



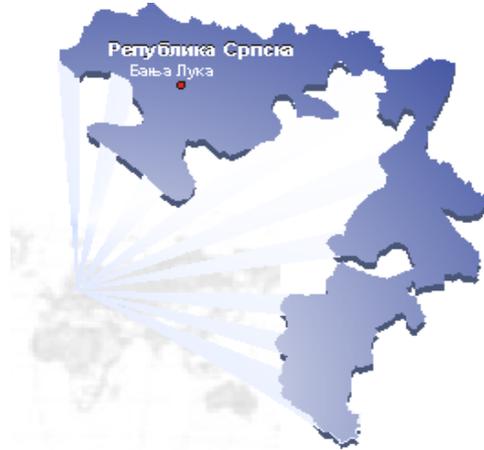
11th INTERNATIONAL FORUM ON ENERGY FOR SUSTAINABLE DEVELOPMENT

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Regional workshop on guidelines and best practices for
MSMEs in sustainable resource
management and critical raw material supply

BOSNIA AND HERZEGOVINA

8 October 2021



B&H Economy



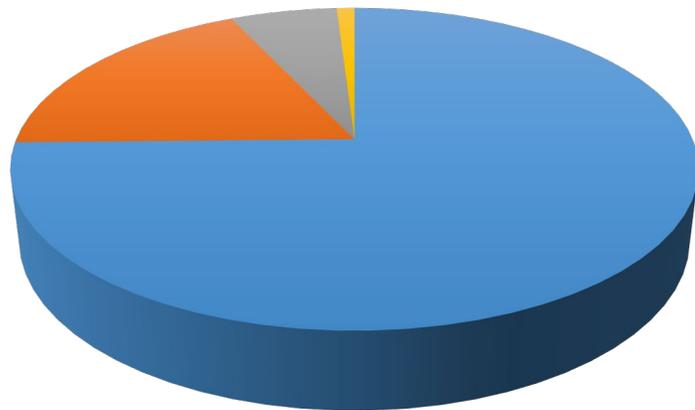
Bosnia and Herzegovina (B&H) is an upper middle-income economy, with a population of 3.5 million and nominal gross domestic product (GDP) per capita of USD 11714 at prices in 2017 (World Bank, 2018). B&H's economy is consumption-driven and one of the most volatile in the Western Balkans (WB) region, with an economic structure that remains highly exposed to external economic fluctuations.

The service sector contributes the most value added to the economy, generating 55.8% of GDP in 2017; followed by industry (including construction) at 23.4%; and agriculture, forestry and fishing at 5.8% (World Bank, 2018). Most of the active labour force was employed in the service (48.7%) and industry (32.2%) sectors, while the agriculture sector accounted for 19.1% of total employment in 2017 (ILO, 2018).

The key metal processing sectors are **aluminium and iron**, both based on domestic mining production.

MSMEs in B&H

- ☐ 74.7%, microenterprises (0-9 employees)
- ☐ 18.3%, small enterprises (10-49 employees)
- ☐ 6.0%, mid enterprises (50-249 employees)
- ☐ 1.0% bigenterprises (250 and more employees)



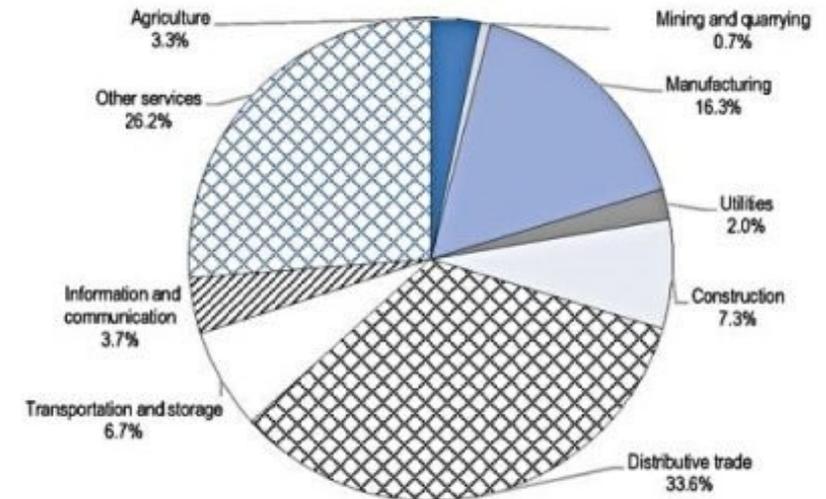
■ Micro ■ Small ■ Mid ■ big

B&H companies size share

Distributive trade was the largest sector for MSMEs, accounting for one-third of active MSMEs in 2017.

It was followed by the manufacturing sector, which accounted for 16.3% of MSMEs (down from 19% in 2016). Transportation and storage accounted for 6.7%, similar to construction (7.3%).

Its total share of MSMEs **mining and quarrying sector take minor 0.7%**, the least between all sectors.



***Sectoral distribution of MSMEs in B&H
(Source: doi.org, OECD publishing 2017.)***

Covid-19 impact and opportunities for MSMEs and Policy recommendations for B&H

Covid-19 caused significant pressure on MSMEs in B&H, but at the same time open different possibilities in chain supply, which can be driving force in future „closing“ of the supply chain in many sectors: resource management, transport and distribution, quality control, repackaging etc. Regarding CMRs it is assumption that beside bauxite, B&H will be focused on explorations and possible production of antimony and batteries minerals (eg. Li and Co) in next 10 years. It is good opportunity for many MSMEs in exploration, mining, transportation, logistics and other services. To support MSMEs in their activities additional policy improvements are necessary:

- **Business facilitation and facilitation of business registration procedures** , partly improved in last 5 years;
- **Government incentives to encourage entrepreneurship**, where numerous already exist, as:
 - Small loans and grants available to start-up companies in a range of different industries, with specific eligibility criteria, especially agricultural and craft-related enterprises;
 - Specialised “free zones” where companies can import goods without paying VAT; and
 - Low (10%) corporate tax rate
- **Digitalisation – improve the access to data, information and knowledge** (tax subsidies for training, retraining and the recruitment of employees with high school or college diplomas already available);
- **Encouraging MSMEs in market access** (most companies in metal industry are quite passive – they wait for potential customers, to come with their technical drawings and design, asking for the cheapest offer for production, to offer their services, while the customers are always trying to find the one amongst them to offer them the lowest price
- **Easy access to finances** (A large number of financial institutions operate in B&H relative to its small size. Most of these, however, are foreign-owned, which is likely to account for the stability of the financial infrastructure. *Positive example*: New banking laws have been passed, aligning the regulations more closely with the Basel framework. It aims to make banks safer and more sound, meaning MSMEs in Bosnia and Herzegovina will be less exposed to bank funding constraints in the long term)
- **Facilitate logistics and supply chains** - especially in three key value chains in the B&H: metal processing sector, the aluminium value chain, and the construction elements value chain