Annex B. The Small Business Act assessment’s scoring model for Bosnia and Herzegovina

Constitutional set-up of Bosnia and Herzegovina

The governance structure of Bosnia and Herzegovina (BiH) comprises the institutions of the state of Bosnia and Herzegovina, the governments of the two territorial and administrative entities – the Federation of Bosnia and Herzegovina (FBiH) and the Republika Srpska (RS) – as well as Brčko District (BD). At entity level, both the FBiH and the RS have significant constitutional autonomy and regulate independently the matters which the Constitution of Bosnia and Herzegovina has not assigned to the state government. The entities’ parliaments have jurisdiction over a range of policies, among them healthcare, education, agriculture, culture, labour, police and internal affairs. Both entities have a president, prime minister and 16 ministries. The FBiH is furthermore divided into ten federal units (cantons), each with its own constitutions that prescribe their legislative, executive and judiciary authority, as well as the functioning of government authorities.

The 2019 SBA Assessment of Bosnia and Herzegovina

Bosnia and Herzegovina submitted four assessment questionnaires for the SBA assessment, one for the state and one each for both entities and Brčko District. Information from all four questionnaires has been taken into account in the analysis. Nevertheless, given that Brčko District only represents approximately 1% of the total population of BiH, it has not been included in the scoring.

SME policy making in Bosnia Herzegovina is much more decentralised than the other economies covered by the SBA assessment. Therefore, information from the two entities has been taken into account in the calculation of the country scores. Following the changes to the 2019 assessment (see Annex A for more information), the scoring model for Bosnia and Herzegovina has been revisited to allow for a more accurate and specific assessment of the different SME policy areas. Policy recommendations have been formulated to emphasise the importance of policy co-ordination in Bosnia and Herzegovina for averting the possibility that local policy measures infringe on the principle of a single domestic market and distort competition among enterprises based in different entities.

Based on these considerations and the availability of data, a scoring system involving four models has been developed (Table A B.1.)
Table A B.1. Overview of the four scoring models

<table>
<thead>
<tr>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/2 (FBiH) 1/2 (RS)</td>
<td>2/3 (state) 1/6 (FBiH) 1/6 (RS)</td>
<td>1/3 (state) 1/3 (FBiH) 1/3 (RS)</td>
<td>State level only</td>
</tr>
</tbody>
</table>

For most of the dimensions (Bankruptcy and second chance, Operational environment for SMEs, Support services for SMEs, Innovation policy for SMEs, and SMEs in a green economy), a score has been derived by calculating a simple average of the two entities’ score. This approach (Model 1) has been adopted principally since major policies, mechanisms and institutions under these areas exist mainly at the entity level and so needed to be reflected in the scoring.

For two dimensions (Access to finance, and Standards and technical regulations), the second model was selected, giving two-thirds of the weight to the state and one-sixth to each of the two entities, since responsibilities under these dimensions lie mainly at the state level. However, inputs from the entities were also recognised and included in the scoring.

For two other dimensions (Institutional and regulatory framework for SME policy making and Internationalisation of SMEs), a score has been derived using the third model, which allocates one-third of the weight equally to the two entities and the state. Finally, the Public procurement dimension only takes state-level information into consideration.

Table A B.2 gives an overview of all the SBA dimensions, providing the rationale for the selection of the scoring models. Dimensions 1 and 8a do not appear in this table. Their assessment was led by the ETF, which used a completely different scoring model. This involved only assigning a positive score for the dimensions’ indicators when there was positive evidence in both entities (RS and FBiH). When either RS or the FBiH failed to satisfy the evidence required, they were not assigned a positive score, but credit was given in the write-up.

Table A B.2. Application of the scoring models to the SBA dimensions

<table>
<thead>
<tr>
<th>SBA dimension</th>
<th>2019 SBA assessment</th>
<th>Rationale</th>
</tr>
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<tbody>
<tr>
<td>2. Bankruptcy and second chance</td>
<td>Model 1</td>
<td>In Bosnia and Herzegovina there are no state-level responsibilities or programmes for this dimension.</td>
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<tr>
<td>3. Institutional and regulatory framework for SME policy making</td>
<td>Model 3</td>
<td>Legislative simplification efforts are being undertaken at the entity level. However, all three levels of government in Bosnia and Herzegovina have legal frameworks in place that define the general principles and procedures on conducting regulatory impact assessment (RIA) and public-private consultations (PPCs).</td>
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<tr>
<td>4. Operational environment for SMEs</td>
<td>Model 1</td>
<td>In Bosnia and Herzegovina, entities are responsible for their own company registration process. Moreover, there are no services available for obtaining licenses for SMEs at the state level. Although the state level has competences for tax compliance procedures, this policy area was not scored in this assessment cycle.</td>
</tr>
<tr>
<td>5a. Support services for SMEs</td>
<td>Model 1</td>
<td>Support services for SMEs are designed and implemented at the entity level.</td>
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<tr>
<td>5b. Public procurement</td>
<td>Model 4</td>
<td>Public procurement is regulated by the state Law on Public Procurement.</td>
</tr>
<tr>
<td>6. Access to finance for SMEs</td>
<td>Model 2</td>
<td>Responsibilities under this dimension are dominantly at the state level. However, inputs from the entities are also recognised and included in the scoring.</td>
</tr>
<tr>
<td>7. Standards and technical regulations</td>
<td>Model 2</td>
<td>The greater weight (2/3) is given to the state to recognise its competences in overall policy coordination and transposition of standards and technical regulations. However, entity performance was also scored, as the initiatives and programmes to facilitate SMEs access to standardisation are dominantly at the entity level.</td>
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</tbody>
</table>
Since the mechanisms and institutions to support SMEs in innovative activities are generally at the
entity level, the scoring model accounts for their performance. Collaboration between SMEs and
research institutions is also established and supported at the entity level. However, the scoring
model also recognises the importance of the state, particularly for overall policy co-ordination and
intellectual property rights.

SME greening policies are devised and implemented at the entity level and there are no institutions
at the state level that are in charge of promoting a green economy. Moreover, strategies and action
plans that include goals for the green economy are adopted at the entity level.

This dimension covers policies which can be introduced at both the state and the local level. In
Bosnia and Herzegovina, institutions that play a role in export promotion exist at both levels,
however, programmes to support SME integration into global value chains and programmes to
promote e-commerce, are implemented at the entity level.

Note: ¹ For Dimension 8b, model 1 is applied, with the sole exception of the thematic block on intellectual
property rights which was assessed based on the state-level-inputs.

Notes:

¹ The competences of the institutions of Bosnia and Herzegovina are prescribed by Article III,
paragraph (1) of the Constitution of Bosnia and Herzegovina. The competences of the entities are
prescribed by the same article, in paragraph (2). Paragraph (3) of the article stipulates that all
government competences not expressly assigned to the state-level government belong to the
terities.