

DEVELOPMENT TRENDS OF THE WESTERN BALKAN COUNTRIES BASED ON KNOWLEDGE WITH A SPECIAL OVERVIEW ON B&H WITHIN THE PROCESS OF ACCESSION TO EU

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Abstract: *The Western Balkan countries have experienced significant progress over the past 15 years. They have gone through the systems of the market economy, privatized many inefficient state and socially owned enterprises, quickly adopted modern banking systems and strengthened the external orientation of their economies. However, the pace of systemic reforms are disappointing, thanks to the combination of reform fatigue, stakeholder resistance, policy impetus that limited the reform efforts and delays with membership in the European Union. The Western Balkan countries are still lagging behind for the new EU member states in terms of economic change and income levels, which account for about one-third of the level of advanced EU economies. In addition, these countries are burdened with a large deficit in foreign trade, which is why a large number of unemployed people are present. To improve living standards and revival of income convergence will be crucial to reviving reform momentum.*

Key words: *Western Balkan countries, economy, European Union, reform, digitalization*

INTRODUCTION

Competitiveness in the economy of Bosnia and Herzegovina, as one of the most important indicators of a country's economic viability, is crucial in market conditions and is the basis for increasing real income of the population. The main objective of competitiveness is to increase the standard of living of citizens, which is achieved with stable economic growth, and balanced imports and exports on the international market. When it comes to competitiveness, it can be said that the countries of the Western Balkans, including Bosnia and Herzegovina, are significantly behind the countries of the European Union. Namely, the countries of the Western Balkans have been experiencing accelerated economic growth since 1995 to the present day, supported mainly by external financing, which has ultimately led to an increase in public debt. When foreign capital inflows declined, economic growth stalled so that the Western Balkans could not join the European Union, resulting in GDP per capita, as the main instrument for measuring wealth or living standards, far below the average standard of living of EU citizens, and ranges from around 60% in Croatia and 30% in Bosnia and Herzegovina.

One of the biggest problems of the economy of Bosnia and Herzegovina and the countries of the Western Balkans is the high foreign trade deficit, caused by poor competitiveness on the international market and high import-export dependence. This means that the Western Balkan countries are unable to satisfy their own production and have poor foreign trade integration.

The decline of the world economy had a strong impact on the most important economic partners of Bosnia and Herzegovina - the countries of the European Union and CEFTA, which reflected on the changes in the regional structure of export and import of goods, as

well as the fall of total trade with most of these countries. Bosnia and Herzegovina's merchandise exports in the first ten months of this year amounted to KM 9 billion and KM 912 million, 8.9% higher than in the same period last year, while imports reached KM 16 billion and KM 131 million, which is 7.3% more %. The export / import ratio was 61.4%, while the foreign trade deficit amounted to KM 6 billion and KM 219 million. Such a high share of imports in the total exchange is an indicator of the low competitiveness of the domestic economy. The problem of a large deficit in foreign trade is certainly a great burden for both the state and the economy. The structure of exports is worrying and without a change it can hardly be affected by a deficit reduction.

One of the aggravating items, which contributes greatly to the lagging behind in B&H's standard of living, is the low level of wages, which is a result of the poor position of the country in the international division of labor. Namely, export-oriented companies in Bosnia and Herzegovina usually get jobs for cheap processing or processing, so-called Lohn jobs, which generally require cheap labor. In order to bring the B&H standard of living closer to the standard of the EU countries, it is primarily necessary to attract more foreign investments, ie to facilitate the arrival and operation of foreign companies through a smaller bureaucratic procedure as well as incentives for foreign investments. Foreign direct investment in the country can be used as an essential component and driver of further economic growth in the country. Unfortunately, by many parameters, B&H is not currently too attractive compared to similar countries in the region, although according to available data from 2017, there is a 37.9% increase in foreign investment compared to 2016 or 28.8% compared to the five-year period average (2012-2016 period).

In B&H there is also a very pronounced price competitiveness, as low labor costs are accompanied by low labor productivity. Outdated technology and the level of innovation have greatly contributed to low productivity levels. Not only is Bosnia and Herzegovina performing poorly when it comes to certain factors affecting productivity growth, it is also far below the EU average. The reasons for low productivity in B&H are multiple. Labor productivity is most determined by the level of technological development, innovation and investment in human capital. The balanced combination of each of these factors, along with appropriate economic reforms / policies, determines how quickly labor productivity will increase.

Although the level of GDP per employee in B&H is higher than in the previous year, it is still below every EU average. In order to improve the standard of living, it is necessary to provide more jobs, increase labor productivity, reform the education system, include various programs for further qualification and retraining as well as professional development. All these programs should be accompanied by adequate labor market reforms as well as the compliance of the education system with market needs.

Based on the aforementioned, it can be concluded that the increase in labor productivity over the long term cannot be achieved without well-planned structural reforms and implementation. This implies that economic policies and measures should embrace long-term plans for innovation, investment in research and development, and human capital, and be a primary goal in the future.

PART I - ECONOMIC SITUATION OF B&H IN 2017

1. Current situation and economic activities in Bosnia and Herzegovina

After 23 years of transitional reforms, B&H still faces low levels of economic activity, high unemployment rates and widespread poverty. The total population decreased by 20% compared to 1991 when there were 4,377,033 inhabitants in B&H. The reduction of the population by 870,000, together with the internal migration of more than one million inhabitants, had a strong impact on the decline in economic activity. Prior to the transition, 1.68 million people were economically active, the vast majority of whom were employed in the formal sector, mainly in the manufacturing industry. Most of those who changed their place of residence during the 1990s lost their jobs, and their acquired professional knowledge and skills became less relevant in new places of residence. B&H has not recovered from this shock to this day. Migration in particular affected persons with intermediate levels of professional skills that were relevant to working in specialized factories, which generally existed only in their pre-war places of residence.

Although 58.2% of the adult population was economically active (employed or unemployed), the employment rate was only 29.1%, while the unemployment rate was as high as 50%. The lack of job opportunities forced as many as 47.3% of adults to be economically inactive, causing half of the population to be at risk of poverty. Yet the need for economic growth and development and the participation of foreign and direct investment have led to positive economic trends. In 2017, B&H's gross domestic product increased by 3.07% in real terms compared to 2016. Based on the available short-term indicators, it can be concluded that in 2017, Bosnia and Herzegovina achieved economic growth compared to last year. The estimated

economic growth rate of about 3% compared to the previous year, however, is a continuation of the trend of economic recovery in B&H, which is, to a large extent, a consequence of favorable economic trends in EU countries and to a lesser extent in the countries of the region. Over the last few years, our country has seen economic growth of about 3% per year, which is certainly good, but nowhere near enough for some significant recovery, since it would require at least 6% per year growth.

In addition to GDP growth, B&H achieved export of goods worth KM 11 billion in 2017, which represents a nominal increase of 17.4% compared to the previous year, and the coverage of import by export improved by 3%, and at the end of the year was 61%. This indicates that B&H has left behind negative economic trends and finally embarked on a recovery path.

Based on the available data, it can be concluded with certainty that the increases were in the sign of the external sector, where foreign trade in goods with the world is especially emphasized. Namely, during the year, according to BHAS¹ data, B&H recorded double-digit growth rates of total trade in goods, exports and imports of goods. Increasing export demand and prices of certain export products (metals and energy) resulted in an increase in B&H. of goods exports of 17.4% compared to the previous year. In the context of export growth, it is worth pointing out that, unlike in previous years, it was retained owing to an increase in exports of goods within more product categories, ie greater diversification of B&H. export offers.

This increase in exports, a generally higher level of economic activity in the country in the presence of a price effect, also led to a 12.2% increase in merchandise imports

compared to the previous year. Such developments in the export and import of goods have resulted in a nominal increase in the trade deficit. However, given the significant rise in prices, it can be almost certain that the commodity deficit in 2017 stagnated in real terms. If this is added to the positive balance in the field of export of services, the growth of cash inflows from abroad, and the positive trend of FDI growth, it can be concluded with certainty that the external sector has a positive feature in 2017 when it comes to economic trends in B&H.

Foreign direct investment (FDI) has had a particularly positive impact on the growth of the economy and jobs. Foreign direct investment for 2017 amounted to KM 777.7 million or EUR 397.6 million. Data for the period January - December 2017 indicate an increase of foreign investments by 37.9% compared to the amount in 2016 or by 28.8% compared to the five-year average (period 2012-2016). Economic recovery gives hope that domestic authorities have finally faced the challenges of unemployment, which is one of the country's major economic and social problems.

In December 2017, excise duties and tolls were adopted and introduced, but it remained unclear for the construction of which routes B&H opted for. Namely, by joining the Transport Community, B&H has committed itself to the construction of a large number of routes, but without economic analysis on the justification of the construction of those routes.

In the period 2013-2017. The growth of economic indicators was recorded, which included the growth of exports, industrial production, the number of employees, tourism revenues and the reduction of trade deficit. The main economic indicators in

¹B&H Statistics Agency

B&H tend to grow, so the nominal GDP increased from KM 28 374 million in 2013 to KM 31 862 million in 2017. The number of unemployed in B&H in 2017 also decreased to 489,400 compared to 2013, when it amounted to 552,500, or about 12%. Based on available data from 2013 to 2017, it can be seen that the average net salary increased by about 2.9%, ie it increased from KM 827 (2013) to KM 851 in 2017 .

2. Foreign trade trends in Bosnia and Herzegovina

In terms of major trading blocks, exports of goods to the EU market in 2017 amounted to KM 7.8 billion, representing 71% of the total B&H. exports and an increase of 16.8%. On the other hand, exports to the CEFTA countries amounted to KM 1.8 billion, representing 16.3% of the total B&H. of goods exports and increased by about 28.5% compared to the same period last year. The value of imported goods in B&H last year amounted to KM 18.1 billion, which represents a nominal increase of 12.2%. In addition to electricity and coal, a significant contribution to imports was registered in the framework of oil and petroleum products, crude aluminum and motor vehicles.

B&H's foreign trade in the first quarter of 2018 amounted to KM 7.34 billion, with the coverage of imports by exports of 63.9%. The main cause of the high deficit in the foreign trade balance is the structure of traded products, since B&H mainly exports lower value added products **while imports higher value added goods.**

In B&H, foreign direct investment increased by 57.3%, which is an important result, as global direct investment is down 16.3% compared to last year despite recorded economic growth. Only developing countries recorded a 2.4% increase in investment, while those in transition recorded a 17.9% decline in

investment.

All of this has led to economic growth that ranged from 2% to 3.2%. There has also been an increase in employment. Improved control of undeclared workers, ie suppression of the gray economy, is also a significant challenge for the large entry of new pensioners into the system, about 25,000 of them in the FB&H alone, which significantly mitigates positive employment trends, and it is unclear to what extent the positive external factors are , such as the growth of demand for B&H goods in the European market and the expansion of tourism, influenced the positive results of the B&H economy in this period.

3. Gross Domestic Product Movement in Bosnia and Herzegovina in 2017

By 2017, B&H had achieved remarkable success in terms of GDP growth, exports and attracting investment, which led to a significant increase in the number of employees and the standard of living of the population. The total number of employees at the end of 2017 increased by almost 2.5% compared to 2016 (467 900 in FiH Bi 260 600 in RS), while the number of unemployed decreased by 6.1% to 39.6% (358,000 in the FB&H and 120,100 in the RS).

Gross domestic product of B&H in the last year amounted to KM 29.8 billion and is nominally higher by 4.5% and real by 3% compared to the GDP of 2015. GDP per capita in 2016 was KM 8,516, or EUR 4,354 or \$ 4,817. As we can see, GDP growth was 3% in real terms in the past. This indicator of the governing structure is now very much used and often used to show that the B&H economy is moving forward, that everything is moving towards a better tomorrow, and that the implemented "reforms" are delivering results.

4. Europe 2020 strategy

The New Decade Strategy, which replaced the Lisbon Strategy, the Europe 2020 Strategy, more precisely defined as a strategy for smart, sustainable and inclusive growth, has emerged as a strategy that will help emerge from the economic crisis and prepare the economy for the new decade.

The Europe 2020 strategy highlights three interconnected priorities:

- Smart growth: developing an economy based on knowledge and innovation,
- Sustainable development: Promotes more efficient use of resources, greener and more competitive,
- Increasing inclusiveness: fostering high employment, increasing market participation, and delivering social and territorial cohesion.

The key goals of the Strategy are:

- The 20-64 age group should increase from the current 69% to at least 75%, emphasizing the need for greater involvement of women and older workers,
- Earmarking 3% of the total EU GNP value for science and research,
- Filling the so-called 20-20-20² climate and energy goals. First of all, we are thinking of reducing greenhouse gas emissions into the atmosphere by at least 20% compared to 1990,
- Increase the share of renewable energy in total consumption,
- Reduce the number of students who drop out of school to 10% and at least 40% with a college degree,

- Reduce the number of Europeans living below the poverty line by 25% and lift more than 20 million people out of poverty.

The success of the Europe 2020 strategy will depend most on the willingness of Member States (and future members) to accept it as their own national program. The crisis has made it clear that there is no alternative to catching up with the world's most competitive economies. It can therefore be expected that in the next decade, Member States that have hitherto inadequately pursued the Lisbon goals will be under a lot of pressure from the EU institutions and the successful Member States.

PART II - SMALL AND MEDIUM-SIZED ENTERPRISES

1. Small and Medium Business in the European Union

According to the EU, the category of micro, small and medium-sized enterprises includes enterprises employing less than 250 people and whose annual turnover does not exceed EUR 50 million, and / or whose total balance sheet does not exceed EUR 43 million. Over 20 million SMEs in Europe form the pillar of the European economy.

The average European company employs 6 people, including its owner - manager. In 2017, EU GDP decreased by 0.3%. Data from GDP and other macroeconomic indicators show a slight increase in forecasts from Q2 2017. While inflation is steady in 2017 and unemployment is at a stable double-digit level, domestic demand from public and private consumption shows no clear signs of recovery.

² At the end of 2008, the European Union adopted the so-called energy-climate package of laws to be implemented by 2020

EU countries have a network of business incubators, science technology parks and clusters, micro-credit lines, business angels and other small business support instruments.

Table 1. Entrepreneurship, employment and gross value added of SMEs in the EU-27 in 2017

	Micro enterprises	Small businesses	Medium enterprises	MSP	Big enterprises	Total
Number of enterprises	19.14 3.521	1.357 .533	226.5 73	20.72 7.627	43.65 4	20.77 1.281
%	92,2	6,5	1,1	99,8	0,2	100
Employment	38.39 5.819	26.77 1.287	22.31 0.205	87.47 7.311	42.31 8.854	129.7 96.165
%	29,6	20,6	17,2	67,4	32,6	100
Gross value added (billions of euros)	1.307	1.144	1.136	3.588	2592	6179
%	21,2	18,5	18,4	58,1	41,9	100

It can be concluded that in the EU there is a balance between SMEs and large enterprises. Existence with the SME sector and a significant number of large enterprises is an important factor in balancing the overall economy and the degree of its efficiency, that is, a prerequisite for the optimal use of inputs and international competitiveness. Based on examples in the EU, it is evident that SMEs significantly less than large enterprises are involved in creating employment in the primary industry and in the manufacturing sector. The role of SMEs is greater when it comes to the service

(tertiary) sector and trade. A significant contribution of European SMEs in 2017 is in the services and manufacturing sectors. The two sectors together employ 74 million people and produce € 2.9 trillion in added value, with 85% of all European SMEs operating in the two sectors. In 2017, there were over 5.7 million SMEs in the wholesale and retail sector, of which 93% had fewer than 10 employees.

2. SMEs as a carrier of the development of the European Union economy

SMEs, as the main generators of employment and economic development, play a key role in the EU economy. According to official EU statistics, around 99.8% of enterprises are SMEs, making them a priority for the development of the overall economy. Their importance is especially reflected in the fact that the European Commission recognizes this sector of the economy as the main generators of economic development and employment growth, which is especially important in times of crisis.

An enterprise is considered to be any entity engaged in economic activity, regardless of its legal form. This includes in particular self-employed persons and family businesses engaged in crafts or other activities, and partnerships and associations regularly involved in economic activities. According to the legislation and recommendations of the EU Commission, the main factors that determine whether or not an enterprise is an SME are: number of employees and total turnover or total balance sheet. The following categories are distinguished: the category of micro, small and medium-sized enterprises, consisting of enterprises employing less than 250 persons and whose annual turnover does not exceed EUR 50 million, and / or the total annual balance sheet does not exceed EUR 43 million. In the SME category, a

small business is one that employs fewer than 50 people and whose annual turnover and / or total annual balance sheet does not exceed EUR 10 million. In the SME category, micro enterprises are those enterprises employing less than 10 persons and whose annual turnover and / or total annual balance sheet does not exceed EUR 2 million. Aware of the importance and role of SMEs that form the basis of entrepreneurship and development, the European Union has promoted innovation as a basis for healthy SMEs and their competitive advantage, and places increasing emphasis on development policies and the development of entrepreneurial capacity in this sector. The European Union aims to create competitive, dynamic, innovative and healthy, knowledge-based entrepreneurship and capable of sustainable economic growth and development.

3. How did small, medium and large enterprises in Bosnia and Herzegovina operate in 2017?

According to the data for 2017, there are 32,292 companies in B&H, which collectively generated a total income of KM 65,485,823,432.

Of these, small enterprises account for a total of 27,595 or 85.45%, medium-sized 3,558 or 11.11%, while large enterprises have 1,109 or 3.43%. Out of the total number of companies, 85.45% of companies generate KM 8.867 billion in sales, or 13.54%. On the other hand, 1,109 large enterprises, or 3.43% of the total, generate KM 44.385 billion in sales revenue or 67.78%. From this it can be seen that in B&H, a small number of large companies make 2/3 of the total sales revenue, and that they are the backbone of B&H's economic system.

Regarding the concentration of companies

and economic activity by regions in B&H, most of the total number of registered companies are concentrated in the two largest administrative regions - Canton Sarajevo and Banja Luka region.

Out of the total number of companies in B&H, 43.61% of enterprises are headquartered in these two regions alone. If the number of regions is expanded to the top five, then they make up almost 3/4 of the total number of firms. On the other hand, if we analyze the data for the five worst regions, we see that it is 5.65% of the total number of enterprises in the country, which is a big disparity between the top five largest and smallest regions. This information shows how much more developed some regions are than others.

Interesting data is a comparison of total sales revenue for all businesses with salary costs.

According to these data, large enterprises are the most efficient, and the worker costs 11.85% of the total sales revenue. Interestingly, 58.86% of all wage costs are generated in large enterprises, while the remaining 41.14% in small and medium-sized enterprises. Reasons also need to be found in the fact that large enterprises, due to economies of scale, can generate higher sales revenues.

When it comes to revenues from export activities, the results obtained are quite modest for our companies, and ultimately for the country. According to the official data of KM 65.485 billion in sales revenues, as our companies have achieved in total, only 15.42% was generated from export revenues or KM 10.09 billion.

Of the total export revenues, large enterprises account for 69.06%, while the remainder relates to small and medium-sized enterprises. However, these results are also quite modest, which in fact shows

that we are the country where the companies make the majority of their income in doing business with other B&H companies. Considering that we are a small market, it is expected that B&H companies, regardless of their size, will seek their space for expansion and market placement in foreign markets in the coming period.

When it comes to the small business segment, although they make up 13.54% of total sales revenue, they make 17.09% of total net profit, they have the highest ratio of income and wage costs, and pay the state taxes most in relative terms. The medium-sized enterprise segment shows almost the same ratios for all indicators except for the corporate tax ratio, where there are similar tendencies as for small businesses.

Large enterprises, although they have the highest ratios of sales and export revenues, give the state the least amount of corporate income tax payments. When it comes to wage costs, they have a favorable ratio, compared to small and medium-sized enterprises.

4. Business environment and problems in the SME sector in Bosnia and Herzegovina

The business environment is characterized by numerous factors (economic, legal, political, technological, etc.) that directly or indirectly affect the business of the company. Environmental factors can be stimulating, but they can also be limiting. Unstable conditions in the macro environment affect the business environment of legal entities adversely.

It is evident that activities at all levels are determined and conducted spontaneously and irresponsibly. However, if we look historically, SMEs appeared a long time ago, during the Austro-Hungarian occupation at the end of the 19th century, and characterized the B&H economy until

the end of World War II, when the communist regime transformed private ownership into state and then into social ownership. The situation began to change in 1989. One of the reasons for our economic backwardness in the surrounding countries is the lack of institutional support for the SME sector, modeled on other transition countries. In addition, basic laws have not yet been enacted, no SME strategy has been established, no state SME agency has been established, etc. It is often stated in the literature that due to flexibility, informal structures and good connections with the environment, SMEs have certain advantages over large organizations. What particularly limits the opening of small businesses in B&H is the large number of state institutions involved in the registration process (as many as 11). The number of these institutions must be significantly reduced, which would allow the registration of a company in one place. The following table shows what has changed since 2010 - 2017 according to World Bank studies.

Table 2. Western Balkan countries ranking by ease of doing business for the period 2010-2017

Country	2010	2011	2012	2013	2014	2015	2016	2017
Albania	120	136	89	82	82	82	85	90
B&H	95	105	119	116	127	125	126	131
Montenegro	70	81	77	77	66	56	51	44
Croatia	124	97	110	103	84	80	84	89
Macedonia	92	75	69	32	38	22	23	25
Serbia	68	86	90	88	89	92	86	93

It is evident that the authorities in B&H do almost nothing to simplify the business environment for entrepreneurs who create new value and contribute to the creation of GDP and who, after all, provide salaries to the public administration and the same government. The stepmother's attitude of

the authorities towards entrepreneurs and young people with creative business ideas is evident.

In the same time period, all the countries of the Western Balkans, except Serbia, have made significant progress, e.g. Macedonia came in from 92nd place to 25th place, and Montenegro from 70th to 44th place.

Improving the business environment or business climate is one of the most important economic policy priorities for B&H. It is very important for all business entities that the environment in which they do business is organized. As few administrative obstacles as possible with appropriate legal regulations, the availability of adequate workforce and favorable sources of financing are the basic prerequisites for a favorable business climate.

According to the B&H Agency for Statistics in 2017, significantly fewer companies submitted their final accounts than in 2016. The following table shows their number.

Table 3. Number of micro SMEs in B&H in 2017

Micro	Small	Medium	Big	Total
23183	5891	1907	300	33.266
73,8%	18,8%	6,1%	0,9%	100%

Table 4. Number of employees by size of enterprises in B&H in 2018

Total employment in SMEs	Micro	Small	Medium	Big	Total
380.204	69.382	128.205	181.941	237.751	617.279
61,5%	11,2%	20,8%	29,5%	38,5%	100%

The number of SME employees in 2017 decreased from 388,361 to 380,204 employees in 2018.

The survey found that most of the support measures implemented had the character of selective measures, ie. measures targeted at specific users or activities. At the same time, the implementation of important general measures foreseen in the strategic and programming documents, aimed at creating better conditions and creating a stimulating business environment, was lacking. In order to advance in the area of SMEs, B&H needs to use the experience of Japan, in which the entire SME sector is networked in the socio-economic fabric of the country. The government of this country and the state as a whole live for SMEs, share their destiny, and in many ways strongly encourage their entrepreneurial intensity and development. The government especially encourages innovative businesses and those businesses that create something new (new products, services, materials, etc.). The government supports SME associations directly or through regional chambers, so they sometimes have the strength of a large

enterprise. Through various associations (clusters) these companies increase their competitiveness and minimize risks. Thus, the share of SMEs in employment accounts for 79% (in the USA 53%), in the total number of enterprises with 99% (in the USA 99%), and in exports with 13% (in the USA 29).

B&H Government's incentive measures for SME development should be permanent and comprehensive, and framed in the philosophy of overall economic policy. That is why our government and its institutions, according to newly established small businesses, should be treated maternally, and in their further development and growth in partnership. A key element of economic reform in B&H must be the continued transition to a market economy with a vibrant private sector. Experience in Central Europe has shown that progress in this regard requires simultaneous effort in three critical areas: developing a motivating business environment for existing and new private businesses, privatizing state-owned assets, and developing a disciplined and competitive financial sector.

The Government of B&H should be influenced by the development of SMEs:

- Macroeconomic policy that favors a favorable economic environment for all businesses and especially SMEs,
- By making legal and other decisions that take into account the different size of the enterprise and by deregulation, create favorable relationships for SMEs,
- By involving SMEs in industrial policy,
- As well as strengthening the necessary infrastructure needed by the SME sector.

B&H's economic development must be based on the affirmation of a privately owned market economy, the liberalization of internal economic flows, creating a favorable environment for foreign direct investment, and the development of new private SMEs and entrepreneurship.

PART III - ENVIRONMENTAL ECONOMY

1. Conceptualization of ecological economics and ecological management

The greening of production and all types of business in a new way erases the boundaries between the so-called microeconomics and the so-called Macroeconomics inaugurating the eco-economy as the best and most complete analytical framework for evaluating the success of a business, especially production activity. Economics in real life can only be divided into successful and unsuccessful, and all other divisions have limited methodological significance, so that in the coming period, economic success can be viewed if ecological benchmarks of success are incorporated into its achievement. In short, savings on environmental costs can no longer and should not become a source of economic success, since in the long run this would mean unethically capturing someone else's income. The essence of this

process comes down to realizing sustainable development as a paradigm that can no longer have an alternative. Unfortunately, today a significant part of the world still has great problems in incorporating the logic of economic (rational) behavior into its developmental philosophy and practical life, while its ecological logic still seems to be too fashionable and unnecessary for now, all together, not only to bring about any more serious development, but to directly contribute to the development of underdevelopment.

The basic features of this new concept of ecological economics are reflected, first of all, in the significant theoretical and methodological shifting of the traditional analytical frameworks of economics and ecology with the primary aim of maintaining the ecological and economic system, not just either ecological or merely economic, because such reductionism and partial approaches cannot be the basis for the realization of sustainable development. Environmental management is a fully human-centric concept of business management, which differentiates it significantly from all other management approaches and systems. Likewise, it is not only the science and skill of effectively and efficiently behaving and achieving goals in the right way, but is the true knowledge and practice of achieving the right goals, that is, those concerning the survival of man and the quality of his life.

In this respect, environmental management can become a kind of management infrastructure and a basic test of the success of any management practice. Eco-management already goes beyond any

practice of business and government management and grows into a kind of meta-management.

The unstoppable processes of globalization and the accompanying greening of consciousness, but also of business, can be a good chance, not just a threat, for those who think wide and far, who have a long-term vision of their business, as well as knowledge of possible trends in science and technology and culture. . After all, the ultimate goal and measure of economic growth must be to improve the quality of life of all citizens, expanding not only the content of the term "quality of life", but also the circle of people to whom it refers, on a daily basis.

2. Product life in a modern business environment

The concept of "product life cycle" ("product life cycle"), used in the modern economy, is an excellent basis for product development and adaptation of products to the needs of consumers. All products on the market have a shorter or longer life span. Products are born, live and die. The time from product launch to product exclusion is called the product life cycle. Regardless of the life cycle duration, each product undergoes four phases: the product formation and introduction phase, the growth and development phase, the maturity phase of stability and saturation, and the decline and age stages.

If we know the above facts, how do business organizations operating in the contemporary environment ie. in the 21st century, can they achieve the much needed

savings of (non) material resources when innovating products?

If you do not achieve the desired and expected results, this means that there are unplanned energy losses in the business process, and that it is necessary to identify patterns of losses incurred or to eliminate unwanted damages. Insofar as the thought process, when designing business processes, is created in such a way that the last phase of output is also the first phase of input in a business process, then there are many different ways to achieve business process innovation and create additional (non) material benefits for the whole business environment with the application of innovated products ie. innovative technologies. Creating new products in the 21st century is unthinkable without simultaneously looking at the environmental aspects of the products so created, but also applying the holistic marketing concept of the so-called. Green marketing. Namely, more and more environmentally conscious consumers are willing to pay "more money" for products that are more environmentally friendly than products that do not contain this component. Namely, modern consumers ie. environmentally conscious consumers have learned the importance of environmental aspects of business and are willing to invest (in) material resources to preserve nature, or planet Earth, for future generations. It should not be forgotten that investing "more money" for the so-called green products can also mean lower costs, ie. saving resources.

The environmental aspects of business have long determined our contemporary moment. If, as entrepreneurs and business

organizations, we do not already take the necessary activities today to, in the coming period, first repair the existing situation and then create a healthier business environment and environment, the generations to come will not have the opportunity, our business success, to evaluate with a positive assessment. The future belongs to new generations, therefore new eco-friendly products that are appropriate for the way of life and work in the 21st century should be created for new generations of entrepreneurs.

3. Importance of Corporate Social Responsibility for Contemporary Business

The idea of corporate social responsibility is as old as business itself. From the very beginning, employers were wondering how to do business in order to maximize their positive contribution to society, while minimizing negative impacts on people and the environment.

Corporate Social Responsibility is seen as "committing businesses to contributing to sustainable economic development through collaboration with employees, their families, the local community and society as a whole, with the aim of improving the quality of their lives." The European Commission defines this concept as "a concept whereby a company voluntarily integrates social and environmental concerns into its business activities and relationships with stakeholders" (owners, shareholders, employees, customers, suppliers, government, media and the general public) .

For the company to make a good impression and benefit from investing in

socially responsible business practices, it is a very important way of communicating with customers and other important target groups and partners, which requires understanding the angle from which they view corporate social responsibility. Emphasis must be placed on assessing the importance that the concept of corporate responsibility has on customers in order to create a program of adequate communication of corporate social initiatives. Customer-centric communication to inform them of what the company is doing to benefit the community in which it operates is an indispensable part of a planned and systematic approach to the concept itself.

The initiators of the responsible business initiative believe that socially responsible business is a concept whereby companies that accept it voluntarily and in many innovative ways contribute to a better, healthier, more advanced, not only work environment, but to society in the broadest sense and in a cleaner, more preserved natural environment.

4. Traffic and the environment

4.1. Basic concepts in traffic

Transport is an economic activity that is of great importance for the development of the economy and culture of a society. It enables the spatial integration of all factors of production, stimulates the development of other activities and influences the development of the country and its connection with the world. Although it has a significant function in the social reproduction process, the development of traffic during the 20th century has

contributed to the adverse impact on the environment.

Knowledge of the causes and level of contamination and the great progress made in all branches of transport have contributed to the problem of traffic taking on a new shape and dimension. It is no longer the task of time and cost of transportation to be the deciding factor in customer choice for a particular branch or means of transport. Today, there are increasing demands from users regarding traffic safety and environmental impact. The general tendency in developed countries is that the model of environmentally compatible production system is becoming increasingly accepted in the economy. Hence the area of traffic, although in some features different from other areas of production, can be no exception.

Traffic activity is an activity with pronounced negative external effects on the environment. In considering the directions of traffic development, the external costs, which result from the negative external effects caused by the traffic, must also be taken into account. According to an estimate of external costs for the 28 EU Member States, the total external cost of transport for 2017 was EUR 514 billion (excluding the cost of traffic congestion), which was 4% of total GDP. In the cost structure, road transport accounted for 93%, rail by 2%, air (continental flights only) by 4% and inland water transport by a negligible 0.3%. More than three quarters of the total cost is transported by passengers. Only 23% of total external costs are freight-related costs. From the management point of view, eliminating the causes of external costs and environmental

protection should be part of the company's business policy, part of its development policy and quality policy. In developed countries, measures are being taken to achieve greater environmental tolerance for all modes of transport, taking into account the fact that more resources need to be invested in these modes of transport. In 2011, the European Commission adopted guidelines for the development of transport by 2050 and recommended that Member States find 1,500 billion euros to invest in infrastructure and vehicles by 2050.

The proposals aim to completely eliminate fuel-efficient vehicles from cities, to increase the share of low-carbon fuels in air transport to 40%, to reduce carbon dioxide emissions by sea by 40% and to 50% of road freight and transfer medium-sized passenger traffic to rail. Thanks to these measures, it would be possible to reduce by 60% the greenhouse gas emissions in the transport sector by the middle of this century.

4.2. Consequences of environmental traffic

It is quite certain that addressing traffic development issues in the future will depend on "the advancement of technology as well as the kind of energy that will be most cost-effective both in terms of efficiency and environmental impact." In the process of finding solutions to reduce the negative impacts of traffic on the environment, two steps are identified. In the first step, part of the environment (most often it is the urban environment) is viewed through the evaluation, analysis and evaluation of that environment from an ecological point of view. Subsequently, the

second step identifies the measures that bring the observed environment to the desired state.

When it comes to the urban environment, then measures on the implementation and enforcement of environmental protection can be classified into three categories:

- Urban measures,
- Technical measures i
- Traffic measures.

Urban measures mean a wide range of environmental activities that can be implemented by planning and construction interventions in urban areas (streets). The implementation of these measures requires major investments, so they must be properly and carefully planned in order to be effectively implemented.

The following steps are necessary to implement these measures:

- Reconstruction and construction of road network through the city,
- Protect buildings and streets,
- Renew street cross sections.

Technical measures rely on technological innovation to solve specific traffic problems. In addition to technical improvements in used vehicles, emphasis is placed on new production techniques (for example, recycled materials), alternative fuels and intelligent transport systems (ITS). As a motor vehicle is a significant and large pollutant, technical interventions on motor vehicles can contribute to reducing and mitigating the harmful effects of pollutant emissions. Environmental regulations related to reducing the emission

of pollutants into the atmosphere condition the rapid development of the technique, bringing about more sophisticated design solutions for internal combustion engines aimed at improving environmental parameters.

These measures include:

- Reduction of engine exhaust,
- Reducing vehicle noise,
- Vehicle (pollutant) emission control.

Although technical measures improve the environmental performance of vehicles, they alone are not sufficient for the overall improvement of environmental factors, especially in large urban areas. The effect of these measures can be negligible if adequate traffic measures are not available. Traffic measures mean all those measures which enable proper functioning and influence the better functioning of the most vital city functions. These measures are classified in the field of traffic regulation and their implementation raises the level of environmental protection of the urban environment. Their goal is to properly plan traffic flows so that the street network can accommodate all users in the traffic system.

PART IV - ECONOMIC SYSTEM REFORM IN BOSNIA AND HERZEGOVINA

1. Economic development

Economic development can be defined as a dynamic process of increasing the level of satisfaction of human needs, that is, a process in which real national income

increases in the long run. The basis of economic development is economy, or production. It is manifested by an increase in the economic wealth of society and the introduction of innovations in development management (human control / action, active development management).

Economic development covers a wide range of economic, social and human goals:

- Increasing income and living standards,
- Increase in employment,
- Poverty reduction,
- Equal access to opportunities,
- Equality in the distribution of income and wealth,
- Political participation of citizens,
- Increased role of women, minority and other vulnerable groups in economic, political and social life.

Development factors include:

- Human capital (population, labor supply, education, ...),
- Natural resources (land, ores, fuels, climatic conditions, ...),
- Capital (accumulation, foreign sources, ...) and
- Technology (modern, achievements, IT ...).

2. Economic functions of the state

Authorities and administrations influence the economy by seeking to enable, support and direct it. The economic functions of the state are those in the sphere of economic

activities with the intention of achieving certain social goals.

The role of the state in the economy relates to:

- Increasing efficiency (combating monopolies, high prices, low production),
- Improving equity (income sharing, taxation, transfer payments, social justice),
- Encouraging macroeconomic growth and stability (reducing unemployment and inflation, fiscal and monetary policy),
- Establishing a legal framework for market economy.

The state acts through the law (legal framework). Legal regulation of ownership relations, business conditions of business entities, labor legislation, basic rules of behavior of business entities.

The influence of the state on the allocation of resources for raising and improving the efficiency of economy relates to:

- Elimination of market failures and appearance of externalities (damage),
- Restricting and directing competition (monopolies vs. perfect competition),
- Introducing taxes as a permanent source of revenue to meet public needs.

Improving income distribution includes:

- Income redistribution (due to unequal distribution),

- It is taken from the rich and given to the poor,
- Transfers of payments (subsidies, etc.).

Macroeconomic policy measures to stabilize the economy are achieved by:

- By mitigating economic cycles, preventing unemployment, curbing inflation, stagnating,
- By settling property issues (public vs. private),
- Active monetary policy (regulation, masses of money in circulation),
- Active fiscal policy (tax and public expenditure policy).

3. On the reform of the economic system in Bosnia and Herzegovina

Lags in economic development have led to a change in the approach of the European Union and the international community to the process of European integration in B&H. The previous criteria and approach, on the basis of which the EU viewed the integration process, were predominantly political and legal. Starting in 2014, B&H, but also the Western Balkans as a whole, are increasingly viewed from the perspective of economic reforms. Following the conclusions of the April 2014 European Council, economic reforms are taking over political and legal reforms.

The priority objectives of the reform in the areas of public finances, taxation and fiscal sustainability are defined: fiscal consolidation at all levels of government, which is planned to be implemented primarily through the reduction of the

budget deficit, and better public debt control; public expenditure reductions are planned through public administration reform, employment and wage controls, and social and pension sector reform; the increase in public revenues is planned to be implemented through a reform of the tax system, which includes better tax collection, an increase in the tax base, improved cooperation between tax administrations, and a reduction in the participation of the government sector in the economy.

In the area of business climate and competitiveness, the main purpose of the reforms was to reduce parafiscal (non-tax) levies on the economy, to relieve the economy through reducing the tax burden on labor and to simplify complex procedures for registering businesses, starting a business, obtaining a building permit and electricity connection, or progress. on the so-called The World Bank's Doing Business list, which measures the competitiveness of economies in terms of ease of starting a business. The purpose of these reforms is also to improve the legal framework for business operations by adopting new corporate and bank laws and bankruptcy laws. In the area of labor market and employment, the basic premise of international financial institutions and governments in B&H is that by introducing more flexible conditions for employment and termination of employment, and the ability to express wages according to performance, without bonuses for years of service, and by encouraging measures for first employment, can have a favorable effect on structural problems in this area. Although getting an IMF loan has never been touted as a key measure of the Reform

Agenda, it becomes clear that since some of the key conditions for implementation are tied to an IMF loan, getting it is actually becoming a central issue in implementing economic reform measures. agenda. Specifically, in reducing tax burdens on work, with the inability to raise VAT and insufficient funds that would eventually be collected through the more up-to-date work of tax administrations, an arrangement with the IMF would be essential, both to maintain budgetary stability and liquidity, and to implement other reforms. When qualifying for this loan, the IMF positioned itself much more rigorously than it did when approving earlier loan arrangements. In order for the success of the reforms of the economic system in B&H to produce definite results, it is necessary to reduce parafiscal levies, these are different types of fees imposed by the state (its different levels). These fees are paid by businesses and citizens for the "use of goods of general interest" (water, forest, ore, construction land and other resources), or government services. Abolishing these fees would relieve the economy.

The registry identified the existence of over 3,400 para-fiscal levies in B&H at all levels. Unlike B&H, Croatia has about 170, and Serbia around 340.

4. Systematic approach to solving obstacles in business in Bosnia and Herzegovina

A recent World Bank Group Doing Business report states that B&H is ranked three places lower this year than 2017, in terms of overall ease of doing business. Other Western Balkan countries are ranked

as follows: Macedonia (10), Kosovo (44), Serbia (48), Montenegro (50) and Albania (63). The report also showed that other countries in Europe and Central Asia have accelerated the pace of reform in order to improve the ease of doing business for SMEs. Governments have a great responsibility to improve regulation, especially for SMEs. Without it, there is no economic prosperity and no jobs. The regulation must be of good quality, easy to understand, easily implemented and effective in its application.

B&H ranks 89th out of 190 countries observed with a score of 63.82 out of 100 points, which means 64% of the ideal business environment. As noted above, our ranking is down by three places compared to the previous year. All elements of the business environment have been exacerbated except in the resolution of bankruptcies, which is surprising given that the Bankruptcy Law has not yet been adopted in the FB&H.

B&H is best valued for those elements that are the biggest problem in the world in solving business problems (starting a business).

In the world, the second most difficult problem is securing licenses; In our country it is the third most difficult to solve the problem of obtaining electricity, in the world it is the third one in the ease of solving. We can estimate that the lag in the ease of doing business in B&H is the result of the lack of reforms in many areas and the lack of a systematic approach to addressing business barriers. Everyone, including the B&H government, should have a database and a center of knowledge and excellence for managing reforms that make it possible

to apply and improve the business environment. This is absent, so measures to improve the environment in B&H are the result of coincidence and uncertain about the expected effects.

Only a few good things have been made of the Reform Agenda such as the Labor Law and the PIO. The problem with the judiciary is that when we look at the cost structure of a company, what goes directly behind the payroll is the highest cost. They are very high compared to other countries in the region, and even among the largest in Europe.

IN PART - DIGITALIZATION

1. Enterprises in the conditions of digitalization

According to the Digital Skills Survey of most businesses, 73% say digital skills are very important or crucial to their business, however, most (49%) have not provided any digital skills training for their employees in the last year. By type of business and sector, the least is invested in digital education of employees in the media, healthcare, manufacturing, and fourth place is education, science and research. It is very interesting that as many as 52% of ICT employees have not received any digital skills training in the workplace.

Today, the European Commission, together with Member States, businesses, social partners, NGOs and educational institutions, is launching a Coalition for Digital Skills and Jobs to help meet the high demand in Europe for the digital skills needed for today's job market and society.

Digital skills encompass a variety of citizen-friendly skills, from searching for information and messaging on the internet, to creating digital content, such as application coding. There are not enough digital skills in Europe to fill job vacancies in all sectors, which could leave up to 750 000 ICT jobs left unused by 2020.

The Commission is launching a Coalition for Digital Skills and Jobs to help its citizens in business and private life.

Joint initiatives are expected to achieve the following by 2020:

- Training young unemployed for digital jobs through internships and short-term training programs,
- Encouraging the advancement and retraining of workforce skills, and in particular taking concrete measures to support SMEs facing the particular challenges of attracting and retaining digital talent and retraining their workforce,
- Modernization of education and training to enable all students, students and teachers to use digital tools and materials while teaching and learning, and to develop and upgrade their own digital skills,
- Redirecting and using the resources available to foster digital skills and raise awareness of the importance of digital skills for employment, competitiveness and participation in society.
- The Commission will support the work of the coalition by coordinating activities at EU level,

facilitating partnerships and supporting the exchange of best practice.

2. Digitization of business processes

Digitization is not only a process of transformation of society and the economy as a whole, but also a condition for the survival of a company in the domestic and global market. And, the digitalization process has been recognized as a key global trend in the world economy. The application of modern and innovative technological solutions, which digitalization implies, is today one of the basic instruments for raising the competitiveness, productivity and efficiency of the economy. Digitization is the greatest chance for faster growth, higher wages and pensions.

The digitalization process has been recognized as a key global trend in the global economy. Digitization encourages firms to operate and evolve normally. The digitalization process has been recognized as a key global trend in the global economy. Digitization is today one of the preconditions for developing and strengthening the competitiveness of an economy and a modern society that has enormous potential. Digitization is the process of translating an object, image, sound, document or signal into a digital form, while a digital strategy can be defined as a blueprint that defines how a process will be digitized.

“The buyer is always right!” - every seller first hears and learns this sentence. Why?

The answer is simple: there are few buyers and many sellers, and they all want to win as many pieces of the market cake as possible. For this reason, companies are constantly looking for ways to always provide the customer with little more than their competitors, in order to win them first and later retain them. Customers, on the other hand, have become quite "spoiled" because of this and their expectations are constantly rising.

In order for businesses to meet market expectations, they need to hear what they have to say and find the optimal way to respond to those demands. Fast, quality, efficient and economical - these are no longer additional benefits for the buyer, but an imperative for the seller, which ultimately leads us to digitize business processes as a solution that leads to the optimal use of all resources.

By setting a digital strategy for a company, it defines how to go about the process of business digitization. When defining a digital strategy, the digitization of internal business processes should be addressed first and foremost. Before setting up a digital strategy, you should thoroughly analyze all business processes. It is especially important to define the touch points of different business processes, because this is where the effects of digitalization are most strongly felt.

The goal is always the same - automation of all business processes, with the complete elimination of manual data entry and duplication of work.

3. Digital skills and jobs

A strong digital economy has a vital impact on innovation, growth, jobs and European competitiveness. The expansion of the

digital economy has a massive impact on the labor market and the types of skills needed in the economy and society. For this reason, the European Commission promotes various initiatives aimed at increasing training in digital skills for the workforce and for consumers, modernizing education across the EU, using digital technologies for learning and for identifying and evaluating skills and for anticipating and analyzing needs for skills. These activities have been recognized to address the need for more skilled ICT professionals in all sectors of the economy. This need for digital skills is related to almost all jobs where information and communication technologies are used as a tool. In professions such as engineering, accounting, management, marketing, medicine, architecture, computer aided manufacturing, and more, digital skills are increasingly required, and an increasing number of more complex jobs require employees to have a good knowledge of complex computer programs to solve problems, collaboration and creative work. In order to contribute to raising awareness of the importance of digital skills, a large number of top level government representatives, including heads of state, ministers, members of national parliaments, are directly involved in the EU. Their inclusion shows their strong commitment to national digital skills development policies that have already had positive results, incorporating digital skills development tools through curriculum reforms, integrating coding into school curricula in 15 Member States, upgrading computer science curricula, introducing IT security and copyright in higher education curricula, establishing closer cooperation between schools and industry, establishing

partnerships between programs promoting digital skills and employment agencies to raise awareness among unemployed people about possible digital skills training and the like.

What are digital skills and jobs? The European Union is aware that many citizens lack the capacity to harness the full potential of digital technologies in their daily lives. On the other hand, there was no common understanding of what digital skills were or how to evaluate them. This was the reason why the European Commission developed the European Digital Competence Framework for Citizens (DigComp) and the related self-assessment tool.

In essence, the framework identified 21 competencies in five key areas, describing what it means to be digitally excellent. People should have competencies in each of the identified areas in order to achieve goals related to work, employment, learning, entertainment and participation in society. Being digitally competent is much more than just being able to use a smartphone or computer software and is required to be able to use such technologies in a critical, collaborative and creative way.

The European e-Competence Framework is a component of the long-term e-skills agenda of the European Union "E-Skills for the 21st Century", supported by the European Commission and the Council of Ministers and by the "Grand Coalition for Digital Affairs", which is launched by the European Commission in March 2013 with the aim of filling the digital divide.

This framework is made up of four dimensions that reflect different levels of business and HR requirements regarding the degree of complexity of the workplace.

Within the first dimension, five areas of competence have been identified that are derived from the ICT business process, namely: planning, designing, launching, enabling and managing. The second dimension defines a set of e-competency references for each area with a generic description for each competency.

A total of 40 competencies were identified. The third dimension defines the level of knowledge for each competency in Levels 1 to 5, which is related to the level of knowledge in the European Qualifications Framework of Levels 3 to 8. This is especially important because according to the Basics of the Qualifications Framework in Bosnia and Herzegovina, which has been adopted EQF enabled identification of e-competences from secondary education level (level 3-4), which provides opportunities for effective curriculum planning in e-qualifications in secondary schools, secondary general education (level 4), post-secondary education for the highly qualified workers (level 5) and for university education (6-8).

As competencies for ICT professionals have encompassed competences since high school, they represent an exceptional tool for all education authorities who wish to upgrade the school system with the professions sought in the ICT sector. This qualification framework defines seven ICT competences that can be acquired in secondary education - application design, application development, testing, solution development, documentation production, customer support and service delivery, while an additional 14 competencies have been defined for post-secondary rather than tertiary education (product / service planning, component integration, change

support, problem management, education and training provisioning, procurement, sales proposal development, contract management, staff development, digital marketing, project and portfolio management, risk management, ICT quality management, information security management).

PART VI - STABILIZATION AND ASSOCIATION AGREEMENT

1. Importance of the Stabilization and Association Agreement for Bosnia and Herzegovina

The Stabilization and Association Agreement is the first political and economic agreement with the European Union and is a binding Treaty that acts as a catalyst for change. Full implementation of the provisions of the Stabilization and Association Agreement for Bosnia and Herzegovina is an extremely important step towards integration. This Agreement allows the creation of a free trade area between B&H and the EU for industrial products and most agricultural products. B&H will establish trade relations with the largest market in the world; a market of nearly 500 million leads. Business opportunities for export to EU countries have increased. Bosnia and Herzegovina's products will be able to be exported free of charge while Bosnia and Herzegovina may retain customs duties on EU products during the transition period. It is extremely important to use this momentum to strengthen our country's economy. The Stabilization and Association Agreement establishes a formal framework for Bosnia and Herzegovina to gradually align its

legislative and economic framework with that of the EU and to work closely with the European Union in a number of sectors at the heart of the internal market.

Example: What does it really mean to be part of the single market? This means that a Hungarian engineer with a German college diploma can work at a British factory based in Italy and funded by a Belgian bank that uses electricity produced in France. The Stabilization and Association Agreement encourages the active development of regional cooperation in a specific Western Balkan country, with the support of the European Union. Using the "Community Program" - opens opportunities for Bosnia and Herzegovina to receive EU funding for areas such as health, education, sports, culture, social policy, employment and environmental protection, postgraduate funding in the EU, student exchange programs, research, cooperation in the field of culture, regional development, etc.

Education example: Over the last 20 years, with the support of the European Union, 1.5 million students from EU countries have studied in other EU countries. So far, very few B&H citizens have taken advantage of this opportunity. The European Union will allow more scholarships to study in EU countries this year for students coming from the Western Balkans.

2. Bosnia and Herzegovina Reform Agenda 2015-2018. years

B&H's continued growth and prosperity must be based on attracting investment. There is a need to improve competitiveness by eliminating already well-known and documented barriers to investment. In

addition, there is a need to level the playing field for investment by removing hidden grants and other forms of assistance to many large companies and improving bankruptcy procedures and continuing activities to address problems with some unsustainable businesses.

In addition, there are inconsistencies and intricacies in regulatory frameworks and tax systems that pose major problems for potential investors in the economy, and are accompanied by high administrative barriers:

- Reforms of the business environment will include: in the FB&H, cantons and Brcko District new laws on companies and FDI and simplification and automation of business registration; expedite procedures for obtaining building permits and electricity connections; will facilitate exports by continuing inspection reforms and strengthening national quality control, aligned with EU requirements, examining the feasibility of implementing fiscally sustainable public-private partnerships and gaining greater private sector involvement in infrastructure development; all levels of government will compile (and publish) a comprehensive inventory of para-fiscal levies in order to ensure their transparency and reduce them in accordance with the division of competences,
- Better investor protection laws and practices are needed, including better corporate governance, strengthened risk management

practices to improve access to finance (especially for start-ups), better protection of minority shareholders, and more effective insolvency frameworks by amending bankruptcy laws to introduce a new institute. "pre-bankruptcy procedure" with the aim of financial restructuring of the debtor in order to avoid bankruptcy in order to preserve jobs and continue performing the basic activity of the company. Both Entities, Cantons and Brcko District will review their bankruptcy legislation in order to shorten their bankruptcy proceedings. Commercial courts will be introduced in the FB&H,

- Public enterprises will be divided into those that are sustainable (with more or less restructuring needs) and those that are not, with the anticipated publication of a list of such enterprises. These lists will form the basis for comprehensive restructuring and privatization / liquidation programs in the medium term. The Governments of the Entities, Cantons and Brcko District will seek financial and technical assistance from the World Bank to prepare and implement a restructuring program for public companies. Particular attention will be paid to the restructuring of the railways (in both Entities) and the mine (in the Federation of B&H), which implies a new organization and number of employees. Preliminary plans are planned to

prepare BH Telekom for partial privatization in the FB&H,

- Further efforts to preserve the stability of the financial sector and create the conditions necessary to revive bank lending will be actively pursued in consultation with the Central Bank of Bosnia and Herzegovina and the IMF. As part of this, financial sector laws will need to be aligned with EU directives and Basel conditions applicable to the degree of development of the domestic financial market while strengthening the supervision of banks by entity banking agencies,
- It is necessary to ensure that a new draft Customs Policy Bill is implemented, which will simplify customs processing and reduce administrative requirements, thus facilitating trade.

In order to move steadily through sustainable growth, B&H must embrace its strategic strengths. These include significant potential in a workforce that is currently underutilized. The low rate of activity of the working-age population and the high rate of unemployment, which is largely a consequence of the mismatch between supply and demand for skilled labor, limits development opportunities. There are also a significant number of long-term unemployed in B&H who are discouraged from seeking employment. The existing labor laws no longer reflect social and economic relations in B&H, and are in some provisions contradictory to other laws and, in some provisions, unclear and not sufficiently flexible. The culture of

collective bargaining and social dialogue is underdeveloped and often burdened with unrealistic demands from social partners. Significant reductions in social security contributions (especially for low-income earners) would reduce labor costs, help attract investors and bring more formal sector employees (and reduce the dominance of informal employment), but it is also impossible to implement without securing additional extrabudgetary funds. In the medium term, an education system will be needed in order to make it more integrated with the labor market.

3. Enlargement Perspective - Enhanced European Union cooperation with Western Balkan

The Western Balkans is part of Europe and is geographically surrounded by EU Member States. The peoples of the EU and the regions share a common heritage and history and a future determined by common opportunities and challenges. The EU has long been strongly engaged in the region.

Thanks to the European perspective of the region, the countries of the Western Balkans have succeeded in achieving general political and economic reforms and improving democratic processes. Visa liberalization and significantly improved regional cooperation encourage the development of more open societies. In 2016, the region recorded a total value of trade with the EU of over 43 billion euros, an increase of 80% since 2008, and has the potential for significant further growth. At the same time, EU companies are the largest investors in the Western Balkans,

with more than € 10 billion in foreign direct investment in the region over the past five years alone. The interconnectedness and interdependence of the region and the European Union was evident during the migration crisis. Countries in the region are increasingly acting as partners globally.

The strong prospects for merit-based membership of the Western Balkans in the EU are of interest to the Union itself in political, security and economic terms. It is a strategic investment in a stable, strong and united Europe based on shared values and a powerful tool for promoting democracy, the rule of law and respect for fundamental rights.

Furthermore, EU enlargement policy must be pursued in the context of a broader strategy of strengthening the Union by 2025. It is an investment in security, economic growth and EU influence and in its ability to protect its citizens.

The Western Balkan countries are given a historic opportunity to firmly and unequivocally bind their future to the European Union. In doing so, they will have to act decisively. Accession is, and will remain, a merit-based process that depends entirely on the objective progress of each country. Countries can reach or overtake each other depending on the progress made.

Everyday life in the Western Balkans should gradually become closer to life in the European Union. Ultimately, citizens strive to live in countries of strong rule of law governed by prosperity and justice and corruption eradicated. This Strategy identifies how Western Balkan countries, with greater EU support, including

participation in certain Union policies and programs, can already begin to enjoy greater stability and prosperity, which will facilitate their progress towards Europe.

4. Rule of law and good governance

There is a need to ensure the irreversible strengthening of the rule of law, which must be built on the basis of concrete progress in the fight against organized crime, terrorism and corruption. All operational and institutional activities will aim to provide citizens throughout Bosnia and Herzegovina with a more secure environment free of corruption. At the same time, authorities at all levels in B&H need to increase their commitment to restore citizens' confidence in the institutions responsible for the rule of law, by developing capacity, accountability, professionalism and integrity.

It is necessary to adopt anti-corruption strategies and establish effective structures for prevention and control in accordance with relevant international standards and with respect to constitutional competencies and adopted documents at all levels of government. The rule of law institutions themselves should abide by the highest standards of integrity, while adequate integrity measures will be put in place at all levels of government to ensure that corruption and sanctions are effectively enforced. The fight against serious crime and corruption, in addition to more effective investigation, prosecution and conviction, should also be based on stronger legal and institutional frameworks governing property seizures, money

laundering and restitution at all levels of government in B&H.

PART VII – INNOVATION

1. Introduction

It is known that the basic factors of production (land, labor, capital) characterized in the so-called. old economic science. Today, economic science is characterized by information, space and time, which are emerging factors of economic growth and development.

This is conditional on the demarcation of the so-called. old and new economic science, there are technological and technological changes in the form of technological revolutions that characterized today's civilization. The first technological revolution was marked by the advent of steam, propulsion, steamboat, rail, etc., and the characteristic is that animal and human physical labor have been replaced by a steam-powered device. The centerpiece belonged to workers who provided relatively primitive means of labor. The second technological revolution is marked by the emergence of electricity, and technological characteristics are electronics, mechanization, conveyor, telephone, radio, car, aircraft where the primary place is occupied by experts. The focus of the third technological revolution is on information technology, with the emergence of computers, microprocessors, rockets, televisions and robots. The fourth technological revolution is accompanied by the emergence of fusion of atoms, biochips, artificial raw materials, biotechnology, genetic engineering, and the basic subject is

the scientist. The fifth technological revolution is made by teams of scientists and should take place in the 21st century. Then it is perfectly reasonable to expect that it will form the basis for a new, even more modern and progressive, sixth technological revolution. Following the evolution of technical and technological changes, the "new economy" could be said to refer to the observation and reorganization of the economy from the point of view of business operations.

Namely, in the so-called. In the old economy, owning physical assets meant more than anything else, a large number of workers were important, and productivity goals were about how quickly or cheaper something could be made from physical things using manual labor. It can be concluded that enterprises in the old economy were dependent on tangible assets, while in today's conditions of the new economy, attention is paid to intangible assets in the form of information and knowledge.

The new economy is a term closely linked to the strengthening of globalization trends and the importance of the information society. In this global and information economy, knowledge is the factor that simultaneously creates new, added value but also new knowledge. Therefore, the availability of capital is no longer important but information. In this context, the new economy is an economy based on knowledge, high technology, developed infrastructure with information and ideas, that is, innovation as the most significant sources of improving living standards and job creation.

Knowledge and skills are today the most important source of competitive advantage, and investments aimed at increasing knowledge levels can significantly increase a country's economic prospects and the well-being of its inhabitants. Namely, knowledge (if regularly used and renewed) over time contributes to the personal development of life and emphasizes its creative abilities as well as to the development of the community in which one lives, works and acts. In addition to the direct economic benefits, the community has positive effects on the environment, health, crime rates and the productivity of others who work with and around people who have been educated. Thus, knowledge becomes the main precondition for wealth creation and the most important developmental driver.

2. Innovation as the basis of national economic well-being

Companies that want to be successful in today's business environment need to make more use of innovation as part of the company's business strategy because it drives the economic well-being of the whole country. Over time, the way business is changed, firms are becoming international, the market is global economy. In such a global economy, nations striving for global prosperity understand that innovation plays a key role in fostering prosperity. This means that it is necessary to constantly change, improve, improve certain ideas, procedures, goods and services, and to apply it all in the right way by creating a sustainable business concept. Innovation can be described as transforming existing conditions into

desired conditions. Creating the desired conditions, services, products, strategies, creates the opportunity for economic growth, growth of employment and income, improving the quality of life and competitiveness of the nation.

Clearly, there are countries that have achieved their success thanks to their innovation policies and thus become globally competitive and extremely successful and advanced. However, there are also countries that have not achieved significant competitive advantages but are ready to invest in development and progress, and thus affect their competitiveness in the world market. Such countries should have an active innovation policy to overcome numerous investment barriers when developing their country's innovation potential. . An active innovation policy must take into account the productivity of all economic sectors with an emphasis on human resources, financial resources, research and development and management that would make the right decisions.

According to the Global Innovation Index for 2018, Bosnia and Herzegovina is ranked 36th.

Table 5. Global Innovation Index for 2018

Country	Number of points	Rank (141 countries)
Slovenia	46,87	19
Croatia	40,73	28
Monte Negro	36,49	34
Macedonia	29,91	38
Serbia	35,46	35
B&H	31,09	36
Albania	29,98	37

3. Innovation and competitive advantage

The basic and most difficult task of modern organizations is to create and maintain a competitive edge. An open question posed to the managers of contemporary organizations is how, in a turbulent environment, to become a stable enterprise capable of creating change, overcoming the instability that governs the market and providing success in chaos. The former traditional way of doing business entailed longer periods of "calm" and shorter periods of change in the environment that needed to be adequately responded to. Today, change is happening too fast for managers to indulge in the metaphor of the "stable waters" of business. Any organization that views change as an occasional disruption in a stable business world is at high risk of market survival. Managers need to be prepared to manage change in an uncertain dynamic business environment increasingly dominated by information, ideas and knowledge. The country's competitive advantage and wealth are being created at the microeconomic level. A stable macroeconomic environment, quality public institutions, a stable political and legal system are necessary but not sufficient to achieve long-term economic progress and progress. National business entities must be able to create quality products and services using sophisticated methods. The state should encourage change, encourage innovation, enhance domestic competition, avoid excessive market interventions, encourage the creation and implementation of standards, and reduce trade barriers. It is the companies that create and maintain a

competitive edge, personally. Both developed and underdeveloped countries can innovate. Underdeveloped countries can make progress through innovation and / or through the acquisition of knowledge already developed in one of the advanced countries.

New ideas, applied and exploited so as to increase profitability, directly or indirectly lead to an increase in value. This qualifies them as innovation activities that make the business more (competitive). Increased value can be reflected through higher profits, better positioning in customer awareness, and also through more efficient business processes.

The first step in the process of creating sustainable superiority is to become familiar with environmental conditions or to perform industry analysis seeking answers to specific questions from the seven forces - political factors, non-transferable costs, new competing companies, rivalry, consumer resistance, consumer base and alternatives.

New profitable ideas do not come easily. Competitive advantage is key to the survival of the business, so all employees need to be involved - if the company finds the right people to bring these ideas and then use them to create superior value, they will gain a competitive advantage and become (and remain) profitable in the business.

It is considered that one of the main factors for increasing the competitiveness of a company is the constant increase of their intellectual capital. Intellectual capital and innovation capability cannot do without each other. Increasing intellectual capital will allow the company to come up with new ideas, but only increased innovation

capacity will allow those new profitable ideas to be put into action.

4. Innovation as a factor in gaining competitive advantage

The basic competitive advantage of any modern company is its ability to innovate. Today, the most sought after goods and services on the market are those based on innovation and knowledge. Innovation is a factor of competitiveness of great importance for both the domestic and global markets. Innovation is a challenge for every business, and the basic philosophy behind every innovation is to connect the technical capabilities and needs of the market.

The notion of innovation cannot be related only to science and high technology. Innovation is an innate part of every human being. Innovation has always been a human virtue. Innovation is the driving force that has always made progress through history. For a long time, the field of innovation has not been solely related to technological progress. The vast field of innovation lies in the different combination of existing technological solutions and the creation of new value for consumers. Innovation is not just new technology or new products, it's also new and smarter ways to do business, new management methods, new business systems or new services - the concept of managing the flow of knowledge within and across all functions within an enterprise that supports communication with the environment, in order to increase competitiveness and achieve overall business success.

An innovative approach always puts into operation all the potential resources available. Innovative companies are embracing the philosophy that there is always a better way of doing business and are looking for new ideas that will increase their value, that is, reduce costs. Innovation is a look at things, process and a key element in creating a competitive strategy. Innovation is a process that starts with an idea that is new, the idea is transformed into a proposal, a proposal into a plan, followed by a detailed presentation of the business plan, as a basis for investment. The investment realized increases the value of the company and brings profit. Innovation is not the same as creativity. The essence is not in the possession, but in the application of profitable ideas.

Innovation is needed for every company, from the smallest to the ones to whom innovation is the key driver of development. Very few organizations can survive indefinitely without innovation. An innovative organization is inversely proportional to economies of scale: the larger the enterprise, the fewer innovative solutions it has.

Small and medium-sized enterprises are coming up with new ideas and looking for fast and efficient economic solutions. Seeking opportunities and managing risks belongs to small and medium-sized enterprises, which are by definition more flexible and adaptable than powerful economic systems. In large companies, the lack of inventions and innovations of employees is offset by powerful economic strength, huge capital and staffing.

Innovation can help businesses in many ways:

- It can offer goods and services that the consumer believes are better than those offered by competitors - a strategy of differentiation,
- By reducing the cost structure of an organization - a cost leadership strategy,
- Processes within the company and within the supply chain can be more reliable and delivery faster - an agility strategy,
- New ways to sell your product, brand, or organization - Market Position Strategy,
- One can find a new business formation formula - a change strategy.

5. A strategy for smart, sustainable and inclusive growth - smart Europe 2020

The European Union has adopted a new European Strategy for smart, sustainable and inclusive growth - Smart Europe 2020. The strategy defines 3 priorities and initiatives for achieving the objectives: increasing employment, boosting research and innovation, education, reducing gas emissions and boosting energy efficiency and reducing poverty. Priority “Smart growth” implies enhancing knowledge and innovation, ie improving the quality of education, research, technology transfer with full use of information and communication technologies and improving conditions for access to R&D funding.

Innovation and its impact on the economy are one of the main areas whose

development is foreseen in this Strategy, which highlights the growth of innovation through the application of research results, as the most important factor for economic growth and competitiveness.

Candidate countries and potential candidates are expected to contribute to the achievement and achievement of the Union's innovation objectives through the National Strategies for Increasing Investment in Research, in particular by increasing investment from the business sector.

Competitiveness and Innovation Framework Program - CIP is a European Union program aimed at boosting the competitiveness of European businesses.

The program supports innovative activities including eco-innovation, facilitates access to capital and business support services.

The Competitiveness and Innovation Program consists of three sub-programs:

- Entrepreneurship and Innovation Program - EIP,
- Information and Communication Technology Policy Support Program,
- Intelligent Energy Program for Europe.

CONCLUSION

I

In modern conditions, competitiveness of the economy and creation of attractive business environment are gaining in importance. Strengthening competitiveness is the process of improving the business environment, which should enable the increase of exports, imports, and the inflow of domestic and foreign direct investments.

Raising the level of competitiveness and productivity must be a basic idea in implementing economic policy measures. Only policies aimed at improving the competitiveness of the economy can provide the desired path to economic development and social well-being in general and towards EU accession. The low competitiveness of the economy of B&H and the Western Balkan countries is conditioned to a great extent by the delayed transition, as well as by the technological lag behind the developed economies. High operating costs, high fiscal burdens and public debt have all contributed to low competitiveness. A problem that directly affects the level of productivity and price competitiveness of B&H. The product is obsolete technology in B&H. enterprises. One way to increase competitiveness and achieve strong economic development is to encourage international competitors to produce and distribute knowledge. Increasing the competitiveness of the economy depends, first of all, on domestic and foreign investment and on this basis an increase in exports. Strategic investors and a part of the domestic private sector that has the capacity to innovate, invest and which can make a quality product and find markets for sophisticated products, should play a key role in increasing exports. The transfer of technology and knowledge through foreign direct investment improves the competitiveness of the economy resulting in export growth and generation of development.

For enterprises in Bosnia and Herzegovina, as well as countries in the region, to be able to penetrate and position themselves on the international market, it is necessary to quickly adopt new technologies, have an accelerated production cycle and quality

products, be flexible to change the activity of companies, to know foreign markets and characteristics of their demand.

II

International regional integration of the Western Balkans as a strategic development issue is conditioned by the elimination of difficulties, overcoming the crisis situation, as well as by changing the economic and geopolitical behavior and activities of the European Union towards the region of Southeast Europe. More intensive interregional cooperation would multiply growth and development and stimulate foreign investment because it would lead to an improvement in the business climate due to the reduction of instability. In addition, integration into the European Union would be accelerated. Creating the preconditions for the equal inclusion of countries in the region in Euro-Atlantic integration, following the rules imposed by economically powerful partners, is a complex and long-term process. The Western Balkan countries are at a crossroads where intensive adjustments are being made to European integration and where the competitive capacity of institutions, businesses and individuals is growing strongly. The Western Balkan countries are on the path to defining those development clusters and economic sectors with a chance of success where, independently and with the support of the international community, they will need to build and implement competitive growth strategies as soon as possible. The potential of the Western Balkan countries has not been sufficiently valorized so far for the simple reason that they have never been a serious topic of development policy.

III

The biggest problem for the private sector and existing SMEs, in addition to administrative barriers, is lack of capital. Developed countries' experience shows that entrepreneurs need to secure favorable financial incentives from the budget and / or loans (longer repayment period, grace period, lower interest rate, tax exemption in the first three years of business, etc.) to secure investment funds. to a certain number of workers. In order to allow expansion of existing businesses, it is necessary to provide conditions for their faster growth and development. The process of accession to the European Union and the implementation of the reform agenda necessitate the initiation of a process of economic recovery and modernization in order to strengthen sustainable, efficient, socially just and stable economic growth, job creation, increase and better distribution of social benefits and create a sustainable and equitable social environment. Specific actions for fiscal and financial sustainability and socio-economic reform would be complemented by measures to strengthen the rule of law and the fight against corruption, while strengthening administrative capacity and increasing the efficiency of public institutions at all levels of government in B&H.

Reduce the workload by reducing contributions, but at the same time it is necessary to provide additional revenue to extrabudgetary funds to cover the losses that will result from the reduction of the contribution rate. It is necessary to determine the total wage bill and all current

expenditures at all levels of government, which will not be able to increase regardless of tax revenue growth. Measures to improve tax collection will be actively pursued. This will include efforts to exchange information between the four tax administrations and adopt a risk-based audit and inspection approach, all in accordance with the constitutional arrangements and responsibilities of each tax agency and within the framework of the memorandum of cooperation concluded, as well as increasing efforts to collect unpaid tax debts .

Public enterprises should be divided into those that are sustainable (with more or less restructuring needs) and those that are not, with the anticipated publication of a list of such enterprises. These lists should form the basis for comprehensive restructuring and privatization / liquidation programs in the medium term. The Governments of the Entities, Cantons and Brcko District should seek financial and technical assistance from the World Bank in order to prepare and implement a restructuring program for public companies. Particular attention should be paid to the restructuring of the railways (in both entities) and the mine (in the Federation of B&H), which implies a new organization and number of employees. B&H government's incentive measures in SME development should be permanent and comprehensive, and framed in the philosophy of overall economic policy. That is why our government and its institutions, according to newly established small enterprises, should be treated maternally and in their further development and growth in partnership. A key element of economic reform in B&H must be the continued transition to a market economy

with a vibrant private sector. Experience in Central Europe has shown that progress in this regard requires simultaneous effort in three critical areas: developing a motivating business environment for existing and new private businesses, privatizing state-owned assets, and developing a disciplined and competitive financial sector.

The Government of B&H should be influenced by the development of SMEs:

- Macroeconomic policy that favors a favorable economic environment for all businesses and especially SMEs,
- By making legal and other decisions that take into account the different size of the enterprise and by deregulation, create favorable relationships for SMEs,
- By involving SMEs in industrial policy,
- As well as strengthening the necessary infrastructure needed by the SME sector.

B&H's economic development must be based on the affirmation of a privately owned market economy, the liberalization of internal economic flows, creating a favorable environment for foreign direct investment, and the development of new private SMEs and entrepreneurship.

IV

The greening of production and all types of business in a new way erases the boundaries between the so-called microeconomics and the so-called Macroeconomics inaugurating the eco-economy as the best, most complete, and

we believe in the future perhaps the only, analytical framework for evaluating the success of a business, and especially production, activity. Economics in real life can only be divided into successful and unsuccessful, and all other divisions have only a limited methodological significance, so that in the coming period, economic success can be viewed if ecological benchmarks of success are incorporated into its achievement. The environmental aspects of business have long determined our contemporary moment. To the extent that as entrepreneurs and business organizations, we do not already take the necessary activities today to, in the coming period, first repair the existing situation, and then create a healthier business environment and environment, generations to come will not have the opportunity, our business success, to evaluate with a positive assessment. The future belongs to new generations, therefore new eco-friendly products that are appropriate for the way of life and work in the 21st century should be created for new generations of entrepreneurs.

Transport is an economic activity that is of great importance for the development of the economy and culture of a society. Transport enables the spatial integration of all factors of production, has a stimulating effect on the development of other activities and affects the development of the country and its connection with the world. Although traffic plays a significant role in the process of social reproduction, the development of traffic during the 20th century has contributed to the adverse impact on the environment. Traffic activity is an activity with pronounced negative external effects on the environment. In considering the

directions of traffic development, the external costs, which result from the negative external effects caused by traffic, must also be taken into account. According to an estimate of external costs for the 27 EU Member States, the total external cost of transport for 2017 was EUR 514 billion (excluding the cost of traffic congestion), which was 4% of total GDP.

The proposals aim to completely eliminate fuel-efficient vehicles from cities, to increase the share of low-carbon fuels in air transport to 40%, to reduce carbon dioxide emissions by sea by 40% and to 50% of road freight and transfer medium-sized passenger traffic to rail. Thanks to these measures, it would be possible to reduce by 60% the greenhouse gas emissions in the transport sector by the middle of this century.

It is quite certain that addressing the issue of traffic development in the future will depend on "the advancement of technology as well as the type of energy that will be most cost-effective" both in terms of efficiency and environmental impact. " In the process of finding solutions to reduce the negative impacts of traffic on the environment, two steps are identified. In the first step, the part of the environment (most often it is the urban environment) is viewed through the evaluation, analysis and evaluation of that environment from an ecological point of view. Subsequently, the second step identifies the measures that bring the observed environment to the desired state.

When it comes to the urban environment, the measures on implementation and

implementation of environmental protection can be classified into three categories, namely:

- Urban measures,
- Technical measures and
- Traffic measures.

V

The Stabilization and Association Agreement is the first political and economic agreement with the European Union. The Stabilization and Association Agreement is a binding Treaty which acts as a catalyst for change. The full implementation of the provisions of the Stabilization and Association Agreement is an extremely important step for Bosnia and Herzegovina towards integration. This agreement allows the creation of a free trade area between B&H and the EU for industrial products and most agricultural products. B&H will establish trade relations with the largest market in the world; a market of nearly 500 million leads.

Business opportunities for export to EU countries have increased. Bosnia and Herzegovina's products will be able to be exported free of charge while Bosnia and Herzegovina may retain customs duties on EU products during the transition period. It is extremely important to use this momentum to strengthen the economy of Bosnia and Herzegovina. The Stabilization and Association Agreement establishes a formal framework for Bosnia and Herzegovina to gradually align its legislative and economic framework with that of the EU and to work closely with the European Union in a number of sectors at the heart of the internal market.

VI

Companies that want to be successful in today's business environment need to make more use of innovation as part of the company's business strategy because it drives the economic well-being of the whole country. Over time, the way business is changed, firms are becoming international, the market is global economy. In such a global economy, nations striving for global prosperity understand that innovation plays a key role in fostering prosperity. This means that it is necessary to constantly change, improve, improve certain ideas, procedures, goods and services, and to apply it all in the right way by creating a sustainable business concept. Innovation can be described as transforming existing conditions into desired conditions. Creating the desired conditions, services, products, strategies, creates the opportunity for economic growth, growth of employment and income, improving the quality of life and competitiveness of the nation. The basic competitive advantage of any modern company is its ability to innovate. Today, the most sought after goods and services on the market are those based on innovation and knowledge.

Innovation is a factor of competitiveness of great importance for both the domestic and global markets. Innovation is a challenge for every business, and the basic philosophy behind every innovation is to connect the technical capabilities and needs of the market.

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