS | Republika Srpska Ministry of Trade and Tourism |
| NGO | Non-Governmental Organisation |
| NP | National Park |
| OECD | Organization for Economic Cooperation and Development |
| PA | Protected Area |
| PL | Protected Landscape |
| RCC | Regional Cooperation Council |
| RS | Republic of Srpska |
| STS | System of Tourism Statistics |
| T&T | Travel and Tourism |
| TORS | Republic of Srpska Tourist Organisation |
| TSA | Tourism Satellite Accounts |
| UHiR BiH | Hotel and Restaurants Association of BiH |
| UNCTAD | United Nations Conference of Trade and Development |
| UNDP | United Nations Development Program |
| UNECE | United Nations Economic Commission for Europe |
| UNWTO | United Nations World Tourism Organization |
| USAID | United States Agency for International Development |
| UTA BiH | Association of Travel Agencies in Bosnia and Herzegovina |
| VAT | Value-Added Tax |
| WB | World Bank |
| WEF | World Economic Forum |
| WG | Working Group |
| WTTC | World Travel and Tourism Commission |

CENTER OF EXCELLENCE FOR EVALUATION AND POLICY RESEARCH

The Center of Excellence (CoE) for Evaluation and Policy Research was established in March 2021 as part of the United States Agency for International Development (USAID) funded Monitoring and Evaluation Support Activity II (MEASURE II) Partnering for Excellence in Evaluation and Research grant awarded to SEBS. 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 Bosnia and Herzegovina (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 presenting 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.

DISCLAIMER

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TABLE OF CONTENTS

| | |
|--|-----------|
| ABBREVIATIONS | 1 |
| DISCLAIMER | 3 |
| LIST OF TABLES AND FIGURES | 5 |
| EXECUTIVE SUMMARY | 6 |
| 1. INTRODUCTION | 9 |
| 1.1. BACKGROUND | 9 |
| 1.2. RESEARCH QUESTIONS AND OBJECTIVES | 10 |
| 1.3. METHODOLOGICAL FRAMEWORK | 11 |
| 2. STATE OF PLAY OF TOURISM IN BOSNIA AND HERZEGOVINA | 13 |
| 2.1. TOURISM SECTOR OVERVIEW | 13 |
| 2.1.1. Tourism sector profile and performance | 13 |
| 2.1.2. Main tourism products | 24 |
| 2.2. MAP OF INSTITUTIONAL SET UP | 26 |
| 2.3. LEGISLATIVE/STRATEGIC FRAMEWORK | 30 |
| 2.3.1. Legislative framework | 30 |
| 2.3.2. Strategic framework | 31 |
| 3. FINDINGS AND CONCLUSIONS | 34 |
| 3.1. KEY FINDINGS | 34 |
| 3.2. KEY CONCLUSIONS – STATE OF PLAY OF TOURISM IN BOSNIA AND HERZEGOVINA | 38 |
| 3.3. KEY FINDINGS – COMPARATIVE ANALYSIS OF TOURISM POLICIES ACROSS WESTERN BALKAN COUNTRIES AND SELECTED EU COUNTRIES | 40 |
| 4. RECOMMENDATIONS | 43 |
| LIST OF REFERENCES | 46 |
| ANNEXES | 49 |
| ANNEX 1 | 49 |
| TOURISM ASSOCIATIONS AND TOURISM ORGANIZATIONS/INSTITUTIONS AT THE STATE, ENTITY, CANTONAL AND LOCAL LEVELS | 49 |
| ANNEX 2: FGDS READOUT (WHAT DOES FGD MEANS?) | 52 |
| ANNEX - BOX 1. THE CROATIAN MINISTRY OF TOURISM: PROGRAM “COMPETITIVENESS OF THE TOURISM INDUSTRY” | 55 |
| ANNEX - BOX 2. CROATIAN DIGITAL TOURISM - E-TOURISM | 57 |
| ANNEX - BOX 3. THE GREEN SCHEME OF SLOVENIAN TOURISM | 57 |
| ANNEX - BOX 4. TAX RELIEF TO STIMULATE BUSINESS AND TOURISM GROWTH | 57 |
| ANNEX 3 TOURISM POLICIES ACROSS THE WESTERN BALKANS AND EU COUNTRIES | 59 |
| REPUBLIC OF ALBANIA | 59 |
| REPUBLIC OF CROATIA | 61 |

| | |
|-----------------------------|----|
| REPUBLIC OF MONTENEGRO | 64 |
| REPUBLIC OF NORTH MACEDONIA | 65 |
| REPUBLIC OF SERBIA | 66 |
| REPUBLIC OF SLOVENIA | 67 |

LIST OF TABLES AND FIGURES

| | |
|--|----|
| Table 1. Growth of international tourism receipts in Western Balkan region, 2008 – 2019..... | 16 |
| Table 2. Components of direct, indirect, and induced impacts of tourism on an economy | 18 |
| Table 3. The main conclusions related to the state-of-the play of tourism in BiH | 38 |
| Table 4. The main findings of the comparative analysis of the strategic and legislative tourism frameworks in the Western Balkan and selected EU countries | 41 |
| Table 6. Main recommendations for redesign of strategic and legislative framework in BiH’s tourism sector | 43 |
| Figure 1. Number of tourist arrivals, 2010 – 2020..... | 14 |
| Figure 2. Number of tourist nights, 2010 – 2020..... | 14 |
| Figure 3. International receipts 2008 – 2019..... | 15 |
| Figure 4. Share of international receipts in the Western Balkan region, 2008 – 2019..... | 15 |
| Figure 5. Total investment in tourism sector in BiH, 2008 – 2019..... | 17 |
| Figure 6. FDI in tourism related industries, 2010 – 2019..... | 17 |
| Figure 7. FDI stock by industry in BiH, May 1994 – December 2019 | 18 |
| Figure 8. Number of paid jobs in tourism, 2008 – 2019 | 19 |
| Figure 9. TCI for BiH, 2013 – 2019..... | 21 |
| Figure 10. A comparison of tourism competitiveness of BiH and selected WB countries, 2019 | 22 |
| Figure 11. Map of institutional set up of tourism in BiH | 27 |

EXECUTIVE SUMMARY

Over time, Bosnia and Herzegovina (BiH) has developed a unique blend of cultural; mountain and winter; eco and rural; outdoor and adventure; sport; religious, and health/spa tourisms. In 2019, these activities provided consistent employment opportunities (12% of total national employment) and contributed to overall economic growth (10.5% of gross domestic product) (WTCC, 2019). Weak governance, political insecurity, social instability, economic and intellectual brain drain, and degradation of natural and cultural heritage sites threaten the long-term sustainability of BiH's tourism sector however.

To promote the development of evidence-based public tourism policies, The United States Agency for International Development (USAID) commissioned an in-depth analysis of the current strategic and legislative framework for the tourism sector in BiH. This research was conducted as part of the Partnering in Excellence and Evaluation Research (PEER) grant under the USAID/BiH Monitoring and Evaluation Support Activity (MEASURE II).

The purpose of the study is to provide an objective analysis of the strategic and legislative frameworks for the tourism sector in BiH and to articulate a set of policy recommendations that support the development of the sector. Using a mixed-methods approach, this in-depth analysis includes a review of existing legal and policy documents, quantitative data from the tourism sector, and qualitative data from focus group discussions with relevant tourism stakeholders in BiH including representatives from private and public sector, such as tourism associations, tourist agencies and other related organizations.

The main findings of the study are as follows:

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

The main conclusions related to the state-of-the play of the tourism industry in BiH are grouped into three categories:

- Tourism sector profile and performance:
 - Tourism in BiH is a growing and dynamic economic sector, but is also unstable;
 - The tourism sector is characterized by a low level of competitiveness, low level of foreign direct investment (FDI), and issues related to poor and underdeveloped tourism data management systems; and
 - There is a lack of rational and balanced development of tourism products.
- Institutional setup:
 - BiH's complex and fragmented institutional structure reduces the quality of governance, the efficiency and accountability of the public sector, and the efficacy of policies across sectors, including tourism;

- The absence of a tourist organization at the state level, or at least efficient cooperation and coordination at national level in approaching the foreign markets, hinders BiH's visibility as a tourist destination globally; and
- A lack of reliable tourism data hinders appropriate strategic planning of tourism development.
- Strategic and legislative framework:
 - There is an incomplete legislative framework and low level of harmonization of legal and policy-making instruments in the tourism industry;
 - The legislative framework is vague and largely not functional;
 - There is a lack of a strategic framework for managing the challenges of tourism development; and
 - Inconsistent legislation and regulation within the entity makes the business environment quite unfavourable. According to the 2019 competitiveness index rankings, BiH is ranked 134th in the efficiency of legal framework indicator and 137th in the efficiency of the legal framework in changing regulations index.

Based on the analysis of secondary data as well as qualitative data collected with stakeholders through focus groups, the research team has developed the following recommendations for decision and policy makers regarding the future development of tourism in BiH. The recommendations are broken down into strategic and legislative frameworks.

With regards to the strategic framework, the following is recommended to the relevant government institutions (ministries responsible for tourism in cooperation with cantons and municipal levels):

- ✓ Canton and municipal level tourism associations could provide support to small tourism businesses with a focus on digital transformation, transition to a low carbon economy, and assistance with grant procurement to improve product quality and services.
- ✓ Provide an incentive credit scheme to large tourism actors to support investment in sustainable tourism and increase the competitiveness of tourism SMEs. This should be done by relevant ministries in cooperation with financial sector (commercial banks).
- ✓ Funds should be allocated to the implementation of tourism strategy and future development of tourism industry at all levels. Allocating the amount of funds to tourism investments is a determining factor in the implementation of the tourism strategy and future development of the tourism industry. This process should be coordinated by relevant ministries in cooperation with tourism associations, chamber of commerce and other stakeholders.
- ✓ Develop a detailed system of tourism policy evaluation and monitoring. This system should be developed within every relevant government institution.
- ✓ Develop additional strategic documents related to tourism (e.g., Work Program of Tourist Boards, strategies for special types of tourism, operational marketing plans, Green Tourism Action Plans, etc.) at different levels in the country. This process should be coordinated by relevant government institution and include all stakeholders in the development of strategic documents.
- ✓ A Statistical Tourism System providing data in line with the International Recommendations for Tourism Statistics should develop a statistical tourism system, which will provide data in line with

the International Recommendations for Tourism Statistics. This should be done by state and entity level statistical bodies and relevant tourism government institutions.

- ✓ Develop a national catalogue of investment projects, which identifies and presents public projects for which the country seeks investors (e.g., construction of new hotels and resorts; investing in newly realized tourist attractions such as golf clubs, conference centres, etc.; and investing in other tourist infrastructure). This should be done by relevant government institutions including tourism and trade ministries, chambers of commerce, foreign investment promotion agency and others.
- ✓ Designing initiatives aimed to improve sustainability issues systematically and strategically by all stakeholders.

With regards to legislative framework, the following is recommended to the relevant government institutions (ministries responsible for tourism in cooperation with cantons and municipalities levels):

- ✓ Design laws which regulate strategic investments in a way that supports potential investors in the forms of simplified procedures and/or special procedures.
- ✓ Design fiscal (tax) incentives aimed to support tourism investments and tourism businesses. This should be done in cooperation with relevant stakeholders, including ministries of finance and other institutions. Tax incentives such as: exemptions of taxes while purchasing buildings to be used as tourism facilities; reductions of stamp duty when purchasing such facilities and other.
- ✓ Develop clear mechanisms aimed to promote sustainability as the primary key to economic activity and spatial development.
- ✓ Integrate economic (e.g., eco-taxes, user fees, financial incentives, and tradable building permits, regulatory {quotas and zoning}, and institutional instruments {e.g., eco-labels}, aiming to support the sustainable development of tourism.

1. INTRODUCTION

This introductory chapter sets the context for the relevance of the tourism sector in Bosnia and Herzegovina (BiH) and introduces the scope of the study.

1.1. Background

Bosnia and Herzegovina (BiH) is an upper-middle-income country that has made significant economic progress since the mid-1990s. BiH is now a potential EU candidate country, embarking on a new growth model. BiH has seen three major economic eras during the previous two decades. During the first phase, after the end of the Bosnian war between 1992 and 1999, the economy had a robust recovery, fuelled by extremely high levels of foreign aid and remittances. During the second phase, from 2000 to 2007, the economy expanded steadily at an annual pace of 5% until 2007, when the global financial crisis erupted. During the third phase, which is started in 2008 and is still ongoing, the economy has been stagnant, with average growth rates of less than 1% (World Bank Group, 2015: 2020).

Tourism is one of the most important economic sectors in BiH, contributing significantly to the country's gross domestic product (GDP) through job creation and export. The tourism industry's reliance on human resources and local suppliers produces revenue potential for Micro, Small, and Medium Enterprises (MSMEs) and those living in or near major tourism centres. Over time, BiH has developed a unique blend of activities associated with cultural, mountain and winter; eco and rural; outdoor and adventure; sport; religious; and health and spa tourism. These activities have provided consistent employment opportunities (12% of total employment in the country) and contributed to economic growth (10.5% of GDP) (WTCC, 2019). Weak governance, political insecurity, social instability, economic and brain drain, and degradation of natural and cultural heritage sites threaten the long-term sustainability of BiH's tourism sector however. Despite these challenges, tourism in BiH is thriving and becoming a promising economic sector. However, based on data analysis conducted by the research team, it is clear that tourism development is not the result of planned and supported economic activity. Due to a lack of strategic approach at different levels and low levels of involvement from the public sector, the tourism sector's success is largely the result of individual efforts in the private sector, implying that the development of tourism is serendipitous rather than planned and strategically supported. Without a clear strategy to promote BiH's economic development through tourism or a tourism strategic window of opportunity (TSWO), there is a considerable risk of missing out on potential opportunity, which can be identified by developing the TSWO.

Box 1: The importance of strategic planning in tourism – TSWO framework

The TSWO interconnects the critical steps in tourism strategy development (Prideaux et al., 2012). This six-step process starts with the identification of long-term goals in tourism development, including the image it wishes to project; types of tourists it expects to receive; the capacity of the host community to welcome new visitors, and issues related to environmental sustainability. The second step encompasses the environmental scanning process in which market factors (push factors) and destination resources (pull factors) should be matched to identify the potential strategic windows (potential markets). The next step is risk assessment, i.e., an evaluation of problems that may arise when sizing identified opportunities (e.g., difficulties in developing the physical and human infrastructure required; exogenous factors that can have a negative impact on tourism; over-dependency on small number of target markets, etc.). After risk assessment, it is necessary to develop a strategy based on the most desirable option. The final step includes the confirmation that the tourism strategy has been successful through an evaluation of the implementation of the tourism strategy. The TSWO framework offers a sequenced method that may be used by destinations searching for new market opportunities, and it acknowledges the importance of a strategic approach in tourism development. The ability of the destination to adopt the TSWO framework shapes its ability to assure the continuous growth of tourism.

To promote the development of evidence-based public tourism policies, USAID commissioned an in-depth analysis of the current strategic and legislative framework for the tourism sector in BiH. This research was conducted as part of the Partnering in Excellence and Evaluation Research (PEER) grant under the USAID/BiH Monitoring and Evaluation Support Activity (MEASURE II).

1.2. Research questions and objectives

The in-depth analysis sought to answer two research questions:

- 1) What is the current state of the tourism sector in Bosnia and Herzegovina?
- 2) What trends and best practices can be gleaned from the development of the tourism sector in other countries in the region, specifically Albania, Croatia, Montenegro, North Macedonia, Serbia, and Slovenia? And how can these lessons inform the development of the tourism section in Bosnia and Herzegovina?

The main purpose of the study is to provide an objective analysis of the strategic and legislative framework of BiH's tourism sector and to articulate a set of policy recommendations to support the economic development of the tourism sector in BiH. According to this, the main objectives are to provide:

- ✓ an overview of the tourism sector in BiH, including a tourism sector profile its performance and the main tourism products;
- ✓ an overview of the tourism sector's strategic and legislative frameworks in BiH;
- ✓ a list of the main challenges for future development of the tourism sector in BiH;
- ✓ a comparative analysis of tourism policies across Western Balkan countries (Albania, Bosnia and Herzegovina, Montenegro, Republic of North Macedonia, Republic of Serbia) and selected EU countries (Croatia and Slovenia),
- ✓ a list of findings based on focus group discussions conducted with relevant stakeholders in BiH's tourism sector, and
- ✓ Recommendations for strategic interventions for policies supporting the economic development of tourism sector in BiH.

It is worth noting that this report does not promote a position on the issues mentioned but rather presents facts, evidence, and arguments that could contribute to a constructive debate among relevant tourism stakeholders.

1.3. Methodological framework

A mixed-method research approach was used to establish the state-of-the-play of the strategic and legal framework related to tourism in BiH. In this respect, the following research techniques were employed:

- Document analyses: An in-depth review of the strategic and legislative framework of the tourism sector in BiH, Western Balkan countries, and two selected EU countries (Croatia and Slovenia) was conducted and included a review of laws, by-laws, and strategic documents prepared by the government of each country (see list of references at the end of this Report).
- Statistical data processing: figures, facts, and data have been collected and processed from international publications such Travel & Tourism Competitiveness Index issued by The World Economic Forum, UNWTO, World Bank, and national institutions, namely Agency for statistics Bosnia and Herzegovina, Central Bank of BiH, etc.
- Focus groups: Interviews were conducted with relevant tourism stakeholders in BiH. Focus group was organized on July 22, with six representatives from the private and public sector (for more details see the Annex 1 of this Report):
 - Tourism board Sarajevo Canton,
 - Tourism board Herzegovina Canton,
 - Travel agency from Mostar,
 - Restaurant from Mostar and,
 - 'Ethno-village' from Bijeljina.

This study has limitations emerging from the characteristics of the design and methodology used. One focus group discussion was held and included representatives of public and private sector, however this is also a limitation of the study since only one such discussion was conducted for the purpose of this specific study.

2. STATE OF PLAY OF TOURISM IN BOSNIA AND HERZEGOVINA

This chapter presents the state of play of tourism activities in the BiH, identifies influence impacts and analyses critical issues that undermine the development of the tourism sector.

2.1. Tourism sector overview

Tourism is an important economic sector in BiH and plays a significant role in stimulating economic growth, generating export revenues, and supporting employment. However, the potential for tourism development remains mostly unrealized, and the tourism sector faces competitiveness and sustainability challenges.

This chapter considers the role of tourism in the economy of BiH and examines the performance and competitiveness of tourism in BiH over the last decade. It places tourism in a broader economic context and discusses some of the major opportunities and challenges facing BiH's tourism and its developmental potential. The analysis is primarily based on the official statistics from the Agency of Statistics BiH, BiH's Central Bank BiH, the World Economic Forum, WTCC and the World Bank.

2.1.1. Tourism sector profile and performance

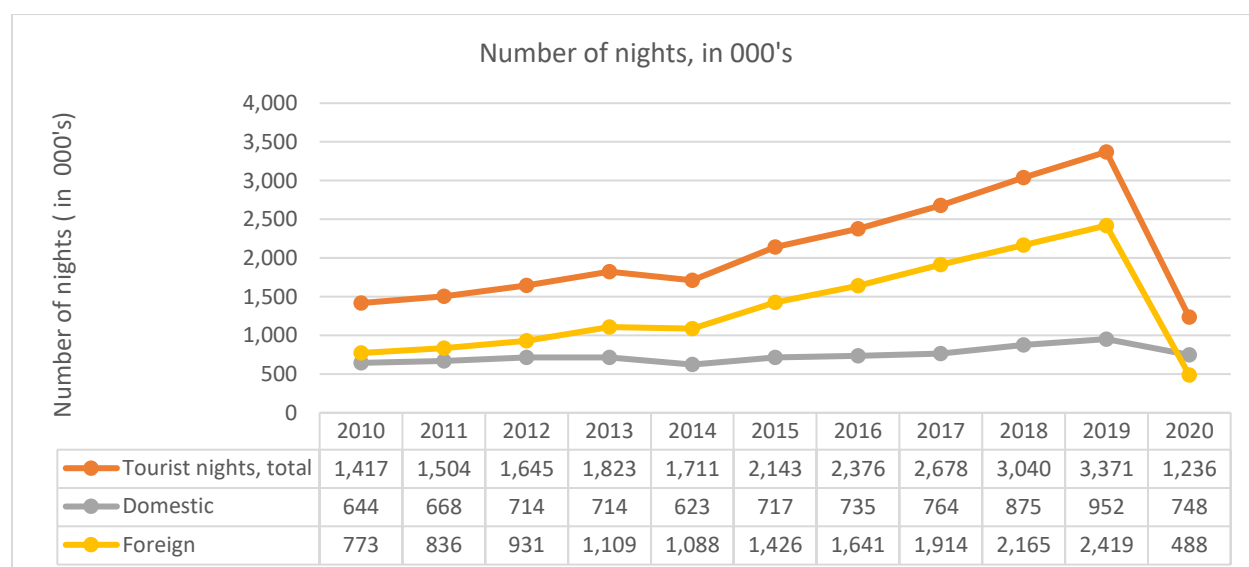
Tourism arrivals and overnights. Tourism arrivals and overnight data are widely used to understand and present the situation in tourist demand and flows. BiH experienced a very high increase both in tourist arrivals as well as in overnight stays over the last ten years. Specifically, from 2010 to 2019, the number of tourist arrivals increased by 250% and the number of overnight stays by 87%, indicating an increased demand in tourism.

Figure 1. Number of tourist arrivals, 2010 – 2020



Source: Agency for statistics Bosnia and Herzegovina, 2021

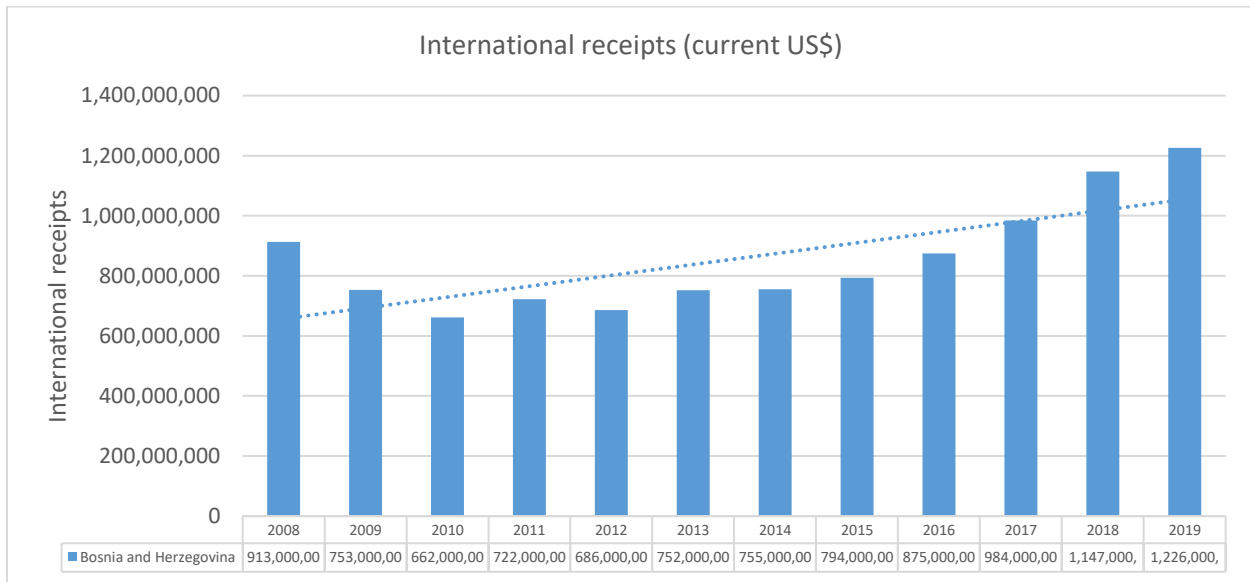
Figure 2. Number of tourist nights, 2010 – 2020



Source: Agency for statistics Bosnia and Herzegovina, 2021

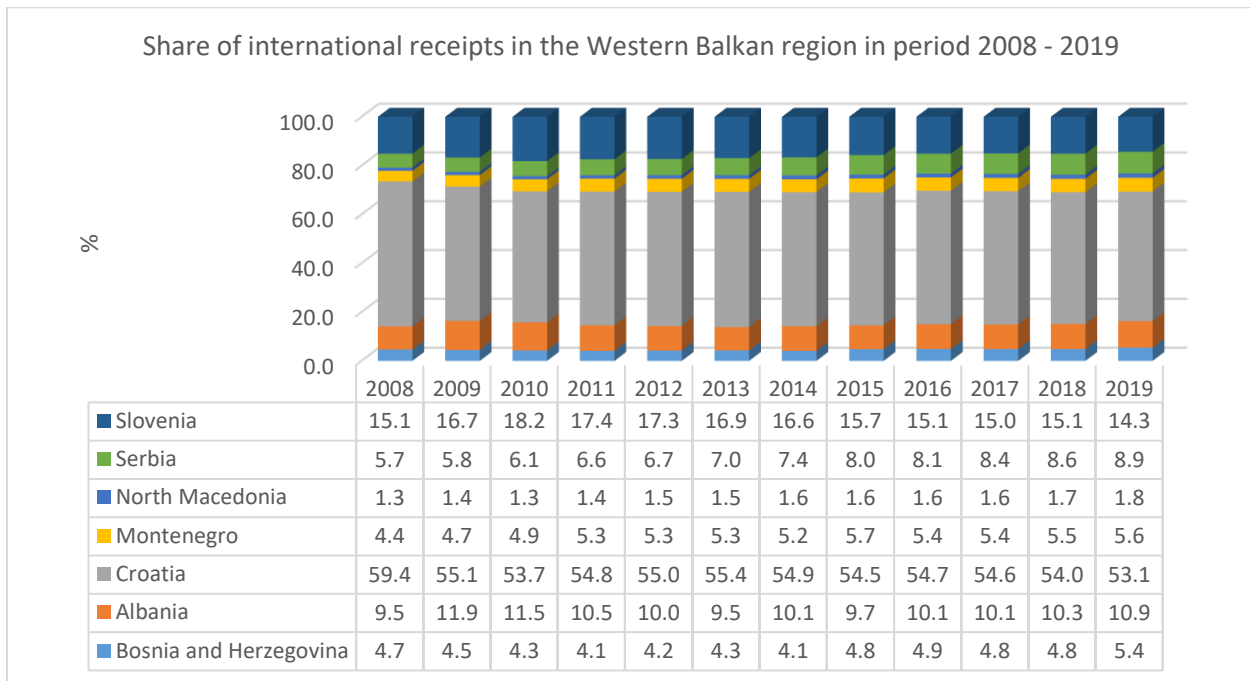
International receipts. Monetary flows are a significant performance indicator when assessing the economic contribution of tourism. Over the period 2008 – 2019, international tourism receipts rose by 34% in BiH (Figure 3). This is in line with the growth of international tourism arrivals and overnights in BiH recorded in this period. However, it should be noted that international receipts of BiH, accounts for only 4.6% total international receipts in the region (Figure 4).

Figure 3. International receipts 2008 – 2019



Source: World Bank Data

Figure 4. Share of international receipts in the Western Balkan region, 2008 – 2019



Source: World Bank Data

In comparing the growth of international receipts across the Western Balkans, as noted in Table 1 below, it can be seen that among the Western Balkan countries, the highest growth of international tourism receipts is realized by Serbia (80% increase of the revenues from international tourist in the period 2008 – 2019). After Serbia, the highest growth rate is seen in the Republic of Macedonia and Montenegro. BiH is in the 4th place in terms of achieved growth rate of international tourism receipts. This can be seen as a

good sign for further development of the tourism capacities in BiH, therefore increasing the relevance impact of the tourism industry on the overall economy.

Table 1. Growth of international tourism receipts in Western Balkan region, 2008 – 2019

| Index, 2008=100 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|------------------------|------|------|------|------|------|------|------|------|------|------|------|------|
| Bosnia and Herzegovina | 100 | 82 | 73 | 79 | 75 | 82 | 83 | 87 | 96 | 108 | 126 | 134 |
| Albania | 100 | 109 | 96 | 99 | 88 | 90 | 100 | 87 | 98 | 111 | 125 | 133 |
| Croatia | 100 | 80 | 71 | 83 | 77 | 84 | 87 | 71 | 79 | 91 | 97 | 103 |
| Montenegro | 100 | 92 | 89 | 108 | 100 | 108 | 112 | 110 | 114 | 129 | 142 | 149 |
| North Macedonia | 100 | 89 | 76 | 92 | 90 | 103 | 114 | 102 | 108 | 126 | 148 | 153 |
| Serbia | 100 | 89 | 85 | 103 | 97 | 110 | 121 | 119 | 131 | 153 | 174 | 180 |
| Slovenia | 100 | 95 | 95 | 103 | 95 | 100 | 103 | 88 | 92 | 103 | 114 | 110 |

Source: World Bank Data

Foreign direct investment (FDI) and Tourism. Investments in tourism are crucial for faster growth and development of tourism. Investments in tourism are important since they provide the resources required to adjust tourism supra-structure and infrastructure, as well as enhancing human resources and technologies. Due to the fact that the tourism industry needs capital (some tourism activities are relatively capital-intensive), knowledge, infrastructure, and access to global marketing and distribution chains, Foreign Direct Investment (FDI) is often considered the most effective way to access this critical success factors (UNCTAD, 2007: 6). According to the International Monetary Fund (IMF) and the Organization for Economic Co-Operation and Development (OECD) definitions, direct investment “reflects the aim of obtaining a lasting interest by a resident entity of one economy (direct investor) in an enterprise that is resident in another economy (the direct investment enterprise). The ‘lasting interest’ implies the existence of a long-term relationship between the direct investor and the direct investment enterprise and a significant degree of influence on the management of the latter”. Therefore, FDI investment in a foreign country can take the form of mergers and acquisitions (sole-venture or joint-venture) or Greenfield investment. However, the most common, biggest type of foreign entry into the tourism industry is non-equity participation – leasing agreement, management contract and franchise agreement or some form of marketing agreement, instead of equity modes such as FDI (Cró & Martins, 2020).

Figure 5. Total investment in tourism sector in BiH, 2008 – 2019.

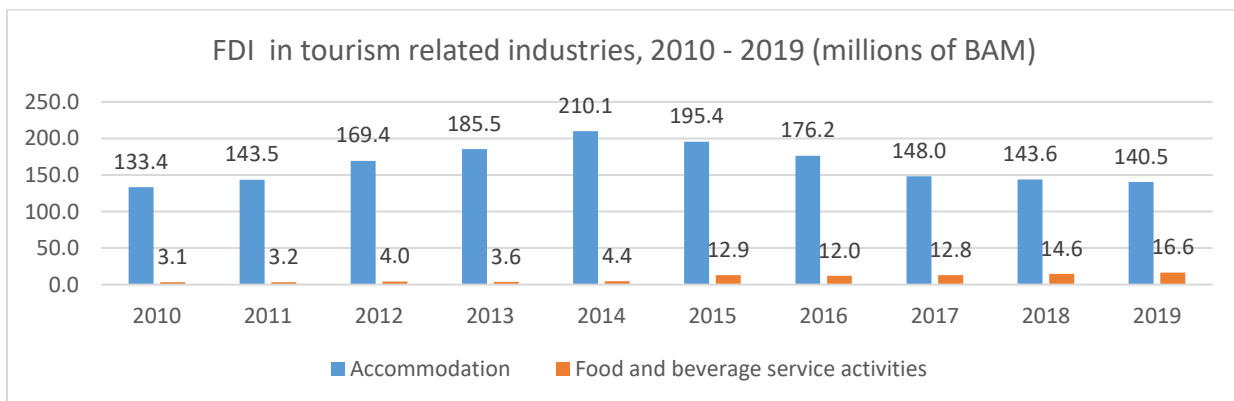


Source: WTCC

According to the Travel & Tourism economic impact report for 2019 (WTTC, 2019), the inflow of total investments in BiH, exclusively in the tourism sector was 376.2 million Bosnian-Herzegovinian convertible marks (BAM). Long-term assessment of investments in the tourism sector in BiH for the period from 2008 to 2019, shows that the average growth rate of investments in tourism was 3.7%.

Observing FDI, the Central Bank compilation contains FDI data for a total of 99 categories, of which two categories are closely related to tourism: accommodation and food and beverage service activities. In BiH, most foreign investments in the accommodation category were recorded in 2014, while for the food and beverage preparation and service activities, the highest foreign investments were recorded in 2015. FDI trends for these two categories, as well as their values, are presented in Figure 6.

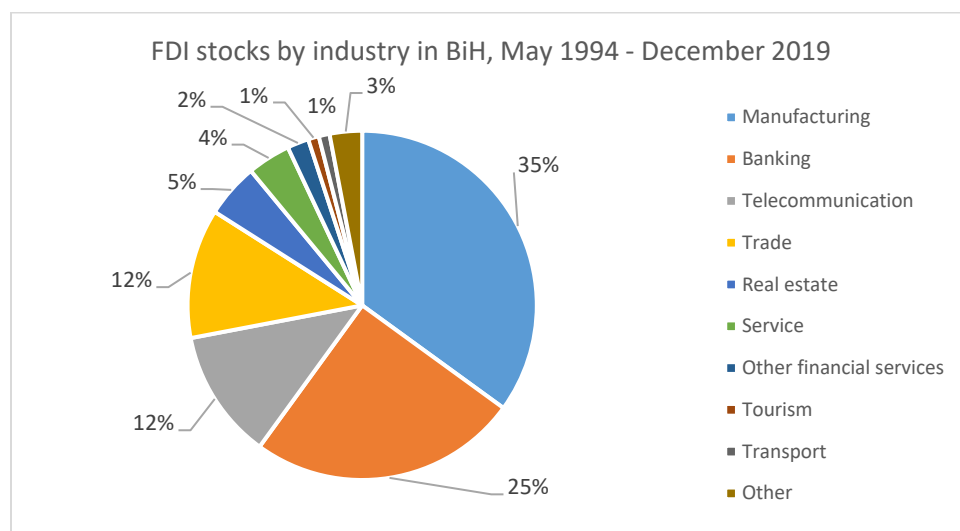
Figure 6. FDI in tourism related industries, 2010 – 2019



Source: Central Bank of BiH

Based on the distribution of FDI by sectors, it can be seen that there is a very small FDI contributions in tourism, in overall FDI, over a long-run period (1994 – 2019) (Figure 7).

Figure 7. FDI stock by industry in BiH, May 1994 – December 2019¹



Source: <http://www.fipa.gov.ba/informacije/statistike/investicije/default.aspx?id=180&langTag=bs-BA>

Tourism’s Economic Contribution. The tourism sector is among the most important economic sectors in BiH, as it contributes substantially to the country’s GDP through the creation of employment and exports. Tourism’s reliance on human resources and local suppliers generates the income earning potential for Micro, Small and Medium Enterprises (MSMEs) and those living in or near major tourism centres. The positive influence of tourism on other service industries underlines its strategic importance. Tourist inflows foster services such as in the food industry, transport, health and well-being, culture, sports, and adventure activities that are of interest to tourists.

Table 2 shows the different components of the direct, indirect, and induced impacts of tourism on an economy. The table highlights the different activities that are undertaken at the three levels of impact - direct impacts are related to accommodation or tourism transport services, indirect contributions are related to the expenditure on food and beverage suppliers to tourism enterprises, whilst induced impacts are related to the expenses of people working in the tourism sector (or benefitting from the sector) within the local economy.

Table 2. Components of direct, indirect, and induced impacts of tourism on an economy

| CONTRIBUTION OF TRAVEL AND TOURISM (T&T) TO GDP | | |
|--|--|---|
| DIRECT T&T CONTRIBUTION | | |
| INDUSTRIES | COMMODITIES | SOURCES OF SPENDING |
| <ul style="list-style-type: none"> ✓ Accommodation services ✓ Food and beverage services ✓ Retail/Trade ✓ Transportation services ✓ Cultural, sports, and recreational services | <ul style="list-style-type: none"> ✓ Accommodation ✓ Transportation ✓ Entertainment ✓ Recreation | <ul style="list-style-type: none"> ✓ Residents' domestic T&T spending ✓ Businesses' domestic travel spending ✓ Visitor exports |

¹ Availability of relevant data limits further analysis on the industry participation.

| | |
|---|--------------------------------------|
| | ✓ Individual government T&T spending |
| INDIRECT T&T CONTRIBUTION | |
| <ul style="list-style-type: none"> ✓ T&T investment spending ✓ Government collective T&T spending ✓ Impact of purchases from suppliers | |
| INDUCED T&T CONTRIBUTION | |
| <ul style="list-style-type: none"> ✓ Food and beverages ✓ Recreation ✓ Clothing ✓ Housing ✓ Household goods | |
| TOTAL T&T CONTRIBUTION | |
| <ul style="list-style-type: none"> ✓ To GDP ✓ To employment | |

Source: WTTC/Oxford Economics 2020 Travel & Tourism Economic Impact Research Methodology, May 2020

In 2019, the total contribution of T&T to employment in BiH was 85,700 persons (full time and part time). Although the total contribution of T&T to employment fluctuated substantially in recent years, it tended to increase through 2008 - 2019 period ending at 85,700 persons in 2019. The highest annual growth rates of tourism jobs were achieved in 2011 (21.5%) and 2016 (11.4%).²

Figure 8. Number of paid jobs in tourism, 2008 – 2019



Source: WTCC

² Complete source

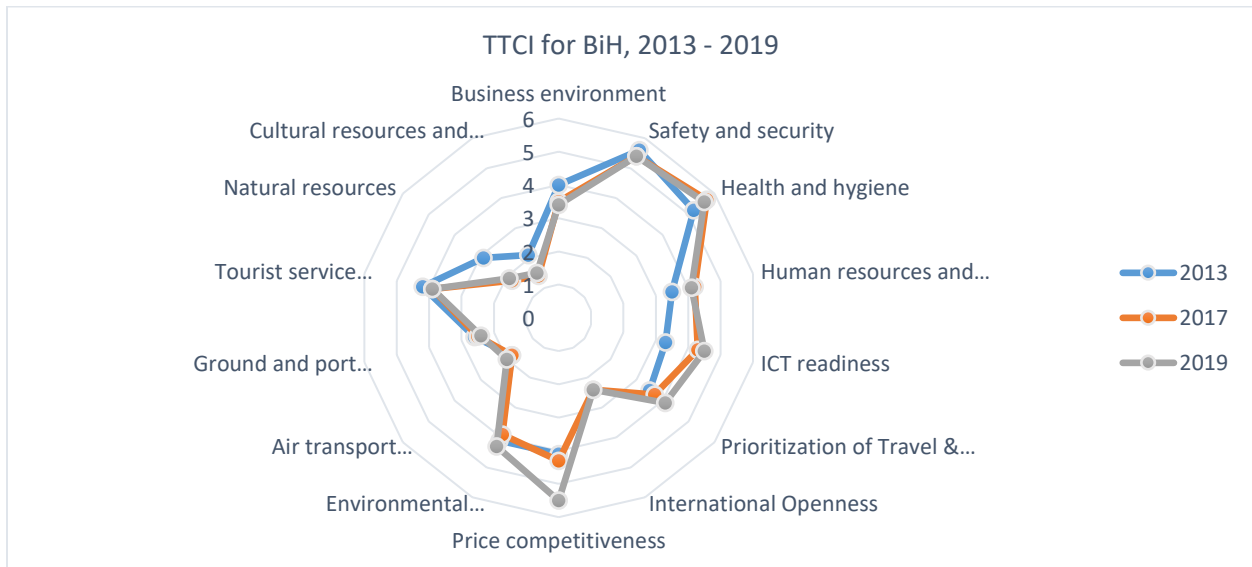
<https://wtcc.org/Portals/0/Documents/Reports/2020/Global%20Economic%20Impact%20Trends%202020.pdf?ver=2021-02-25-183118-360>

However, it should be noted that these measures only present a partial picture of tourism employment in BiH. Most notably, they do not capture the employment within the informal tourism economy. Based on the analysis of secondary data and insights gleaned from the focus group discussion, the research team understands that the informal tourism economy in BiH is quite large. According to Pašović & Efendić (2018), the informal economy in BiH accounts for around 30% of GDP, which signifies the importance of this issue to policy makers and a need for policies and strategies to tackle this issue.

Tourism competitiveness assessment. For a destination to be competitive, there are some prerequisites that should be provided at a macro level, otherwise tourism stakeholders' efforts will be vain. Those conditions should be addressed when establishing destination policies. Thus, when a territory has the vision of becoming a tourism destination, it needs to decide what its mission should be, which product-market mix should be pursued, and to do so, which positioning and branding strategies will have to be adopted (Ritchie & Crouch, 2003). Beyond those decisions, the destination needs a regulatory framework that will allow tourism activities to take place efficiently and fairly. That framework refers to safety, quality standards, sustainability approach, regulation of firms' operations (Ritchie & Crouch, 2003). In summary, the future development of tourism in BiH requires the identification of relevant factors that affect the country's tourism competitiveness in light of the best-known Tourism Destination Competitiveness (TDC) models. For this study, we relied on the Travel and Tourism Competitiveness Index (TTCI) proposed by the World Economic Forum (WEF). This index results from an amalgam of factors grouped into four main categories that represent the pillars of TDC: Enabling Environment; Travel and Tourism Policy and Enabling Conditions; Infrastructure; and Natural and Cultural Resources. Based on the TTCI, we described the recent evolution of BiH with the respect of the main pillars of TDC, and conducted a situational analysis of BiH as a tourism destination, in comparison with other countries with transition economies (i.e., Western Balkan countries) that have demonstrated similar paths towards developing international tourism. The WEF's TTCI summarizes information about the general conditions that BiH has to meet in order to develop its tourism. Figure 9 describes the evolution of the different variables listed in the TTCI over the period 2013 – 2019³.

³ Due the lack of data, BiH was not included in TTCI Report 2015.

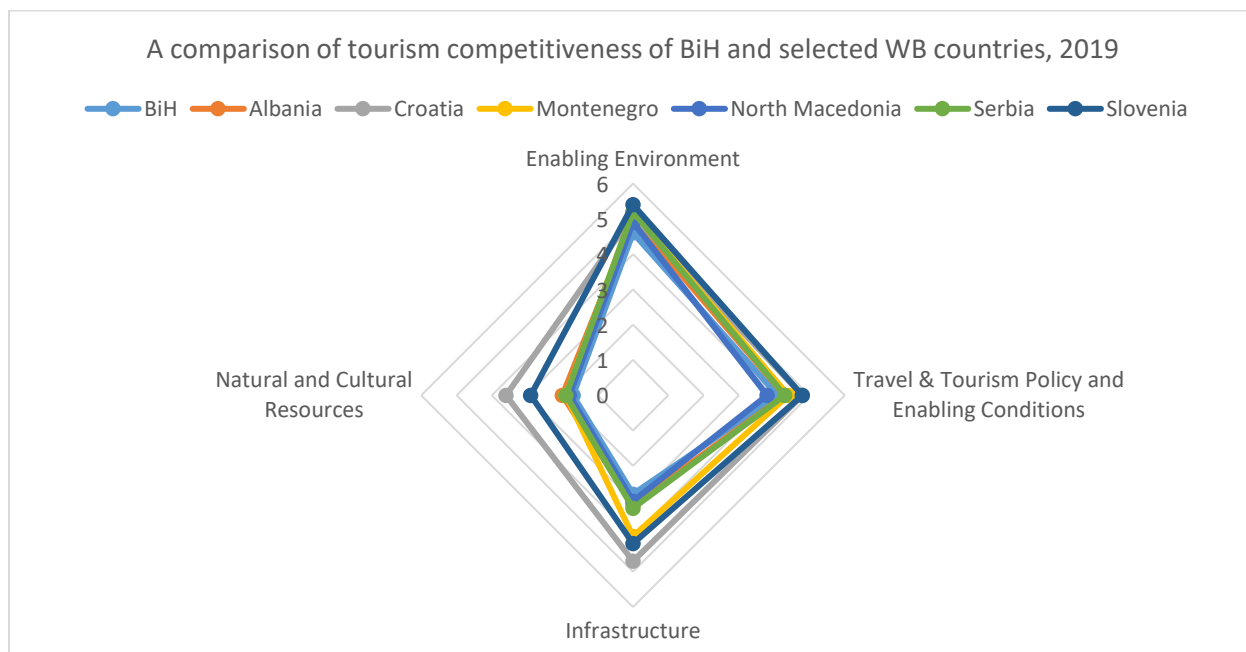
Figure 9. TCI for BiH, 2013 – 2019



Source: WTCC

Elements of tourism competitiveness that show positive elements are Price Competitiveness, Prioritization of Travel & Tourism, and ICT readiness. On the other hand, challenges for the future development of tourism in BiH are related to weak Environmental Sustainability policies, lack of attention to Natural, Cultural and Business Travel Resources, Airport Infrastructure, International Openness, and Ground and Port Infrastructure. Finally, elements such as a favourable Business Environment, Safety and Security, Human Resources, and Labor Market have remained quite stable during the period of evaluation. However, it should be noted that scores are highly modest. However, the tourism sector has been affected significantly since the start of COVID-19 pandemic. The ban on international travel across the world and rigorous measures have changed the movement and behaviour of tourists. Also, compared with the six Western Balkan countries (Albania, Croatia, Montenegro, North Macedonia, Serbia, and Slovenia), BiH's competitiveness is below the average, except on the Price Competitiveness index, where it is above average. Figure 10 compares BiH's performance on the main components of TCI with six selected Western Balkan countries and shows that BiH scored substantially below other countries. For instance, in the sub-index Enabling Environment BiH ranks #81 while Slovenia, Montenegro, and Serbia rank #38, #55, #56, respectively. The greatest differences between BiH and two other Western Balkan countries (Slovenia and Croatia) lie in the sub-index Natural and Cultural Resources, where Croatia ranks #23, Slovenia #43, and BiH #126. Also, significant differences are present in terms of infrastructure, where Croatia ranks #31, Slovenia #43, and BiH #97.

Figure 10. A comparison of tourism competitiveness of BiH and selected WB countries, 2019



Source: Adapted from the Travel and Tourism Competitiveness Report (WEF, 2019).

Coronavirus pandemic. The beginning of 2020 was marked by the global outbreak of the coronavirus pandemic (COVID 19), which led to both economic and social crises. In the beginning, the health crisis quickly led to an economic crisis that affected both the aggregate supply side and the aggregate demand side. In a very short time, it led to many disturbances in economic and social life on a global scale, including lockdown at the global level. One of the sectors hit hard in BiH by the pandemic is tourism. Tourism is an industry that is quickly affected or impacted by crises, and the pandemic led to a decrease in tourist activities after ten years of strong growth. As a result of the restrictions imposed due to the COVID-19 pandemic, tourist arrivals decreased by 70% in 2020 compared to 2019, while tourist overnights decreased by 63%.

The share of international tourist arrivals, as a part of total visitor arrivals, rose during the period 2010 – 2019, from 56% in 2010 to 70% in 2019. In the same period (2010 – 2019), the share of international tourist overnights, as a part of total tourist overnights, increased from 55% in 2010, to 72% in 2019. However, due to the coronavirus pandemic (COVI19), during 2020 the share of international tourist arrivals and international tourist overnights fell to 39%.

The total number of tourists who visited the BiH in 2019 was 1,640,717. Out of that, 73% (1,198,059 arrivals) were foreign tourists while 27% (442,658 arrivals) belonged to the domestic market. The largest foreign markets were Croatia (138,293), China (102,758), Serbia (102,316), Turkey (70,988), and Slovenia (67,930). Top 10 countries of origin by tourist arrivals (Croatia, China, Serbia, Turkey, Slovenia, Saudi Arabia, Germany, Italy, South Korea, and Poland) represented the 61.1% of total foreign tourist arrivals in 2019. Tourist arrivals and tourist nights in 2020 (January-September) are on the level of 25.7% and 28.9% in January and September 2019, respectively. The decrease is lower in RS than in FBiH. The main reason

could be the higher share of domestic tourists in RS (44%, while in FBiH the share is only 19%) during the last years.

Different levels of government in BiH have provided several actions to mitigate the economic impacts of the COVID-19 pandemic in tourism sector. These general responses have included administrative and tax reliefs, deadline extensions and the co-financing of minimum wages among others. Some measures specific to the tourism sector, were the introduction of vouchers for domestic tourists in Republika Srpska, support to tourism businesses in Federation BiH, through the provision of 30 million KM funding and support to tourism businesses in Canton Sarajevo through the Tourism board (1 million KM). The following highlights the key challenges and recommendations identified by the focus group participants.

In terms of COVID-19 measures to support tourism sector, the BiH government announced the creation of a guarantee fund to provide guarantees to banks on working-capital loans for the most affected sectors. The major initiatives supporting the tourism sector are in the area of public-private partnership, and include the following (The World Tourism Organization - UNWTO):

- The Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina will coordinate with professional associations working in the field of tourism to develop and implement the program to stimulate the tourism sector, its promotion, and the development of new products to attract international tourists, whilst at the same time, focusing on developing the domestic tourism market.
- This Ministry is in constant contact with entity ministries such as the Federal Ministry of Environment and Tourism and Ministry of Trade and Tourism of Republika Srpska to mitigate the effects of the pandemic on the tourism sector.

The Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina is also working together with different foreign donors (including USAID, the United Nations Development Program - UNDP, the German Corporation for International Cooperation - GIZ, and the European Bank for Reconstruction and Development - EBRD), to implement programs aimed at supporting growth of the tourism sector.

Several projects financed by foreign donors have targeted specific challenges within tourism sectors such as: digitalization and protection of cultural heritage, SMART tourism, multicultural heritage, development of eco and cultural tourism etc. These were implemented through Interreg IPA, Interreg Adrion Transnational Programme, EU IPA Cross-border cooperation funds and others. However, USAID is implementing a comprehensive tourism project. **USAID's Developing Sustainable Tourism (Turizam)** project facilitates broad-based, tourism-driven economic growth and promotes social harmony by capitalizing on the country's rich cultural heritage and natural beauty. The Turizam project supports the recovery of BiH's tourism sector from the negative impacts of the pandemic by fostering collaboration among all levels of government, industry, and community stakeholders. The Turizam project, which began in August 2020, is a five-year \$20 million project.

2.1.2. Main tourism products

Cultural tourism is a type of tourism in which the visitor's motivation is to learn, discover, experience, and consume the tangible and intangible cultural attractions/products in tourism destinations (Richards, 2018). These attractions/products are related to a set of distinct material, intellectual, spiritual, and emotional characteristics of a society, which includes arts and architecture, historical and cultural heritage, culinary heritage, literature, music, creative industries, and living cultures with their lifestyles, value systems, beliefs, and traditions (UNWTO). Cultural tourism, by definition non-seasonal, is regarded as one of the primary tools utilized to combat seasonality in tourist locations (Vergori & Arima, 2020). According to the Foreign Investment Promotion Agency (FIPA) (2018), unique cultural and historical heritage, including religious sights, are major opportunities for the development of cultural tourism in BiH. Research conducted by Mulahasanović and Arikan (2012) showed that numerous resources for the development of cultural tourism exist in BiH, but currently, these resources and the potentials of cultural tourism have not been sufficiently realized.

The focal points of cultural tourism in BiH, are the larger cities, primarily Sarajevo, Mostar, and Banja Luka. Other cultural heritage sites, such as Travnik and Jajce in central Bosnia, Stolac, Počitelj, Trebinje, Čapljina in Herzegovina region, and Bihać in the Northwest region also exist, however. Castles from BiH's Middle Ages, provide a good example of these focal point. They are partially used as tourists' attractions and are accessible for daily visits from larger urban centres, where most tourists are located. Some of the most interesting cultural heritage sites are Tešanj castle, the castle in Jajce, castles in Sarajevo (Bijela tabija, Žuta tabija), Travnik castle, Ostrožac castle, Blagaj castle, Srebrenik castle, Bobovac, Počitelj, Vranduk, and many other locations across the BiH. In the urban areas, the attraction for tourists lies in the mixture of cultures, numerous monuments (diversified architecture styles, mosques, churches, etc.) from the Ottoman and Austro-Hungarian periods, are placed next to each other, and this is particularly visible in Mostar and Sarajevo, but also to a certain extent in BiH's other larger cities such as Tuzla and Banja Luka. In terms of intangible cultural heritage, a preliminary list 27 elements of cultural intangible heritage, including Jumps from the Old Bridge in Mostar, and Sevdalinka (urban musical-poetic form, unique in melodic and poetic sense).

UNESCO has also inscribed the following properties on the World Heritage List: Mehmed Paša Sokolović Bridge in Višegrad (in 2007), Old Bridge Area of the Old City of Mostar (in 2005), Stećci medieval Tombstone Graveyards (in 2016). There are also 10 sites on this tentative list: Sarajevo – a unique symbol of universal, multicultural life, Vjetrenica cave; the natural and architectural ensemble of Jajce; the historic urban site of Počitelj; the natural and architectural ensemble of Blagaj; the natural and architectural ensemble of Blidinje; the natural and architectural ensemble of Stolac; the nature reserve – primeval forest of Perućica; the Jewish cemetery in Sarajevo and complex of travertine waterfalls in the Martin Brod – Una National Park. Another important aspect of the cultural offer is related to local gastronomy.

Festivals and events have a long tradition in BiH, attracting numerous visitors from BiH, the region, and the rest of the world (mostly Europe). These events are mostly concentrated in Sarajevo, such as the Sarajevo film festival, the Sarajevo Ballet fest, MESS (International theatre festival in Sarajevo), Jazz

festival, etc. Numerous fairs, congresses, symposia, and sports events are mostly organized in large cities all over BiH.

Rural and eco-tourism represents a significant, untapped potential, primarily related to natural beauties and cultural heritage. BiH has an extraordinary richness of natural landscapes and wildlife. Many of BiH's significant natural resources have been now protected, including canyons (Rakitnice and Krušnice); bird reserves (Hutovo blato and Bardača); Perućica rainforest; lakes (Blidinje, Prokoško, Šatorsko, and Boračko); waterfalls (Kravice, Skakavac, and Kozica) (Demirović & Radosavac, 2018). As suggested by Demirović & Radosavac (2018), rural tourism in BiH can be developed in two directions: (1) development inside existing villages (accommodation of visitors in facilities located within or near the host's home); and (2) activation of villages that have been partially or fully abandoned (through village transformation), where tourists would be accommodated in refurbished authentic facilities.

FBiH: The FBiH has 121 protected areas (Pas) only one of which is a National Park (NP), the Una. Four are Natural Monuments (NMs) and six are Protected Landscapes (PLs). The majority of PAs are managed by dedicated management institutions. Only one new PA has been established since 2016, the Bentbaša Protected Landscape in 2017.

RS: At present, the RS has 26 PAs, of which three are NPs (Kozara, Sutjeska, and Drina), 14 are NMs, two are SNRs, three are PAs with sustainable use of natural resources, two are PLs, and two are Habitat/Species Management Areas. The following ten new PAs have been created since 2016: Monument of Park Architecture University City (2016), Slatina Forest Park (2016), Drina National Park (2017), Kuk Cave Natural Monument (2018), Gromizelj Protected Nature Reserve (2018), Cicelj Nature Park (2018), Jelića brdo Forest Park (2018), Lijevčanski Knez Natural Monument (2018), Una Nature Park (2019) and Tišina Protected Nature Reserve (2019).

BD: There are no PAs in BD.

Based on the interviews conducted with tourism experts (e.g., employees of the tourist organizations and national and provincial institutions of importance for the development of tourism; tourism managers of travel agencies; owners of tourism enterprises in rural areas). Demirović and Radosavac (2018) found out that the major obstacles to the further development of rural tourism in BiH are: poor quality of the rural road network and lack of tourist signs in rural areas.

Mountain tourism developed significantly in the 1980s, firstly around the area of Sarajevo, as part of the efforts for the organization of XIV Olympic Games in Sarajevo (1984). Mountains such as Jahorina, Bjelašnica, Igman, and Trebević, which all required infrastructure for Olympic competitions, are in the vicinity of Sarajevo. Recently, investments in renovation and building up new accommodation facilities (hotels, apartment villages) were implemented. The winter tourist infrastructure (such as ski lifts) was modernized in the last decade and very well developed in Jahorina and Bjelašnica Mountain. The renovated modern cable car, connecting downtown Sarajevo with Trebević mountain (Olympic mountain) restarted operation in 2019 and is one of the major tourist attractions in Sarajevo. Recently in BiH, the concept of all-year-round tourism in the mountains has become popular, and many resorts have started to introduce summer outdoor activities. This contributes to the emergence of new service providers of several outdoor activities. Central Bosnia is another significant location with developed mountain-tourism-products, where several smaller mountain/ski resorts, with extended summer and winter activities exist. The most recognized mountain/ski resorts with constructed infrastructure and

accommodation are Vlačić (Travnik), Raduša (Gornji Vakuf/Uskoplje), Stožer and Cajusa (Kupres), Risovac (Blidinje - Jablanica) and Rostovo (Novi Travnik).

Outdoor, sport and adventure tourism, based on secondary data analysis and stakeholder feedback, is an emerging and fast-growing tourism product in BiH. This is also one of the fastest-growing tourist markets, especially among the younger population. Outdoor, sports, and adventure tourism, means a combination of adventure, recreation, relaxation, and entertainment. It is most often represented in the following forms: rafting, rafting on fast rivers, kayaking, trekking (hiking accompanied by mountain guides), hiking (longer walks in nature), rock climbing, paragliding, special parachute jumps from mountain rocks, mountain biking, off-road riding, horseback riding, motorsports, speleology, hunting and fishing, survival, ski touring, après ski, etc. Tourists interested in outdoor, sport, and adventure tourism in BiH have visited the mountains (e.g., Čabulja, Prenj, Maglić, Čvrsnica, Velež, Bjelašnica, Vlačić), the rivers (e.g., Neretva, Vrbas, Una, Sana, Drina, Tara), lakes Boračko, Prokoško, Jablaničko). One of interesting initiatives that support development of outdoor tourism is Sarajevo Outdoor City, as well as a cycling route between Sarajevo and East Sarajevo funded by the EU.

Religious tourism is a significant tourist product in BiH is only emerging in recent years. In the FBiH, the most significant religious tourist destination is the Catholic Marian shrine Međugorje (in Herzegovina), attracting about 1 million visitors worldwide, but mostly from Europe. Ajvatovica is also a significant Islamic traditional, religious and cultural event in the country.

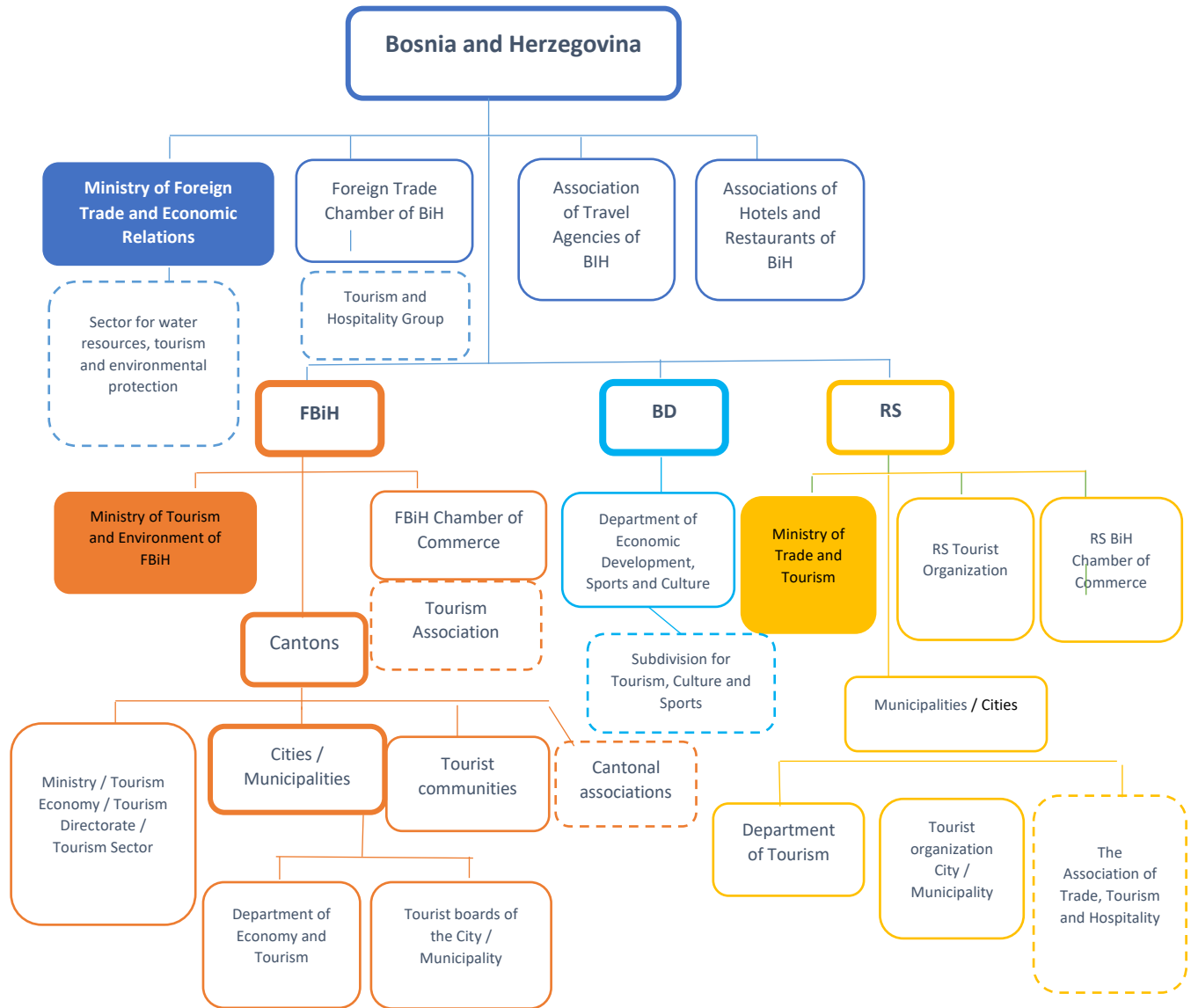
Spa/health/wellness tourism is based on the use of thermal, thermo-mineral, and mineral waters for treatment, rehabilitation, and recreation. In connection with this, health, sports, recreational activities take place in the spas, and considering the existing infrastructure, the spas are used to develop MICE tourism (Meetings, Incentives, Conference/ Conventions and Exhibitions/ Events). Considering resources, tourist infrastructure and supra structure, and tradition, spa tourism is one of the main generators of tourism development in RS (especially in Teslić), as stated within the focus group discussion.

Sea and sun tourism have developed in the City of Neum, the only BiH city on the Adriatic coast. Neum was developed in the 1960s to be the pearl of the Adriatic coast, with hotel accommodation, private apartment accommodation, restaurants, beaches, promenades, etc. Neum's popularity increased during the COVID-19 pandemic since majority of international travel was limited for domestic holiday makers. It was a popular destination for BiH and Serbian citizens.

2.2. Map of institutional set up

This chapter presents the state level institutional setup of the tourism sector in BiH. Tourism policy in BiH aims to spur investment and economic growth, and promote more productive, inclusive, and sustainable growth across the country. Effective and integrated public policies are needed to achieve this. However, it should be highlighted that the development of tourism policy, depends on the institutional setup and the mechanisms of coordination between relevant tourism stakeholders. The map of institutional set up of tourism in BiH is presented in the Figure 11.

Figure 11. Map of institutional set up of tourism in BiH



BiH has a complex system of governance, with its internal administration divided into two entities—the Federation of Bosnia and Herzegovina (FBiH), which itself is divided into ten cantons and Republic of Srpska (RS)—as well as the Brčko District. The separation of jurisdiction between state, entity, and cantonal governments, along with a complex administrative machinery in general, tends to obstruct critical decision-making and allows for the exploitation of different rules (Freedom House, 2020). BiH's complex, fragmented institutional structure has reduced the quality of governance, the public sector's efficiency and accountability, and the efficacy of policies (World Bank, 2020). This complex institutional structure is an impediment to tourism development in BiH.

According to the Constitution of BiH, the jurisdiction over tourism is divided between Entities (FBiH and RS), while Brčko District has a separate jurisdiction. According to the Constitution of the Federation of Bosnia and Herzegovina ("Official Gazette" of the Federation of Bosnia and Herzegovina, 1/94, 13/97, 16/02, 22/02, 52/02, 60/02, 18/03, 63/03), the jurisdiction over tourism is divided between the FBiH and the cantons, with the cantons being authorized to "create and implement cantonal tourism policy and develop tourism resources" (Article 4). The institutional set up in the RS is similar to the most commonly established governance structures in other countries in the region (i.e. the ministry responsible for tourism manages the overall tourism development, and a tourist organization is responsible for tourism promotion and marketing in the global market). The governance structure and institutional set up in the Entity of FBiH is far more complicated, as the governance of the tourism development is divided among the Federal Ministry of Environment and Tourism, and cantons' ministries responsible for tourism. In BD, the governance structure is, due to the small volume of tourism, simple and the governance of tourism development is assigned to the Department of Economic Development, Sport and Culture of the BD Government.

At the state level, the **Ministry of Foreign Trade and Economic Relations (MoFTER)** is responsible for tourism. However, according to the Constitution of BiH, it has the authority to adopt a tourism policy, only if the agreement of both entities (FBiH and RS) is reached. Within the MoFTER, a department for tourism was formed within the Sector for water resources, tourism, and environmental protection. Given that there is still no legal or institutional framework at the state level in the tourism sector, the Tourism Working Group (WG) was established by the MoFTER in 2007. The Tourism WG was envisioned as the body for the coordination of activities, drawing conclusions, and drafting proposals for solutions in the tourism sector of BiH. The Tourism WG consists of representatives of the MoFTER, the Federal Ministry for Environment and Tourism, the Ministry of Trade and Tourism RS, the Government of the Brčko District, and the Foreign Trade Chamber BiH. The activities of the Tourism WG are aimed at achieving the following goals:

- The tourism sector in BiH is regulated in accordance with European Union directives and in accordance with the standards applied in EU countries,
- To regulate the organization and regulation in the tourism sector in accordance with positive legal regulations and harmonize the level of joint activities, respecting the existing legal framework, in order to contribute to the establishment of a single economic space in BiH, which is one of the key priorities of the European Partnership.

- To establish an efficient regulatory framework in the tourism sector in a way that strengthens the competencies of existing institutions and determines the competencies of tourism associations in BiH,
- To ensure efficient and coordinated work of the tourist structure of BiH.

In the FBiH, the **Federal Ministry of Tourism and Environment** is responsible for:

- drafting the strategy and policy for the development of tourism and hospitality;
- monitoring tourist flows in domestic and foreign markets;
- directing the long - term development of tourism within the overall economic system; and
- Other tasks determined by the law.

In the FBiH there are ten cantonal tourist boards and the FBiH Tourist Board, whose main task is to promote tourism. Relevant bodies in the tourism sector of FBiH are the cantonal chambers of commerce, and associations for catering and tourism.

At the **cantonal level**, cantonal economic ministries may have a separate sector for trade, hospitality and tourism, and they are responsible for the; development and implementation of cantonal tourism policy; the legislation and regulatory framework in the tourism sector; the development of recreational and rehabilitation centres; tourism promotional activities; administrative tasks (i.e. making decision on the amount of tourist tax in the canton), and other administrative tasks.

At the **local level**, the municipalities in both Entities (FBiH and RS) have established tourism departments responsible for tourism development at a local level.

In Republika Srpska, the **Ministry of Trade and Tourism** is responsible for implementation of tourism policies. The RS Ministry of Trade and Tourism includes the Department of Tourism and Hospitality, within which are internal organizational units with a department for tourism and a department for catering.

Within the Government of the Brčko District, a department for economic development and culture has been established in charge of the area's tourism, within which there is a subdivision for tourism, culture and sports. **Department of Economic Development and Culture** implements the laws and regulations applicable in the territory of the Brčko District, proposes and prepares regulations that also apply to the field of tourism.

Besides the public authorities and organizations, several associations of private tourism stakeholders co-create the tourism governance structure in BiH. The main associations are briefly described in Appendix 1.

As already mentioned, in 2007, the **Tourism Working Group (WG)** was established by the Minister of Foreign Trade and Economic Relations of BiH, to coordinate tourism activities among the Entities and BD. The work of the WG has been challenged since its founding. This is still visible in lack of consistency and coordination of actions among key stakeholders among both entities and BD.

2.3. Legislative/strategic framework

2.3.1. Legislative framework

According to the Constitution of BiH (Article III, Item 1. Competences and relations between the institutions of Bosnia and Herzegovina and the entities, Item 2. Competence of the entities) tourism is under jurisdiction of the Entities FBiH, RS and BD. Entities have established their own legislative and regulative framework in tourism, which differ between them. While in RS the overall legislative and regulative framework in tourism is under responsibility of the Ministry of Trade and Tourism of RS, in FBiH, this framework is distributed between the Federal Ministry of Environment and Tourism and Cantonal ministries responsible for tourism. There is an incomplete legislative framework and low level of harmonization between the legal and policy-making instruments in tourism. This legislative framework is inconsistent and not fully functional.

Legislation in the field of tourism and hospitality at the level of RS:

- **Law on Spas** ("Official Gazette of RS", No. 20/18) defines spas, conditions and the procedure for declaring a spa and regulates the type of services provided in spas. According to the Article 2 the spa is a rounded geographical area that has special natural potentials - natural properties of treatment that come from the natural healing factor, with regulated infrastructure and appropriate tourist catering and health facilities, with accompanying offer.
- **Law on Tourism** (" Official Gazette of RS ", No. 45/17) regulates the forms of planning and development of tourism in RS, the rights and obligations of tourist entities; the conditions for performing tourist activity; services in tourism; promotion of tourism; incentives in tourism; records in tourism and administrative supervision, as well as other issues of importance for the development and promotion of tourism in RS.
- **Law on Hospitality** ("Official Gazette of RS", No. 45/17) regulates the conditions for performing catering activities, type of catering facilities, forms of catering activity, categorization of catering facilities, rights and obligations of caterers, administrative supervision and other issues of importance for the field of catering.
- **Law on Sojourn Tax** (" Official Gazette of RS ", No. 78/11, 106/15) regulates the obligation to pay the sojourn tax; the methods of determining the amount of the sojourn tax; those who should pay the sojourn tax; the method of allocating and using the collected funds based on the sojourn tax; the mechanism of controlling the payment of the sojourn tax, as well as other issues related to sojourn tax. According to this law, a sojourn tax is revenue from the tourism organizations of cities and municipalities and of Republika Srpska Tourism Organization. It is determined by local government units, about which the Republika Srpska Chamber of Commerce also gives its opinion. The Law stipulates that a hotel owner who provides accommodation services is obliged to pay a

sojourn tax for every overnight stay. People who provide accommodation to tourists in their holiday homes, apartments or rooms for renting pay a lump sum sojourn tax once a year.

- **Law on Public Ski Resorts** (" Official Gazette of RS ", No. 15/10, 33/16) prescribes conditions for arranging, maintaining and equipping a public ski resort; providing services at the ski resort; marking and placing signals on the ski resort; the use of transport at the ski resort; safety and order at the ski resorts; teaching at the ski resort, and other issues relevant to the use of ski resorts.

22 Bylaws in the form of regulations related to the conditions regarding providing different tourism services.

Legal framework at the FBiH level:

- **Law on Tourism Activity** ("Official Gazette of the Federation of BiH", No. 32/09) regulates the performance of tourism activity; types of services provided in that activity; conditions and the manner of performing the business; the entities that may engage in that activity and the conditions for performing tourism activities
- **Law on Hospitality Activity** ("Official Gazette of the Federation of BiH", No. 32/09) regulates conditions for performing catering activities, establishment and termination of catering activities, business premises, classification and categorization of catering facilities, and catering services in the household, rural household and on a boat are determined.
- **23 Bylaws in the form of rules and regulations** related to the conditions regarding providing different tourism services.

Inconsistent legislation and regulation within the entity makes the business environment unfriendly.

2.3.2. Strategic framework

At the Entity level, the relevant strategies are the; Strategy for Development of Tourism in the FBiH for 2008-2018 (drafted and never adopted) and the Strategy for the Development of Tourism RS 2016 to 2020 (adopted and implemented). The FBiH also developed 15 Master Plans for the development of tourism in specific destinations, and RS completed a master plan for Jahorina⁴.

The Strategy for Development of Tourism in the FBiH for 2008 – 2018 prioritizes equally three goals:

- **Economic** - tourism is seen as a driver of economic development, investment growth, development of entrepreneurship, higher employment; increase in tourist spending, production of autochthonous products, achieving year-round tourism businesses (seasonality is sometimes impossible to avoid) and higher quality accommodation;
- **Socio-cultural** – tourism enhances the quality of life of residents and their well-being, contributes to the security of residents and visitors/tourists, contributes to the preservation of cultural and historical heritage as well as the preservation of the local identity in the context of globalization;

⁴ Sector Planning Document (SPD) Bosnia and Herzegovina 2018 – 2020. Directorate for European Integration.

- **Environmental protection** – tourism development contributes to protecting natural resources and the improvement of the transport infrastructure and prevents visual spatial pollution.

The Strategy for Development of Tourism in FBiH for 2008 – 2018 promotes the model of tourism development based on principles of Integrated Quality Management (IQM). According to IQM, the model for tourism should be based on the data regarding the satisfaction of residents, stakeholders, tourists, and the quality of the natural environment (p. 78). However, the multi-stakeholder approach envisioned in the Strategy mentioned above has not been implemented yet. Since the Strategy for Development of Tourism in the FBiH for 2008 –2018 has not been officially adopted, the ex-post impact evaluation of this strategic document has not yet been carried out by the Federal Ministry of Environment and Tourism.

As announced in July 2021, The Federal Ministry of Environment and Tourism initiated the drafting of a Strategy for Development of Tourism in the FBiH for 2021 – 2027. In this process, the Federal Ministry of Environment and Tourism will cooperate with the FBiH Chamber of Commerce, with the support of the USAID BiH Sustainable Tourism Development Project. The abovementioned Strategy will be based on four pillars: (1) destination marketing, (2) tourism product and experience, (3) development of human resources and; (4) development of stimulating business environment. Also, **the Strategy for Development of FBiH 2021 -2027** was adopted and includes specific set of measures focusing on tourism.⁵

The Strategy for the Development of Tourism in RS from 2016 to 2020 aims to: improve the tourism products; tourism infrastructure; develop new tourism services; workforce development; and promotion; encourage the establishment of networks to strengthen tourism including establishing clusters and tourism destinations; improve the tourism legislative framework; provide public financing for tourism, including the establishment of a tourism fund, and encouraging public and private investments in tourism. Besides this, the *Strategy for the Development of Tourism RS from 2016 to 2020* recognizes the importance of environmental protection and sets the following measures:

Preventive measures: (1) Prevention of the construction of infrastructural and other facilities that endanger life environment and natural values, (2) Control of access to protected areas and control of entrances, (3) Zoning activities and behaviour control, (4) Ecological education of tourists, tourist workers, and other visitors to destinations, (5) Informing tourists and visitors about the values of natural tourist resources.

Organizational measures: (1) Development of spatial and other development plans and programs; (2) Continuous quality control of the environment, emitters of pollutants, environmental loads of space, exploitation of natural resources and cultural values.

Technical measures: (1) Aesthetic, horticultural, and infrastructural arrangement of the destination space, aiming to maximise the aesthetic and functional potential of the tourist destination; (2) Technical rehabilitation of devastated areas and facilities (restoration of lawns, planting trees, etc.); (3) Conservation of potentially endangered sites (protective anti-erosion measures, cutting of forest areas as a preventive measure against fire, installation of fire extinguishers, etc.).

⁵https://parlamentfbih.gov.ba/v2/userfiles/file/Materijali%20u%20proceduri_2021/Strategija%20razvoja%20FBiH%202021-2027_bos.pdf

Ex-post evaluation of the Strategy for the Development of Tourism RS from 2016 to 2020 has not been carried out yet; thus, it is unclear whether these envisioned measures (preventive, organizational, technical) were implemented in practice.

Similar to FBiH, the process of drafting **the Strategy for Development of Tourism in RS for 2021 – 2027** was supported by the USAID BiH Sustainable Tourism Development Project and was adopted in December 2021.⁶

The Strategy of Development of BD 2021-2027 acknowledges that tourism interacts closely with other policy areas – transport, energy, environment, regional planning, business, and trade – and that there is coordinated and integrated policies related to the preserving environmental quality.

⁶ <https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/MTT/Pages/default.aspx>

3. FINDINGS AND CONCLUSIONS

The key findings are presented in three sections: (1) key findings; (2) conclusions based on state of play analysis of the tourism sector in BiH, (3) findings based on the comparative analysis of tourism policies across Western Balkan Countries (Albania, Bosnia and Herzegovina, Croatia, Montenegro, Republic of North Macedonia, Republic of Serbia, and Slovenia) and (4) findings from focus groups (see annex).

3.1. KEY FINDINGS

FINDING #1: Fragmented governance structures and lack of consistent strategic approach to tourism development at state level

In general, the government shapes the economic climate and provides the overall regulatory framework in which the tourism industry operates, and also has an influential role in planning, managing, and promoting tourism. Hall (1994), identified seven functions of government with regard to tourism development, namely co-ordination, planning, legislation and regulation, entrepreneurship, stimulation, a social tourism role, and a broader role of interest protection. The last function of protecting the wider public interest, is of particular importance, since the development of tourism calls for the active involvement of governments to ensure the balance between short-term benefits and long-term objectives.

The complex and fragmented institutional structure in BiH has however, reduced the quality of governance; the efficiency and accountability of the public sector and the efficacy of policies across all sectors, including the tourism (World Bank, 2020). Tourism is under jurisdiction of the entities and BD, meaning that each entity has adopted its own tourism strategy, legislation and regulation, and established a governance structure at entity level. Governance and coordination at the BiH level is established through the Working group at the MoFTER. While RS has established a governance and institutional set up for tourism similar to the common practices in many other countries, the governance and institutional set up in FBiH is very complex, which makes an effective strategic planning and overall governance of the tourism development in the entity very difficult. Besides, different legislation and regulation even within the entity makes business environment quite unfavourable, which is also reflected in BiH's standing in the competitiveness index, where BiH rank on 134th place (out of 140) in the 'efficiency of legal framework indicator' and on 137th place (out of 140) in efficiency of legal framework in changing regulations index in 2019.⁷

Thus, the establishment of an efficient governance structure which will ensure more coherent tourism development in BiH, while respecting the multi-layered constitutional and political structure in the country, is the one of the key challenges. Currently, decision-making is characterized by lengthy

⁷ WEF, WTTC Travel & Tourism Competitiveness Report. Edition 2019.

deliberative and legislative procedures, fraught with bargaining and uncertainty (World Bank, 2020). The consequences are costly and they are mostly reflected in deficiencies in the business environment.

FINDING #2: Inconsistent implementation and evaluation of tourism policies/strategies

The importance of the tourism sector to BiH's economic development is expressed in numerous strategic documents ranging from state, entity, cantonal, and local level. Nevertheless, it was mentioned by the members of the focus group that there is a discrepancy between the envisaged objectives for tourism development and the actual status of implementation in the field. The problem with the strategic documents relating to tourism development is that tangible and consistent measures or indicators of implementation are not defined, or at least not satisfactorily. In addition, tourism policies often use action plans such as checklists for the steps or tasks that need to be completed to achieve the previously set goals. Action plans usually use the indicator tool, which makes an integral part of the document. In this way, the plan of measures/actions to be taken can be easily checked against the set indicators. Indicators are defined as specific, observable, and measurable characteristics that can show changes or progress toward achieving a specific outcome. However, policy evaluation and implementation represent a sore point for strategic documents related to tourism in BiH. Thus, there is a need to evaluate and implement tourism policies and strategies in BiH at all levels (entity, cantonal, local). If not adequately assessed during and after their action periods, tourism policies and strategies are almost useless.

FINDING #3: Weak business enabling environment for SMEs in the tourism sector

In terms of the business environment in BiH, the main weaknesses are; high business operating costs for all types of firms, both MSMEs and large enterprises; institutional fragmentation and lack of a coordinated approach to ease the business environment; limited progress in digital transformation and improving integrated e-services for businesses and the lack of investment in innovative activities.

It should be noted that the enterprise sector is not geared to provide the dynamism required to support private sector growth. An incomplete transition to a market economy has hampered the development of the private sector. The country misses new fast-growing companies that can successfully compete internationally, be part of a regional value chain, and boost productivity.

BiH is ranked on 90th place in a study performed by World Bank Group "Doing Business 2020: Comparing Business Regulation in 190 economies". Thus, BiH is the second worst-ranked country in Europe, with an index score of 65.4. In terms of specific criteria, BiH is ranked as follows: starting a business, 184th; the possibility of obtaining construction permits, 173rd; getting electricity, 74th; registering property, 96th; getting credit, 67th; paying taxes, 141st; enforcing contracts, 93rd; protecting minority investors 88th; trading across borders 27th and resolving insolvency, 37th.

According to the 2019 Global Competitiveness Index 4.0, compiled by the World Economic Forum, BiH is ranked 92nd overall out of 141 countries. However, according to the criteria, 'Business dynamism', it is ranked at 117th place (Administrative requirements 102nd; Entrepreneurial culture 125th) and Labour market 107th; place (Flexibility, 107th; Meritocracy and incentivization, 106th) out of 141 countries in the

world. All of this implies that there is a need to create a more competitive framework for business development in the country. Based on the Travel and Tourism Competitiveness Index, compiled by the World Economic Forum (WEF), BiH is ranked on 90th place out of 140 countries.

The SME sector in BiH has emerged through the privatization of formerly state-owned enterprises and private venture initiation. The SME sector is of great importance to the national economy since it: creates jobs; enhances production with less investment; has greater flexibility in following technological developments and keeps up with innovation. Because of SMEs' undeniable importance, many international agencies with a country office in BiH (e.g., the World Bank; UNDP and government authorities such as consulates and embassies) provide various kinds of support in developing small and medium businesses. Although it has been acknowledged that SMEs have an important role in tourism development, there is a lack of specially designed programs to support their growth.

Key priority areas for the future development of BiH's business environment have already been identified in the Small Business Act for Europe (SBA), prepared by the Organization for Economic Cooperation and Development (OECD). These priorities are: (1) take a concerted approach to SME policies; (2) streamline the business registration process; (3) continue digitalizing government services for enterprises; (4) adopt a whole-of-government approach to establishing quality infrastructure; (5) foster the uptake of non-bank financing instruments; (6) roll out instruments to foster innovation in SMEs and (7) provide guidance to SMEs in adopting environmentally sound practices.

However, due to constitutional arrangements, there is no overarching strategic framework guiding SME development across different sectors, including the tourism sector. The lack of a state-wide SME definition and the gap in harmonized data on SMEs and their activities are problematic and obstruct evidence-based policymaking. Greater institutional co-ordination of SME policies would enable concerted action and contribute to higher-impact results. What emerges as the problem is that strategy for tourism development of the Federation of BiH has not been adopted and that strategic priorities have not been defined. Thus, tourism development is based on the ad hoc initiatives of public and private entities. To be ready for the upcoming challenges, it is necessary to adopt a new strategy of tourism development in the F BiH.

FINDING #4: Lack of accurate and relevant data to inform tourism sector policies and development

The primary national statistical data source is the Agency for Statistics of BiH, as a state administrative organization, the central authority, and the principal producer, disseminator, and coordinator of the official statistics system of BiH. There are three statistical institutes within the BiH. In harmony with the Law on Statistics of Bosnia and Herzegovina (Official Gazette of Bosnia and Herzegovina 26/04), the competent authorities for organizing, producing, and disseminating statistics are:

- The Agency for statistics of Bosnia and Herzegovina at the level of the state (BHAS),
- The Federal Office of Statistics for the Entity of Federation of Bosnia Herzegovina (FZS) and
- Republic of Srpska Institute of Statistics for the Entity of Republic of Srpska (RZSRS),
- The Bureau of Statistics of the Brčko District (is a branch of the BHAS since 2005).

The existing statistical tourism system (STS) in BiH, includes the following tourism-related data:

- The tourist demand statistics /tourism flows, i.e., data on tourist arrivals and tourist overnights (both domestic and foreign), broken down by type of accommodation facility, and country of residence.
- The tourist supply statistics i.e., data related to the number of the accommodation facilities, and data related to the tourism industry structure, revenues, and employment.

However, it should be noted that the STS does not provide data on the economic contribution of tourism in BiH in the statistical monthly and annual reports published by the BHAS. However, this information can be found in the WTTC and WE publications on an annual basis.

A major challenge related to the STS in BiH is the statistical system's lack of capacity to provide data necessary for the Tourism Satellite Account (TSA). Although the TSA is officially recognized by the World Tourism Organization and the United Nations as the methodology for measuring the direct economic contributions of tourism consumption to a national economy, its implementation remains a challenge for BiH. BiH has not developed the TSA framework as a detailed set of concepts, variables and classifications of tourism related activities. Also, there is a lack of official statistical data regarding; the values of internal tourism consumption; inbound tourism expenditure; domestic tourism expenditure; outbound tourism expenditure; total gross value added of tourism industries; tourism direct gross value added, and tourism direct gross domestic product. According to the TSA guidelines BiH is currently far from being able to implement the TSA framework.

The second challenge related to BiH's STS is related to the low adoption of IT solutions in the process of collecting and disseminating tourism statistics. Currently, data is collected in paper form and entered manually into cumulative tables, so there is a high probability of errors. Also, the accommodation statistics do not capture unobserved tourism, which has two components (De Cantis et al., 2015):

- nights spent in unofficial accommodation (e.g., friends' and relatives' homes), also known as unmeasured tourism; and
- Nights spent in official establishments, which are deliberately unreported for fiscal reasons (e.g., obtain tax advantages).

The third challenge related to STS in BiH is a lack of regular surveys on attitudes and expenditures of tourists in BiH and surveys regarding the tourist activity of BiH's population (travel household survey regarding the tourism trips within the BiH and abroad). Due to the lack of surveys regarding the attitudes and expenditures of tourists in BiH, it is not easy to get insight into BiH's tourist profile.

FINDING #5: Lack of coordinated and strategic approach to marketing BiH as a tourist destination

Destination management is essential in competing against other destinations, but success is possible through cooperation and coordination among stakeholders. To achieve this, a destination management organization (DMO) is needed at different levels. According to the World Tourism Organization (2004), DMOs are the organizations responsible for the management and/or marketing of destinations. Although management and marketing are sometimes considered as two different concepts, in the case of

destination management, management includes every action and planning that will enable the destination to reach the goals in a sustainable way and marketing is no exception. This does not make marketing and management the same, but they are both included in an integrative destination management approach.

A lack of a strategic approach to tourism development in tourist destinations, is one of the main challenges of tourism development in BiH, which hinders the competitiveness of tourist destinations and private businesses. Management of tourist destinations is at an early stage of development. Only a few destinations started with the establishment of tourist clusters. The destinations lack destination management, which would 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. Accordingly, more effort should be given to the development of destination management, considering the new trends in recent approaches implemented in the advanced tourism countries.

3.2. Key conclusions – State of play of tourism in Bosnia and Herzegovina

From the picture of the current state-of-play of tourism in the BiH, it cannot be denied that findings suggest that tourism in BiH is faced with numerous issues that threaten the economic viability of the tourism sector. Reflection on the existing challenges and gaps shows that the approach to tackling a phenomenon such as tourism development needs to be holistic. Analysis of the literature and previous policy frameworks shows that tourism cannot be considered an isolated field of activity because its cross-cutting nature means it is affected by and involves many other tourism-related industries.

The main conclusions related to the current state-of-the play of tourism in BiH are grouped in three main categories that enable better insights into issues needing to be addressed by tourism policies.

Table 3. The main conclusions related to the state-of-the play of tourism in BiH

| TOURISM SECTOR PROFILE AND PERFORMANCE | |
|--|--|
| Conclusions | Explanation |
| While tourism in BiH is a dynamic and growing economic sector, it remains unstable with limited potential due to a lack of competitiveness and FDI. | Thanks to its unique position, combination of climate, rich history and culture, and exceptional natural resources, BiH experienced a very high increase both in tourist arrivals as well as in overnight stays over the last ten years. Thus, in the period from 2010 to 2019, the number of tourist arrivals increased by 250% and the number of overnight stays by 87%. Based on the distribution of FDI by sectors over the period 1994 – 2019, we found that a very small participation of FDI in tourism in overall FDI (1% of total FDI). |
| Tourism data available through Statistical Tourism System (STS) in BiH is currently insufficient to conduct reliable tourism planning. | The major challenge related to STS in BiH is the statistical system’s lack of capacity to provide data necessary for Tourism Satellite Account (TSA). Although the TSA is officially recognized by the World Tourism Organization and the United Nations as the methodology for measuring the direct economic contributions of tourism consumption to a national economy, its implementation remains a challenge for BiH. BiH has not developed the TSA framework as a detailed set of concepts, variables and classifications of tourism related activities. There is a need to |

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| | evaluate and implement tourism policies and strategies in BiH at all levels (entity, cantonal, local). |
| Coordinated destination-level policies and market interventions are needed. | Tourism products at state, entity, cantonal levels are determined by uncoordinated, individual, market-based decisions. Thus, it is necessary to initiate the process of designing tourism product development strategies and actions plans for the primary tourist products with clear policy measures, budget and timeframe for implementation. |
| INSTITUTIONAL SETUP | |
| Conclusions | Explanation |
| Institutional framework at the state level would increase efficiency and quality of tourism governance. | The complex and fragmented institutional structure in BiH has reduced the quality of governance; the efficiency and accountability of the public sector; and the efficacy of policies across sectors, including the tourism as well. The formation and development of cooperative relationships are critical aspects in the tourism sector, since very little can happen without the various organizations working together to serve and satisfy the tourists/visitors. In BiH, cooperation initiatives evolve around tourist boards and local authorities who are in charge of coordinating key stakeholders of a certain destination. Whether a cooperation model will be implemented and continuously integrated, usually depends on a few influential individuals to gather other stakeholders and convince them to collaborate. However, the full potential of cooperation between different stakeholders in the tourism sector has not been realized yet. In many cases there are critical factors missing to integrate an agreed cooperation plan fully and defined activities. Without identifying activities, responsible parties, timeline, and funds, it is very difficult to initiate and even harder to maintain collaboration between stakeholders in the tourism sector. |
| LEGISLATIVE AND STRATEGIC FRAMEWORK | |
| Conclusions | Explanation |
| Unfavourable business environment stunts the growth of tourism businesses. | The legislative framework that directly or indirectly impacts entrepreneurship and investments in tourism, consists of a large number of laws and regulations. Due to over-regulation and the non-functionality of the legislative framework, as well as its vagueness, economic entities in the field of tourism operate in an environment characterized by the legal uncertainty. |
| Incomplete legislative and strategic frameworks including low level of harmonization of all legal and policy-making instruments prevent sustainable tourism development | The tourism sector within the FBiH has remained without legal regulation since 2015. Regarding the development of sustainable tourism, the legislative framework does not set clear mechanisms to impose sustainability as the primary key to economic activity and spatial development. Sustainable tourism requires new and effective policies in which economic (e.g., eco-taxes, user fees, financial incentives, and tradable building permits, regulatory (quotas and zoning), and institutional instruments (e.g., eco-labels) play an essential role. However, economic, regulatory, and institutional policy instruments at national and sub-national levels in BiH have not been articulated yet. |

3.3. Key findings – Comparative analysis of tourism policies across Western Balkan countries and selected EU countries

Legal issues and fiscal policies are almost certainly connected, in any field of activity. Obviously, the development of tourist destinations is heavily dependent upon these two major interdependent factors. The regulatory framework of tourism activities implies laws and regulations concerning both sides, the suppliers (including the intermediaries) and the clients, by:

- developing the national, regional and local management structures of national, regional and local tourist destinations;
- although the marketing and branding strategies are primarily prepared at the entity or the cantonal level, it is highly recommended to design at least a common strategic branding strategy as this is the key to increase the BiH as a tourist destination;
- creating the appropriate conditions for the development of destination and tourist attractions;
- defining and establishing the functioning conditions of the hospitality services' providers, respectively by clearly stating their rights, as well as their obligations;
- making sure that established qualitative standards of the hospitality services, respect of the ancillary ones, are respected and met by the specific providers;
- defining and establishing how distribution and intermediation can be realized;
- raising and allotting financial support for the development of destinations, including the development of appropriate technical and tourist infrastructures;
- raising and allotting financial support for the branding, marketing and promotion of national, regional and local destinations;
- establishing taxation strategies and policies in order to support and encourage the development of certain destinations, respective types of tourism, or, on the contrary, aiming at diminishing demand and tourist consumption in certain areas;
- establishing rules and regulations regarding the rights and obligations of national and international tourists;
- strengthen the statistical system institutional capacities and further harmonize BiH statistics with EU standards by improving business statistics, the balance of payments, agriculture, and labour force statistics, and improving reporting/statistics on collected indirect taxes

Given the differences contexts of the Western Balkan countries and selected EU countries (Croatia and Slovenia), main findings of the comparative analysis of legislative and strategic framework are grouped along the main pillars of T&T Competitiveness Index from two perspective – strategic framework and approach and legislative framework. The main findings and identified gaps from the perspective of BiH are presented in Table 5 with the main goal to provide relevant recommendations on ways of improving current state of tourism in BiH. Overall, it seems that strategic framework and legislative framework related to the tourism in BiH are lagging behind BiH's proclaimed tourism potential.

Table 4. The main findings of the comparative analysis of the strategic and legislative tourism frameworks in the Western Balkan and selected EU countries

| PERSPECTIVE | PILLAR OF T&T COMPETITIVENESS | INSIGHTS FROM COMPARATIVE ANALYSIS OF TOURISM POLICIES ACROSS WB AND EU COUNTRIES | GAPS NEEDED TO BE CLOSED IN BIH |
|----------------------------------|------------------------------------|--|--|
| STRATEGIC FRAMEWORK AND APPROACH | Enabling Environment | <ul style="list-style-type: none"> ✓ Providing support to small tourism businesses with the focus on digital transformation, transition to a low carbon economy, and assistance with grant procurement to improve product quality and services. ✓ Providing a special incentive credit scheme to support investment in sustainable tourism and increase the competitiveness of tourism SMEs. | <ul style="list-style-type: none"> ✓ Lack of programs specially designed to support small tourism businesses to encourage entrepreneurship and enhance the quality of the tourism offer. ✓ Lack of special incentive credit scheme to support investment in sustainable tourism and increase the competitiveness of tourism SMEs. |
| | T&T Policy and Enabling Conditions | <ul style="list-style-type: none"> ✓ Allocating amounts of funds to tourism investments is a determining factor in the implementation of tourism strategy and future development of tourism industry. ✓ Developing a detailed system of tourism policy evaluation and monitoring (e.g., Albania and Serbia). ✓ Developing additional strategic documents related to tourism (e.g., Work Program of Tourist Boards, strategies for special type of tourism, operational marketing plan, Green Tourism Action Plan, etc.). ✓ Statistical Tourism System providing data in line with the International Recommendations for Tourism Statistics (IRTS, 2008). | <ul style="list-style-type: none"> ✓ Funds have not allocated to the implementation of tourism strategies. ✓ Evaluation and monitoring of tourism policies have not done in previous period ✓ Lack of additional strategic documents supporting the 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 evidence |
| | Infrastructure | <ul style="list-style-type: none"> ✓ Developing a national catalogue of investment projects, which identifies and presents public projects for which the country seeks investors (e.g. construction of new hotels and resorts; investing in newly realized tourist attractions such as golf clubs, conference centres, etc.; and investing in other tourist infrastructure) (e.g., Croatia). | <ul style="list-style-type: none"> ✓ Lack of strategic approach to investment infrastructure projects |
| | Natural and Cultural Resources | <ul style="list-style-type: none"> ✓ Designing initiatives aimed to improve sustainability issues systematically and strategically (e.g., Green Scheme of Slovenian Tourism as a tool and certification program) | <ul style="list-style-type: none"> ✓ Initiatives aimed at improving sustainability issues are mainly the results of internationally financed projects and |

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| | | | there is a lack of governmental initiatives related to sustainable tourism |
| LEGISLATIVE FRAMEWORK | Enabling environment | ✓ Designing the laws which regulate strategic investments in way to that foresees the support to investors in the forms of assisted procedure and special procedure. | ✓ Existing legal framework which regulate strategic investments does not create friendly environment for potential investors |
| | T&T Policy and Enabling Conditions | ✓ The legislation provides the framework for the modern and efficient organization and development of tourism and its related industries | ✓ The tourism sector at the level of the Federation of BiH has remained without legal regulation since 2015 |
| | Infrastructure | ✓ Implementing fiscal incentives to attract quality investments (e.g., VAT reduction for accommodation structure, the exemption from corporate tax for a 10-year period, for accommodations structures, "4* and 5* hotel/resort, special status"). | ✓ Fiscal incentives aimed to support tourism investments and tourism businesses have not been incorporates in the legislative framework yet |
| | Natural and Cultural Resources | ✓ Sustainable tourism requires new and an effective policy in which economic (e.g., eco-taxes, user fees, financial incentives, and tradable building permits, regulatory (quotas and zoning), and institutional instruments (e.g., eco-labels) play an essential role. | ✓ 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. |

4. RECOMMENDATIONS

The findings of this study show that BiH, along with other Western Balkan countries analysed and the two EU countries selected, are prioritizing tourism in their economic agendas. The comparison of the tourism policies, the tourism products identified, the amount of investments in the sector and the policy results indicates that BiH is lagging behind most of the countries analysed (except the Republic of North Macedonia). The weakest element of BiH's tourism policy is the amount of tourism investments and the process of implementation, monitoring and evaluation of tourism strategies. Recommendations regarding the future development of tourism in BiH are grouped across main pillars of T&C Competitiveness Index, namely Enabling Environment, T&T Policy and Enabling Conditions, Infrastructure, and Natural and Cultural Resources, following two perspectives (strategic and legislative framework). The main recommendations and desired outcome of each recommendation are presented in Table 6.

In proposing policy recommendations for strategic and legal changes and the consequent transformation of tourism policies in BiH, there are open questions regarding the willingness of the national/entity/cantonal/local communities and/or political and/or entrepreneurial elites and actors for the implementation of changes that have the potential to enhance the development of tourism in BiH. This is an important issue to take into consideration when discussing changes in the strategic/legal frameworks, especially bearing in mind the complex institutional setup of the tourism sector in BiH. For this reason, these recommendations are put forward more as points for further consideration and debate on what kind of strategic/legal frameworks are needed for the tourism development in BiH.

Table 5. Main recommendations for redesign of strategic and legislative framework in BiH's tourism sector

| PERSPECTIVE | RECOMMENDATIONS | DESIRED OUTCOME | KEY STAKEHOLDERS AND IMPLEMENTATION | |
|----------------------------------|--|-------------------------------|---|---|
| STRATEGIC FRAMEWORK AND APPROACH | <ul style="list-style-type: none"> ✓ Specific and targeted programs need to be developed aiming to improve the competitiveness of small tourism focused business (see Box 1 in Appendix for example of best practices) ✓ Design special incentive credit schemes to support investment in sustainable tourism and increase the competitiveness of tourism SMEs. ✓ Mapping of all programs and services in the tourism sector. | Improved business environment | Ministries responsible for tourism in cooperation with private sector stakeholders (associations), education, NGOs; cantons, municipalities | All stakeholders should be included in the design process of these incentive credit schemes and similar programs. Ministries responsible for tourism should be initiators of these schemes and programs. The ministries in cooperation with tourism |

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| | | | | associations map and create catalogues of programs and services. |
| <ul style="list-style-type: none"> ✓ Design a new Tourism development strategy in FBiH and BD considering new circumstances and trends in the tourism market, and including regular monitoring, and action plans for implementation. ✓ Allocate funds to the implementation of tourism development strategies ✓ Design additional strategic documents supporting the tourism development (e.g., strategies for special type of tourism, operational marketing plan, Green Tourism Action Plan) ✓ Strengthen the statistical system's institutional capacities and to further harmonize statistics in BiH with EU standards ✓ Design new public e-services that will provide additional benefits to service providers and tourists (see Box 2 in Appendix for example of best practices) | Strategic and systematic approach to tourism development that will improve performance in the area of T&T Policy and Enabling Conditions | FMoET, MTT RS, BD Department responsible for tourism, private tourism sector associations, cantons (FBiH), municipalities, tourist organizations, Universities, NGOs | Strategy development demands complete involvement of all stakeholders in all phases of strategy development and later action plans. | |
| <ul style="list-style-type: none"> ✓ Create a catalogue of tourism investment opportunities. ✓ Design incentive measures for tourism investment projects, with the focus on infrastructure and tourism supra-structure | Increased FDI flow into the tourism sector resulting in Improved infrastructure | FMoET, MTT RS, BD Department responsible for tourism, statistical agencies at national and entity's level, Central Bank, Chambers of commerce, municipalities | Implementation of these specific activities should include cooperation and collaboration with all listed stakeholders. This is needed because policies and specific instruments | |
| <ul style="list-style-type: none"> ✓ Design initiatives at state/entity levels aimed at promoting sustainable tourism (see Box 3 in Appendix for example of best practices) | Improvement in the area of protection of natural and cultural heritage | | | |

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| | | | | need to be complementary. |
| LEGISLATIVE FRAMEWORK | <ul style="list-style-type: none"> ✓ Design laws which regulate strategic investments in way that it foresees the support to investors in the forms of assisted and special procedures | Improved business environment. Improved infrastructure | MoFTER, Working group for tourism in BiH, FMoET, MTT RS, TORS, Cantonal ministries, responsible for tourism and the BD Department responsible for tourism | All stakeholder should be included in the implementation process. |
| | <ul style="list-style-type: none"> ✓ Design fiscal incentives aimed at supporting tourism investments and tourism businesses (see Box 4 in Appendix) | | | |
| | <ul style="list-style-type: none"> ✓ Develop clear mechanisms aimed to impose sustainability as the primary key to economic activity and spatial development. | Improvement in the area of protection of natural and cultural heritage | | |
| | <ul style="list-style-type: none"> ✓ Integrate economic (e.g., eco-taxes, user fees, financial incentives, and tradable building permits, regulatory (quotas and zoning), and institutional instruments (e.g., eco-labels), aiming to support the sustainable tourism development | | | |

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ANNEXES

ANNEX 1: Tourism associations and tourism organizations/institutions at the state, entity, cantonal and local levels

| TOURISM ASSOCIATIONS AND TOURIST INSTITUTIONS/ORGANIZATIONS AT THE STATE LEVEL | | |
|--|---|--|
| Association/Organization | Short Description | Source |
| <p>Foreign Trade Chamber of BiH, Group for tourism and hospitality</p>  <p>VANJSKOTRGOVINSKA KOMORA BOSNE I HERCEGOVINE СПОЉНОТРГОВИНСКА КОМОРА БОСНЕ И ХЕРЦЕГОВИНЕ FOREIGN TRADE CHAMBER OF BOSNIA AND HERZEGOVINA</p> | <p>Association that brings together legal and physical entities registered for import-export business activity in the tourism sector of BiH. Its mission is to provide professional assistance to its members and enable them to strengthen their position at the market by proposing measures to create more favourable conditions for tourism companies.</p> | <p>https://www.komorabih.ba/en/business-sectors-2/#1608116878178-d378d8c4-5d7b</p> |
| <p>The Association of Travel Agencies in Bosnia and Herzegovina (UTA BiH)</p>  | <p>Professional association, which brings together leading travel agencies and experts dedicated to the development of the tourism industry and quality of life in BiH. Main objectives of UTA BiH are:</p> <ul style="list-style-type: none"> – Proposing initiatives/measures related to tourism; – Encouraging the development of tourism; – Working to suppress the disloyal and inappropriate methods of work of travel agencies; – Encouraging fair market competition; – Lobbying for the interests of UTA BiH members with the aims of: increasing the participation of agencies in the decision-making process; ensuring greater participation of private agencies in the development of the new legal framework and ensuring the implementation of the existing one. | <p>https://uta.ba/cms/</p> |
| <p>The Hotel and Restaurants Association of BiH (UHiR BiH)</p>  | <p>Professional and voluntary association with 18 members. The mission of UHiR is to protect the interests of its members and improve the hotel and restaurant industry of BiH. The scope of work includes participation in the development of legal regulations in the hotel industry, coordination and education.</p> | <p>http://www.uhr-bih.ba/</p> |
| TOURISM ASSOCIATIONS AND TOURIST INSTITUTIONS/ORGANIZATIONS AT THE ENTITY LEVEL | | |
| Association/Organization | Short Description | Source |

| | | |
|--|--|--|
| <p>The Association of tourism businesses in BiH (Udruženje turističkih privrednika BiH)</p> | <p>Professional voluntary association of hotels, restaurants and catering companies in BiH, established in 2020 as a response to COVID-19.</p> | <p>-</p> |
| <p>The Hotel, Restaurants and Catering Association of the Republic of Srpska (HORECA RS)</p>  | <p>Professional voluntary association of hotels, restaurants and catering companies in RS, which was established in May 2020 as a response to COVID-19. The Association of Tourism and Catering Employers of the Republic of Srpska "HORECA" was activated within the Union of Employers of Republika Srpska, with the aim of protecting interests and providing the best possible business environment in the service area of accommodation, food and beverages and travel agencies.</p> | <p>http://horecars.com/</p> |
| <p>The Tourist Board of the FBiH</p> | <p>The Tourist Board of the FBiH is not operative any more. It should include 10 cantonal members and should be financed from: sojourn taxes - 80% of funds, tourist taxes - 80% of funds, budgets of cantons or municipalities, loans and voluntary contributions. It is responsible for tourism promotion and marketing at federal level.</p> | |
| <p>Tourist Organization of RS (TORS)</p>  | <p>A public institution, established by the Government of Republic of Srpska with the main goal of promoting tourist destinations of RS, through domestic and international tourism fairs, tourist exchanges, events, printed promotional material, web presentation, direct contact with the media, cooperation with local TOs. The main responsibilities are:</p> <ul style="list-style-type: none"> - Designing, organizing and implementing tourist information activity of RS; - Designing and implementing the strategy of tourism promotion of RS - Coordinating the promotional activities across municipalities - Cooperating with national TOs in other countries. | <p>http://turizamrs.org/en/</p> |
| <p>Chamber of Economy of Federation of Bosnia and Herzegovina- Tourism Association</p>  | <p>An association for trade and tourism based on voluntary membership of business entities.</p> | <p>http://www.kfbih.com/tourism-association</p> |

| | | |
|--|---|--|
| | | |
| <p>Chamber of Commerce and industry of Republic of Srpska, Association of Trade, Tourism and Hospitality</p>  | <p>An association of trade and tourism based on voluntary membership of business entities.</p> | <p>https://komorars.ba/sector-associations/?lang=en</p> |
| TOURISM ASSOCIATIONS AND TOURIST INSTITUTIONS/ORGANIZATIONS AT CANTONAL AND LOCAL LEVEL | | |
| Association/Organization | Short Description | Source |
| <p>Cantonal Tourist Board</p> | <p>Cantonal Tourist Boards are responsible for the promotion of tourism at the cantonal level. Sarajevo Canton, Herzegovina-Neretva Canton, Central Bosnia Canton and Tuzla Canton have operative and functional tourist boards, for example, but other cantons don't.</p> | <p>https://www.visitsarajevo.ba/ https://www.hercegovina.ba/ https://tourism-tk.ba/</p> |
| <p>Tourist branches of the Cantonal Tourist Boards (FBiH)</p> | <p>Municipal tourist branches of the Cantonal Tourist Boards, in FBiH have a business mission to develop and promote tourism in the canton, city or municipality. Not all municipalities have established and operative tourist boards.</p> | |
| <p>Local Tourism Organizations (RS)</p> | <p>Local tourism organizations have been established in the following local communities: Banja Luka, Pale, Petrovo, Šamac, Zvornik, Pelagićevo, Brod, Bijeljina, Prijedor, Šipovo, Prnjavor, Gacko, Derвента, Kozarska Dubica, Rogatica, Trebinje, Kalinovik, Doboј, Laktaši, Srbac, Višegrad, Kostajnica, Foča, Modriča, Srebrenica, Vlasenica, Teslić, Sokolac and Nevesinje. Tourist organizations are financed from sojourn tax funds (70%), budget funds of cities or municipalities and personal income of TOs (loans, donations, gifts and contributions).</p> | <p>http://turizamrs.org/en/</p> |

Source: Author

ANNEX 2: FGDs readout (What does FGD means?)

Background and purpose

As part of the Centre for Excellence (CoE), School of Economics and Business Sarajevo (SEBS) will collaborate with stakeholders to promote evidence-based policy papers to inform decision making. To ensure that the policy papers produced by the CoE provide high quality recommendations for relevant institutions, SEBS took an iterative and participatory approach to identifying, prioritizing, and selecting key policy topics to be addressed. One of important reasons for intervention is that tourism is one of the leading and fastest growing sectors in BiH. In order to get a better insight into situation in the sector, an online focus group was organized with representatives from private and public sector.

Data Collection

On July 22, 2021, SEBS conducted a FGD with a total of six stakeholders (out of 12 invited):

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

The FGD lasted an hour and a half and was facilitated virtually by SEBS research team members using the online platform Big Blue Button. The discussion covered three broad topics about current and future developments in the sector:

- What possible additional Covid-19 support measures could be provided to the tourism sector?
- What are the needs, challenges and constraints for tourism development in the future?
- Which tourism subsectors should be supported more strongly?

Given the purpose and objectives of the FGD, SEBS used a semi structured approach, allowing for participants to drive the discussion around the topics. When discussing the key topics of interest, the participants were asked to comment both on the challenges facing these areas as well as recommendations for what the government and other stakeholders can do to address those challenges, with an emphasis on the evidence and knowledge needed in order to develop and inform policy decisions.

Covid-19 support measures

Tourism has been the industry most severely hit during the COVID-19 pandemic. which has restricted and limited travel, having devastating effects on tourism in BiH. Hope for a recovery in 2021, lay in the process of global mass vaccination. Like in other sectors, different levels of government in BiH provided several

measures to mitigate the economic impacts of the COVID-19 pandemic in the tourism sector. These general responses have included administrative and tax reliefs, deadline extensions, and co-financing of the minimum wage, among others. Some measures specific to the tourism sector were the introduction of vouchers for domestic tourists in Republika Srpska, support to tourism businesses in Federation BiH, through the provision of 30 million KM of funding and support to the tourism businesses in Canton Sarajevo through the Tourism board (1 million KM). The following highlights the key challenges and recommendations identified by the focus group participants.

Key Challenges:

- Year 2019 was a record high for tourism in B&H. Year 2020 was characterized by sharp decline in tourist arrivals and overnight stays. There is a slow recovery in 2021. There is a huge level of uncertainty about future developments due to possible restrictive measures that might be introduced at the local, regional and global levels. The development and recovery of tourism on a global level, will definitely have an impact on BiH.
- Measures (interventions) by various levels of governments (municipalities, cantons, entities and state) for mitigating the impacts of COVID-19 pandemic were not harmonized. There was a very low level of communication between private and public sector. There is a very low level of cooperation in the private sector as well and therefore sectorial associations in tourism could have been more active.
- There is no consistency in the implementation of restrictive measures by authorities (limits on operations, working hours, ease of traveling, etc) which produces uncertainty in doing business, as well as losses for tourism businesses.

Recommendations:

- It is necessary to harmonize the authorities' approach and support to the tourism sector in BiH, in order to provide an environment for recovery and development of tourism.
- It is necessary to establish communication, cooperation and coordination between private and public sector on all levels in order to create environment for systematic and effective management and development of tourism.
- It is necessary to clearly define and communicate the objectives of measures provided during the pandemic and to keep developing tailored measures for tourism sector based on outcomes of measures taken in 2020 and 2021.

TOURISM SECTOR DEVELOPMENT

Development in the tourism sector over last years, was mostly result of private – entrepreneurial initiatives. It can be said that development of tourism in BiH is more organic than systematic and induced. The coronavirus pandemic has clearly revealed many problems that tourism in BiH has been facing for many years, primarily in terms of the development of tourism-enabling and business-enabling environments. It is to be expected that the crisis will lead to a change in the behaviour of both business and the public sector, in terms of destination management development, strengthening cooperation, innovation in the development of integrated tourism and the necessary strategic development on the

principles of sustainable tourism. Strategic reengineering of the entire tourist system is needed. The development of tourism requires better state support and cooperation (at different levels - the state of BiH, FBiH, cantons and municipalities) and active involvement of stakeholders from the public sector, but also integration and cooperation within the private sector. The following highlights the key challenges and recommendations identified by the focus group participants.

Key Challenges:

- There is a huge grey market in tourism (unregistered service providers, unregistered labour force, weak registration of tourists, unregistered revenues, etc) that undermines development of the whole sector.
- There is a need for better involvement of governments on different levels to create a tourism friendly and business friendly environment in terms of investments, doing business, infrastructure, legislation, education, nature protection, etc.
- There is no common vision and coordination for development of tourism due to organization of BiH.
- It is necessary to improve and harmonize the legislative framework.
- There is no Tourism board on the level of FBiH and not all tourism boards are operative on the cantonal level.
- There is a gap in the needs of the private sector and the educational system. There is also a lack of qualified labour force. This problem will be intensified in the future due to emigration from BiH.

Recommendations:

- It is necessary to improve the business environment for tourism development in order to improve the competitiveness of tourism sector on the global level.
- It is necessary to introduce measures that will support entrepreneurial initiatives and remove the impact of grey economy in tourism.
- It is necessary to establish frameworks for cooperation and coordination in the tourism sector, on different levels.
- It is necessary to improve the educational system in tourism, in terms of the numbers of students, practical work, new programs and new professions.
- It is necessary to create and implement a set of measures to eliminate the grey economy and to force rule of law in tourism.
- It is necessary to draft missing legislation and to improve existing legislative frameworks that deal with tourism.

TOURISM SUBSECTORS

Tourism in BiH is highly seasonal and a high concentration of tourism related activities in a limited number of destinations (Sarajevo, Neum, Mostar, Banja Luka, Trebinje, Pale, etc). Also, tourists only tend to stay

for around 2 nights on average, and spend very little whilst here. Inertia is one of the characteristics of tourism-related activities in BiH and therefore there is a low level of innovation in terms of market approach and introduction of tourism products. Some of the existing tourism products are related to city tourism, outdoor/adventure tourism, religious tourism, transit tourism, winter tourism, spa tourism, etc. There is a huge potential for further development and packaging of existing products and introduction of the new ones (MICE/meeting industry, health, gastro, rural/agro, etc.). It is also necessary to work on the integration of destinations and the making of common offers. Promotion is mostly fragmented and not harmonized and coordinated. It should be intensified and harmonized. Lack of a strategy for tourism development on the state level leads toward weak recognition of overall brand of BiH on the global level. It is necessary to introduce and implement good practices of other countries in the region such as Slovenia and Croatia. Focus of promotion should be in line with current trends and to spend most of budgets on digital tools.

Key Challenges:

- High seasonality and concentration of tourism activities in BiH.
- Short stays and level of spending.
- Lack of innovations in product and destination development.
- Weak brand recognition on the global market.

Recommendations:

- It is necessary to make investments in the development of destinations in terms of tourism infrastructure and supra-structure, new tourism development, education, etc.
- It is necessary to create Strategy for tourism development on the state level as well as branding strategy of BiH.
- It is necessary to invest more in digital tools for promotion and sales.

Annex - Box 1. The Croatian Ministry of Tourism: program “Competitiveness of the tourism industry”

The Ministry of Tourism offers a set of programs to support the private sector in its entrepreneurial goals. The strongest program of all is the “Competitiveness of tourism industry program”, created for projects aimed at strengthening the competitiveness and attractiveness of Croatian tourism. Special focus has been given to the development of continental tourism, especially in the Dalmatian hinterland, and on the islands, sustainable development, usage of ICT and interconnecting agriculture with tourism. A budget of non-refundable HRK 23.6 million was allocated in 2019, through a series of measures to increase the quality and additional offer of catering facilities, development of new products in the destination, sustainable development, business internationalization, used new technologies and the like. The grant scheme consists of four measures, each with a different purpose of co-financing:

- **Measure A:** Supports the **increase in standards, quality and additional offers of accommodation** facilities including: hotels, camps, other catering facilities for accommodation and family farms, by co-financing eligible project activities, such as: raising quality; the development and improvement of additional content; thematic definition of accommodation capacities; investment in green entrepreneurship, construction of a new camps or camp resting places in the continental parts of Croatia, the Adriatic hinterland and on islands where such facilities do not exist, activation of mountain and hunting lodges and the construction or arrangement of Robinson and BIKE accommodation. This is alongside efforts in increasing and improving the living conditions of persons with disabilities, arranging picnic areas, tasting rooms, wine shops, and the development of ethnic, traditional, hunting, fishing, equestrian and other additional facilities on farms.
- **Measure B: Encourages the development of special forms of tourism** such as cycle, active and adventure tourism through investments in: infrastructure; services and equipment; arranging the necessary infrastructure and investments in equipment for caves, rafting, climbing rocks, lookouts, adrenaline parks, golf training grounds. This is all alongside the improvement of promotional activities for the existing offers. This measure also supports the development of amusement, adrenaline and theme parks, traditional small floating hotels, renovation and decoration of traditional wooden excursion boats, and the creation of a package for new tourist products in special interest markets.
- **Measure C** refers to the **safety of tourists**, through co-financing of publicly available defibrillators (medical rescue and resuscitation devices) in restaurants on islands and cruise ships on the Adriatic, with mandatory **training of employees**, and the co-financing of innovative IT technologies related to digital interaction with guests, and applications related to increasing the visibility of the destination offer, special forms of tourism, thematic products and routes.
- **Measure D** refers to **recognizability**, so the placement of island products will be financed by equipping sales and exhibition spaces in restaurants on the islands, and the realization of thematic routes and the creation of package deals for "Croatian island products". This measure will also co-finance larger international gatherings in Croatia, related to investments in tourism, as well as promotional activities related to the recognition of certain special forms of tourism of associated entities at the national level.

Note: Given the emergency of the situation related to the COVID-19 pandemic affecting the country, the funds provided for the implementation of the program "Competitiveness of the tourism industry" for 2020 were redirected to the implementation of liquidity measures for entrepreneurs in the tourism sector.

Annex - Box 2. Croatian digital tourism - e-Tourism

The Ministry of Tourism and Sports' project for the digitalization of the tourist system "Croatian digital tourism - e-Tourism" will fundamentally change the processes in tourism through five new public e-services and provide additional benefits to service providers and tourists.

It is a project that aims, with the help of advanced technologies to: improve the tourism sector; improve communication between service providers and the public administration of tourism; increase efficiency by reducing the time required to process requests; reduce public service costs and the possibility of errors in providing them and ultimately; to play a central role in promoting Croatian tourism. With the aim of creating faster, better and simpler business' in tourism and public administration, the project "Croatian digital tourism - e-Tourism" brings five new public e-services which will connect the procedures of multiple bodies of public administration in the integrated state information system, including the Central Tourism Register, a system for the registration and deregistration of guests e-Visitor, internet platform croatia.hr and e-services of administrative and non-administrative procedures.

Annex - Box 3. The Green Scheme of Slovenian Tourism

The Green Scheme of Slovenian Tourism (GSST) is a tool developed at the national level and a certification program that carries out the following tasks under the SLOVENIA GREEN umbrella brand: bringing together all efforts directed towards the sustainable development of tourism in Slovenia; offering tools to destinations and service providers that enable them to evaluate and improve their sustainability; and promotes this green endeavour through the SLOVENIA GREEN brand.

The GSST is based on global criteria, is globally recognized, and enables international comparison. The Green Destinations Standard (GDS) is recognized by the Global Sustainable Tourism Council (GSTC), as is SLOVENIA GREEN (SG). In accordance with the instructions on obtaining the SLOVENIA GREEN label, destinations are assessed according to GDS global criteria, while service providers who join the GSST must obtain or present one of the seven internationally recognized labels that are also verified by SLOVENIA GREEN. Parks must obtain or present one of the two internationally recognized labels, also verified by SG (parks can also join the scheme according to Slovenia Green standard).

Annex - Box 4. Tax relief to stimulate business and tourism growth

In Croatia, the Law on VAT prescribes VAT in the amount of 25%, except in cases when it amounts to a lower rate or is not applied at all. However, VAT is calculated on a reduced rate of 13% for accommodation or bed and breakfast services, half board or full board in hotels or facilities with similar purposes, including accommodation during holidays, rental of accommodation in holiday camps or in places designated for camping, and accommodation in nautical tourism vessels. This part of Law on VAT creates a facilitating environment and encourages tourism (hospitality) business.

In Albania, the Law on VAT prescribed VAT in the amount of 20%, except for cases where a reduced VAT rate is applicable as per Article 49 of the VAT Law. One of the most important changes resulting from the new Law on VAT relates specifically to Article 49 and stipulates that the reduced VAT rate to be applied to the supply of tourist accommodation services will be 6%.

ANNEX 3: Tourism policies across the Western Balkans and EU countries

Tourism is a complex product in which economic and political factors combine with those of a geographical and recreational nature. Thus, the nature of tourism policy is complex; tourism policy is partly industrial and partly structural economic policy. It is associated with both the domestic economy and with trade in services policies. It is also very much linked with regional policies and with the promotion of places. However, it should be noted that tourism policy is not a mix of policies but an economic policy *sui generis* even if it depends on many other policies because of its cross-sector nature. In this context, definitions of tourism policy vary, though it is worth noting the view of Hall and Jenkins (1995), who feel that tourism policy is whatever governments choose to do or not to do with regard to tourism. The objectives and functions of public policies in tourism are related to coordination, planning, legislation, promotion, stimulation, support, and public interest (Hall, 2000). Examples of these functions and objectives are:

- Economic development: generating foreign income, balancing the payments support; job creation at a national level; improving the economy and providing local employment; research and diffusion of information on future market trends, improving the image of the destination, ensure effective access to destinations.
- Competitiveness: to ensure the viability and competitiveness of tourism destinations and businesses, to be able to continue to prosper and achieve long-term benefits.
- Local Prosperity: To maximize the contribution of tourism to the prosperity of the destinations, public policies should promote the prosperity of the destinations and focus on reducing the leaks from the local economy by working with local goods and local human resources in tourism. The links between tourism and other local activities such as agriculture, should be strengthened and tourism businesses should be encouraged to work as a network.
- Quality jobs: policies should seek to improve the working conditions in tourism and ensure job creation in the tourism sector.
- Cultural richness: Preserve the traditions and cultural heritage.

For the purpose of this study, we will place emphasis on public tourism policies, defined as “a statement of intent” aiming to set out “desired future conditions and presenting the guiding principles for decision-making” (Chaperon, 2017, p. 427). In this chapter we will provide a review of public tourism policies in other Western Balkan countries and selected EU countries (Croatia and Slovenia), which consider tourism as key-sector for their development. This is done in order to compare policies throughout the region to identify best practices and determine if there are any lessons learned or good policies that could be adopted by BiH.

Republic of Albania

According to the WEF's Travel & Tourism Competitiveness Index 2019, Albania ranked 86th among 140 countries. The country scored poorly on infrastructure (88th) and natural and cultural resources (94th). The main public authority for tourism in Albania is the Ministry of Tourism and Environment. This public body

is responsible for the formulation and implementation of the policies and legal frameworks related to the environment, nature protection, environmental monitoring, forest, water quality, protected areas, etc. Four national bodies operate under the Ministry as National Agencies, respectively: the National Tourism Agency (AKT); the National Coastline Agency; the National Agency of Protected Areas (AKZM); and the National Environment Agency (AKM), with its Regional Environmental Directorates. The National Tourism Agency has the mandate to promote Albanian tourism abroad. The 'Strategy for the Sustainable Development of Tourism 2019 – 2023' is the main strategic document for tourism in Albania. The document includes analysis of the current situation of the tourism sector, strategy vision 2019 – 2023, and policy goals and specific goals. The 'Strategy for the Sustainable Development of Tourism 2019 – 2023' distinguishes three types of tourism, namely: coastal, natural, and thematic tourism. Strategic goals of sustainable tourism development are organized into four distinct groups (1) creation of new development poles and industries and consolidation of the touristic offer; (2) increase of the added value and impact of the sector on the economy and employment; (3) development of new tourism products and services and improved quality; and (4) improvement of the country's image and promotion of local products.

Albania adopted a new law on tourism in 2015 aiming to address several issues raised by the business community's experts from tourism sector. According to the Investment Council Secretariat, the main novelties of this law are as follows:

- the law creates a clear picture of the institutions dealing with the tourism sector, both at a national and local level by eliminating the overlap of responsibilities among them and the uncertainty among users of the law, mainly to the foreign investors;
- the law sets obligations for main institutions such as Ministry of Tourism and Environment in preparing the following documents: a) National Plan on Tourism (NTP); b) Strategy of Tourism and Action Plan (Tourism Strategy), c) Central Tourism Register; d) National Register of Touristic Sources as well e) National Sites with Priority in Developing Tourism;
- the law addresses the licensing process of the tour-operators and tourism agencies;
- the law introduced the categorization and classification process of the tourism accommodation structures; and
- The law introduces the incentives to facilitate the construction of luxurious four- and five-star hotels and resorts.

In addition to the law on tourism, Law No. 55/2015 'On Strategic Investments', aims specifically at increasing investments in strategic sectors, which includes energy, agriculture, tourism, and natural resource extraction. The Law No. 55/2015, 'On Strategic Investments' foresees the support in the forms of assisted procedure and special procedure. The assisted procedure focuses on the role of public administration in assisting prospective investors by facilitating the process of securing the necessary documentation, following, coordinating, assisting, monitoring, and, at times, representing the strategic investment. The procedure also foresees support in the form of enabling infrastructure by making state owned property available to strategic investment development and implementation (Law No. 55/2015). This procedure is available only to the strategic investors in the tourism sector, investing the equivalent of at least 5 million Euros and generating at least 80 jobs. The special procedure is designed to create all necessary preconditions, including expropriation of private property and approval of contracts by the parliament of Albania (with the consent of the Council of Ministers) to vouch for an increased guarantee of the legal relationship between the investor and the Government of Albania. The eligibility criteria for

the exclusive support that comes with the special procedure includes strategic investments valued at 50 million Euro or more with an impact in economy, employment, industry, technology, and regional development.

The Government of Albania has introduced a number of incentives focused on the development of tourism such as:

- Fiscal incentives to attract quality investments: (1) VAT reduction for accommodation structures (2) lower VAT for any services supplied within qualifying accommodation structures based on rating and special status. (3) Exemption from corporate tax for a 10-year period, for qualifying accommodations structures based on rating and special status. According to this provision the effects of this exemption begin at the moment the accommodation structure starts economic activity, but no later than 3 (three) years from receiving of the special status; (4) exemption from the building tax for accommodations structures, "4* and 5* hotel/resort, special status" as per the provisions of the Law "On Tourism" and which are the bearer of a trade mark internationally known as a brand name (into force as of April 2018); and (5) exemption from tax impacting on infrastructure for accommodations structures, "and 5* hotel/resort, special status" as per the provisions of the law "On Tourism" and which are bearer of a trade mark internationally known as brand name (into force as of January 2018).
- Incentives for agro-tourism as a growth industry such as (1) VAT reduction for accommodations structures certified as "agro tourism entities" down from 20% to 6%.; (2) corporate income tax to be reduced from 15% to 5% for taxpayers certified as "agro tourism entities"; (3) exemption from tax impacting on infrastructure for "agro tourism entities" which shall perform investments in their scope.
- The National Program for Urban Renaissance: a nation-wide program piloted during 2013-2017, was a government mandate aimed at the physical revitalization of main urban centres, implemented in about 70 cities, at an estimated cost of approximately 440 million USD.
- The Integrated Program for Rural Development: starting in 2017, the government shifted its focus to rural development through an exclusive, nation-wide program dedicated to the development of rural space in 100 villages across Albania. With each of the 61 municipalities represented by at least one village, the program promises a coordinated approach to rural development by aligning public investments with donor and private investments in villages that have a rich cultural and natural heritage and subsequently high potential for tourism to develop.

In terms of COVID-19 measures to support tourism sector, the Government of Albania has adapted the tax deferral measures allowing all tourism businesses to defer payment of profit tax during 2020 and 2021.

Republic of Croatia

According to the WEF's Travel & Tourism Competitiveness Index 2019, Croatia ranked 27th among 140 countries. Croatia scored high on tourist service infrastructure, ranking 5th, and environmental sustainability, and ranking 14th. Croatia's biggest weakness in the latest report was the business environment, which put it in 123rd place. The main public bodies of authority for tourism in Croatia are the Ministry of Tourism and Sports; the Croatian National Tourist Board (CNTB), Croatian Chamber of

Commerce, Croatian Chamber of Trades and Crafts, as well as the professional associations in tourism. Numerous strategic documents across regional and local communities promote the concept of sustainable tourism while, on the national level, the Ministry of Tourism and Sport has initiated the process of drafting the new strategies of tourism development. The new strategic documents are the Strategy of sustainable tourism by 2030 and the National plan for the development of sustainable tourism from 2021 to 2027. These documents are based on the National development strategy of the Republic of Croatia, which aims to be completed by 2030, in which the key priorities are sustainable, innovative and resilient tourism. Both documents were supposed to be adopted by the end of 2020. However, the last decision made by the Ministry of Tourism and Sport on the topic is the Decision on the content of the strategic study for the Strategy of sustainable tourism by 2030 and the National plan of sustainable tourism development from 2021 to 2027. The decision lists the main priorities for the future documents, encompassing the priority of public policies that will contribute to the development of culture and media with the focus on the protection, preservation, presentation and economic valorization of the cultural and historical heritage.

Legislation on tourism comprises the following laws:

- Act on the Provision of Tourism Services (OG 68/07, 88/10, 30/14, and 89/14) - regulates services in tourism, the manner and conditions for the provision of these services, the contract on travel in a package deal and the contract on a related travel arrangement, and the rights and obligations of the trader and passengers in relation to these contracts.
- Law on Hospitality Activity (OG 42/20) - regulates the manner and conditions under which persons may engage in hospitality activities.
- Law on Tourist Boards and Promotion of Croatian Tourism (OG 52/19 and 42/20) - the law, according to the model of destination management organization, regulates the system of tourist boards, the structure, tasks and manner of work of tourist boards and the basic principles of their financing and management.
- Tourist tax law (OG 52/19, 32/20, and 42/20) - regulates the obligation to pay the tourist tax, the method of determining the amount of the tourist tax, the distribution of collected funds of the tourist tax, deadlines and manner of collection and payment of tourist tax, registration and deregistration of tourists and other issues relevant to collecting and distributing tourist tax, and records of tourist nights are regulated.
- Law on membership fees in tourist boards (OG 52/19)- This Law regulates the obligation to pay membership fees, bases and rates; calculates and pays membership fees to the tourist board; defines the method of paying membership fees, records, calculation and collection of membership fees and other issues of importance for payment and allocation membership fees to the tourist board.
- Investment encouragement Law (OG 102/15, 25/18, 114/18) - This Law regulates the granting of state aid to encourage investment. It also highlights the activities of high value-added services in tourism for whose projects additional grants will be approved:
 - projects of hospitality and tourism facilities for 4* accommodation including hotels, apart-hotel, tourism settlement and camps,
 - projects of hospitality and tourism facilities - heritage hotels, diffuse hotels and other types of accommodation facilities created by the restoration of cultural and historical heritage, with mandatory delivery of conservation standards for restoration,

- projects of accompanying contents of all previously mentioned types of accommodation facilities, which include: health, congress, nautical, cultural, golf, sports and recreation, entertainment and theme and tourism and ecological content, as well as other innovative contents in high value-added tourism,
- nautical tourism projects with the level of of four or more anchors,
- Amusement and theme park projects.

Other laws that are not directly related to tourism sector but have impact on the development of tourism sector in Croatia are:

- Value Added Tax Law (OG 73/13, 148/13, 153/13 - decision of the Constitutional Court, 143/14, 115/16, 106/18, 121/19) - This law regulates the value added tax system. Value added tax in the Republic of Croatia is 25% except in some cases. These exceptional cases concern, among others, certain tourism activities such as accommodation or bed and breakfast services, half board or full board in hotels or facilities with similar purposes, including accommodation during holidays, rental of accommodation in holiday camps or in places designated for camping, and accommodation in nautical tourism vessels when VAT is 13%. VAT is exempt from the import of tourism information material that does not contain more than 25% of commercial advertisements, and which is distributed free of charge and whose goal is to encourage the public to visit foreign countries.
- Law on Encouraging the Development of Small Business (OG 29/02, 63/07, 53/12, 56/13, 121/16) - This law regulates the bases for the application of stimulated economic policy measures aimed at the development, restructuring and market adjustment of small businesses, and the establishment of the Croatian Agency for Small Business and Investments. Tourism is not explicitly mentioned, but the Law refers to all forms of small businesses (entrepreneurship and crafts), including tourism.
- Law on Strategic Investment Projects of the Republic of Croatia (OG 29/18, 114/18) - This Law regulates the criteria and procedures for applying for strategic investment projects, the procedure for assessing, selecting, preparing and implementing strategic projects, disposing of real estate owned by the Republic of Croatia for the implementation of strategic projects, granting concessions related to implementing strategic projects and issuing administrative acts relating to implementation of strategic projects.

In terms of COVID-19 measures to support tourism sector, the Government of Croatia implemented the following measures:

- Fiscal measures worth 1.5 billion kn (EUR 198.4 million) to help businesses operating in tourism and sports sectors during the Covid-19 pandemic.
- Postponement of payment of: tourist membership fees for economic operators and private renters and tourist tax for private renters (flat rate).
- Support for programs for financing working capital and improving the liquidity of vulnerable tourism business persons
- Delay of payment of the fee for the concession on tourist land in the camps.

Republic of Montenegro

According to the WEF's Travel & Tourism Competitiveness Index 2019, Montenegro ranked 67th among 140 countries. The main public body of authority for tourism in Montenegro is the Ministry of Economic Development. This public body is responsible for the formulation and implementation of the policies and legal frameworks related to the tourism. The 'Montenegro Tourism Development Strategy to 2020' (Ministry of Tourism and Environment, 2008) is the latest strategy of the national government related to tourism. The 'Montenegro Tourism Development Strategy to 2020' is organized in three main sections: an analysis of the present situation, the strategic orientation for Montenegrin tourism development (including vision, objectives, and policies), and the expected outcomes. The strategy counts five objectives with 20 detailed policies to achieve them: (1) 'quality instead of quantity' -meaning improvement of existing touristic infrastructures; (2) the creation of a unique, integral tourism destination; (3) diversification of the tourism product to face seasonality; (4) strengthening the institutional and legal framework; and (5) local communities' involvement in tourism activities. In addition, the 'Strategy for Development of Cultural Tourism in Montenegro by 2023' was developed in 2018. This document defines and unites existing cultural tourism products and sets the following goals: (1) sustainable tourism development in line with the protection of cultural heritage; (2) Increasing recognition of Montenegro as a destination for cultural tourism; (3) enriching the tourism value chain with cultural heritage, especially in the central and northern areas, as well as the development of infrastructure for cultural tourism, the development of public tourism infrastructure and development traffic infrastructure; and (4) Improvement of destination management in general and management of cultural tourism in particular, through human resource development, quality management, and investment policy.

The legislative framework for tourism encompasses the following laws:

- The Law on Tourism and Hospitality ("OG of Montenegro" no. 2/18, 04/18 and 13/18) regulates the conditions for the performance of tourism and hospitality activities and other matters of importance for tourism and hospitality.
- The Law on Tourism Organizations regulates the establishment, principles of organization and work of tourist organizations, the manner of their funding, as well as criteria for categorizing destinations.
- The Tourist Tax Law regulates the obligation to pay the tourist tax, the method of determining the amount of the tourist tax, the distribution of collected funds, deadlines and manner of collection and payment of tourist tax, registration and deregistration of tourists and other issues relevant to collecting and distributing tourist tax and records of tourist nights are regulated.
- The Law on ski resorts ("OG of Montenegro", no. 13/07, 14/11, 21/14 and 44/17)
- The Law on rafting ("OG of Montenegro", no. 53/11, 53/16 and 57/16) regulates the conditions and manner of performing the activity of providing rafting services as tourist services and regulates the rafting for personal or recreational needs, on inland fast waters.
- The Law on mountain paths ("OG of Montenegro", no. 51/08 and 53/11) regulates the conditions and method for establishing the mountain paths networks, for their arrangement and maintenance, their classification and categorization, as well as other issues of importance for the use of mountain paths.

To improve the use of major resources and bring in new investment, tax reform policy has introduced fiscal incentives to invest in the following sectors: high-quality tourism - 5-star hotels; food production, other than primary agricultural production, and capital investment in the energy sector. In order to remove business barriers and encourage high quality tourism, the following facilities have been provided:

- Zero VAT rate in accordance with the Law on Value Added Tax is also paid for delivery of products and services for the construction and equipping of catering facilities of five and more stars, whose investment value exceeds EUR 500,000.
- Tax reliefs pursuant to Article 12 of the Law on Real Estate Tax (“OG of Montenegro”, No. 025/19) defines that for catering facilities, the tax rate may be reduced in relation to the tax rate determined in accordance with Article 9 of this Law. This is for catering facilities of category 3 stars where the tax rate may be reduced by up to 15%, for catering facilities of category 4 stars up to 30% and catering facilities of category over 4 stars up to 70%. After the payment of corporate income tax, business entities operating in Montenegro have the opportunity to transfer funds to their accounts abroad at the end of the year.
- VAT is calculated and paid at a reduced rate of 7% of turnover of products, services and imports of products, as follows: for accommodation services in hotels, motels, tourist resorts, boarding houses, camps, tourist apartments and villas; preparation and serving of food, beverages and beverages, except alcoholic beverages, carbonated beverages with added sugar and caffeine, in catering facilities; public transport services for passengers and their personal luggage;
- Exemption from payment of utility fees for high category hotels

In terms of COVID -19 measures to support tourism, the Montenegrin government announced a fourth economic package on January 28, 2021 of around USD 188 million, which is expected to cover 100,000 citizens. Measures include (i) wage subsidies (with an expanded list of eligible sectors); (ii) support to the vulnerable population; (iii) tax deferrals; (iv) support for new employment; (v) one-off support for firms to implement e-fiscalization; (vi) domestic travel vouchers for health and education workers; and additional measures for the tourism, catering, and agriculture and fisheries sectors. The measures are aimed at maintaining employment levels, improving liquidity, increasing the number of tourists, the stability of agriculture, as well as supporting the vulnerable population.

Republic of North Macedonia

According to the WEF's Travel & Tourism Competitiveness Index 2019, North Macedonia ranked 101st among 140 countries. The overall tourism policy is under the supervision of the Ministry of Economy. The Ministry of Economy is responsible for the promotion of tourism resources and capacities at the international level and cooperation with the local self-governments in respect of promotion and improvement of the quality of tourism offers, with the inclusion of locally organized events (Agency for Tourism Support and Promotion), development of Tourism Development Zones; financial aid for tourism projects; managing data in the tourism sector; coordinating the enforcement of legal provisions, including conventions and international agreements in the field of tourism; and cooperating with international organizations operating tourism programs. The Agency for Promotion and Support of Tourism in the Republic of North Macedonia is an institution established by the Government of the Republic of North Macedonia. The main function of the Agency for Promotion and Support of Tourism is promoting tourism

resources of the Republic of North Macedonia to foreign markets, as well as management and support of projects aimed at developing tourism in general.

Kohl & Partner (2016) developed the 'National Tourism Strategy of The Republic of North Macedonia 2016-20202, which was seen as a continuation of the National Tourism Strategy 2009 – 2013, prepared by The Republic of North Macedonia's government in 2009. It was never adopted, however (UNECE, 2019). In order to stimulate investments in tourism, the document envisages the establishment of special tourist development zones, of which seven zones are located on the lakes (one on Lake Dojran, four on Lake Ohrid and two on Lake Prespa) and one in the mountain region. Currently, the Ministry of Economy is updating the draft for another round of consultations with other ministries (UNECE, 2019).

In the Republic of North Macedonia, the basic laws regulating tourism, are the laws for tourism and catering. There are additional laws related to tourism in the country, such as the Law on Establishing the Agency for Promotion and Support of Tourism of the Republic of Macedonia, the Law on temporary residence tax, the Law on Tourist Development Zones, and the Law on Auto Camps.

In terms of COVID-19 measures to support tourism sector, the Republic of North Macedonia has adopted fiscal measures to help address firms' liquidity problems, protect jobs and support the most vulnerable. These measures are intended for firms across industries and special measures for tourism businesses were not designed. Republic of North Macedonia has also introduced vouchers for domestic tourists.

Republic of Serbia

According to the WEF's Travel & Tourism Competitiveness Index 2019, Serbia ranked 83rd among 140 countries. The Ministry of Trade, Tourism and Telecommunications is the national governmental authority overseeing tourism in Serbia. The Ministry has jurisdiction over the National Tourism Organization of Serbia (NTOS), which is the national agency for promoting tourism in the country and abroad (OECD, 2020). NTOS also undertakes market research and collects relevant tourism information. Three Regional Tourism Organizations have been established, as well as 116 Local Tourism Organizations, owned and operated by Serbia's local and regional governments and supported by the private sector (OECD, 2020). Regional and local tourism organizations act in accordance with the National Tourism Strategy and the plans and programs of the NTOS. The Serbian Convention Bureau was established in 2007 as a part of the National Tourism Organization of Serbia in order to develop MICE tourism. Professional tourism associations have also been established including the Serbian Spas and Resorts Association (consisting of municipalities, institutes, and special hospitals), Associations of Tourist Agencies, Business Association of Hotels and Catering Operations, and International Centre for Tourism and Hospitality Development.

The planning and development for tourism, including human capacities and infrastructure, is underway at mainly a national level. 'The Serbian Tourism Strategy 2016-2025,' adopted in November 2016, opens with a thorough review of the current situation, including a comparison with tourism-competitive countries. It then defines the vision and sets objectives for 2025, which include the sustainable development of tourism, strengthening the sector's competitiveness, increasing the sector's employment trends and GDP contribution, and the improvement of Serbia's overall image in the region, Europe, and

globally. The Action Plan of 'The Serbian Tourism Strategy 2016-2025,' includes 21 measures grouped into six categories: (1) the coordination of tourism activities among actors; (2) improvement of the statistical monitoring system; (3) improvement of tourism infrastructure; (4) introduction of new ICT technology; (5) support activities dedicated to local stakeholders for funding applications; and (6) improvement of destination management. 'The Serbian Tourism Strategy 2016-2025,' is implemented through the Strategic Master Plan; the Strategic Marketing Plan; the Tourism Products Development Program, as well as the spatial and urban plans drawn up and adopted in accordance with the Law on Tourism. The Serbian legal framework for tourism consists of numerous laws and regulations, which are directly or indirectly related to tourism and tourism development. As a candidate country for the EU membership, Serbia is harmonizing its (tourism) legislation with the rules adopted at the EU level (Stanković, 2018).

This legislation provides the framework for a modern and efficient organization and development of tourism and its related industries. However, the tourism sector has not yet been developed and there is a lack of capacity in tourism management and national marketing. Additionally, there has been some indecision in relation to the necessary public investment, which has slowed down the development of products and their commercialization (OECD, 2020).

In terms of COVID-19 measures to support tourism sector, the Government of Serbia has adopted fiscal and monetary measures aimed at preserving the liquidity of economic entities in the economic crises expected during and after the end of an emergency. Specific measure design to support tourism businesses have not been designed. Serbia has introduced vouchers for domestic tourists.

Republic of Slovenia

According to the WEF's Travel & Tourism Competitiveness Index 2019, Slovenia ranked 36th among 140 countries. In the domain of tourism, the main authority is held by the Ministry of Economic Development and Technology, which is responsible for implementing the national tourism policy. An important role is given to the Slovenian Tourism Board, "a public agency that is also responsible for tourism information, market data, coordinating product development, engaging stakeholders and undertaking market research". Apart from these two public bodies, there is a network of 12 Regional Development Organizations that lead overall development of tourism at the regional levels. This is complemented with the 12 Regional Destination Organizations that support tourism development on the regional level. The decentralized structure of decision making in the sphere of tourism is further devolved to the local levels, where mayors and local councils are responsible for tourism development. Tourism development is regulated and directed by the 'Strategy for the sustainable growth of Slovenian tourism 2017-2021'. The strategy defines six key policies: (1) a new organizational structure: (macro destinations and tourism products; (2) institutional and legal frame work; (3) accommodation, tourism infrastructure and investments; (4) human resources in tourism industry; (5) space, cultural and natural assets; and (6) small and medium-sized enterprises (SME). Additional strategic documents related to Slovenian tourism are:

- The 2020–2021 Work Program of the Slovenian Tourist Board – a document based on strategic development and marketing guidelines that were proposed in the 2017–2021 Strategy for the Sustainable Growth of Slovenian Tourism.

- The Action Plan for the Development and Marketing of Gastronomy Tourism 2019–2023 – a strategic document that includes the key measures and initiatives necessary for Slovenia to be positioned around the world as a unique boutique gastronomic destination.
- The Operational Marketing Plan for cultural tourism in Slovenia (ONCULT) comprises definitions of key value and the promotion-related advantages of the cultural and tourist offer in Slovenia, which are summarized in the matrix of the most attractive products, and a set of elements of the cultural and tourist offer by four macro-regions in Slovenia.

The ‘Strategy for the sustainable growth of Slovenian tourism 2017-2021’ introduces a system of four macro destinations (Alpine Slovenia, Mediterranean & Karst Slovenia, Central Slovenia & Ljubljana, Thermal Pannonian Slovenia). The new system of macro-destinations aims to communicate and promote Slovenia more effectively at an umbrella level and to enhance vertical connections from the umbrella level to the destination level (as well as horizontal connections within a macro destination and between macro destinations).

To promote sustainable tourism, Slovenia introduced ‘The Green Scheme for Slovenian Tourism’ as a comprehensive national system for promoting sustainable tourism. The system has a national character, but is entirely based on global and European indicators, and is therefore already transferable to other countries. The Green Scheme of Slovenian Tourism is a tool developed at the national level and a certification program that carries out the following tasks under the SLOVENIA GREEN umbrella brand: (1) brings together all efforts directed towards the sustainable development of tourism in Slovenia, (2) offers tools to destinations and service providers that enable them to evaluate and improve their sustainability endeavours, and (3) promotes these green endeavours through the SLOVENIA GREEN brand.

The key tourism-specific regulation in Slovenia is the Promotion of Tourism Development Act, which presents separately the public and the administrative rules applicable to private economic entities. The second key regulation in tourism is the Hospitality Industry act (2007 and on). The Act does not specifically prescribe special permissions (licenses) for various hospitality activities. However, it determines what economic activities hospitality consist of: tourist accommodation (TAC) and food and beverage (F&B) and the types of hospitality units (e. g. hotels, private rooms and apartments, campsites, restaurants, guest houses, bars etc.). By-laws define technical conditions for F&B and TAC activities: each premise for running hospitality business must be classified into a specific type and meet at least the minimum technical and service conditions. In particular, special features apply to TAC, which must be classified according to adequate quality level and entered into the public register.

In terms of COVID-19 measured to support tourism sector, the Government of Slovenia implemented the following key measures:

- Deferral of payments on bank loans; and state guarantees for bank loans, for tourism and hospitality sectors.
- Reimbursement of fixed costs for companies in tourism and hospitality industry – this program is intended for the most affected companies, which recorded a decline in turnover and loss of income (at least 30% reduction of revenue in 2020 compared to 2019.)
- The public call for co-financing operating costs for companies in the hospitality and tourism industry during the COVID-19 epidemic (covering costs during the first wave), published by the SPIRIT Public Agency, and had a tendered value of EUR 10 million.

- A new loan fund at SID Bank is being prepared (providing favourable loans for tourism sector - of which 75% for investments and 25% for working capital). The Slovenian Enterprise Fund will offer interest-free loans for SMEs (EUR 90 million for interest free loans with a moratorium).

Slovenia has also introduced vouchers for domestic tourists.