

ECONOMIC, LEGAL, COMMUNICATION ASPECTS OF THE WESTERN BALKAN WITH SPECIAL EMPHASIS ON BOSNIA AND HERZEGOVINA IN THE PROCESS OF ACCESSION TO THE EUROPEAN UNION

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Summary: The countries of the Western Balkans have decided to focus their future on the European Union, which presupposes an improvement in the economic situation of these countries. This is an essential prerequisite for achieving the economic level of the EU member states and standards of the population as a whole. Some countries of the Western Balkans, after EU accession, have significantly improved their economic position. Prior to formal political integration into the EU, the Western Balkan countries are taking more intensive measures to facilitate and accelerate their economic development. After Bosnia and Herzegovina's institutions and leaders adopted a document reaffirming their commitment to reform, a renewed approach led to the entry into force of the Stabilization and Association Agreement (SAA) between Bosnia and Herzegovina and the EU on 1 June 2015. He has replaced the Interim Agreement (IA) which has been in force since 2008. By signing the SAA, Bosnia and Herzegovina, thanks to an "evolutionary clause", confirmed the status of a potential candidate country. In July 2015, a Reform Agenda was adopted to address the difficult socio-economic situation and advance the rule of law and public administration reform. This paper will discuss and propose appropriate measures as a contribution to understanding and improving the economic situation of the Western Balkan countries.

Keywords: economic development, reforms, business, market economy, foreign investment, European Union

Introduction

The main topic of the XVI International Conference Economic, Legal, Communication Aspects of the Western Balkan Countries with Special Reference to Bosnia and Herzegovina in the Process of Accession to the European Union, organized with its academic partner Nakhichevan University of Nakhichevan, Azerbaijan, and held in Travnik, Vlasic from December 15-16, 2017, is of great importance to the Western Balkan

countries, as they have decided to focus their future on the European Union. This presupposes an improvement in the economic position of these countries, which is a necessary precondition for reaching the economic level of EU countries and the standards of the population as a whole. Some Western Balkan countries that have become EU members have significantly improved their economic position, while other Western Balkan countries, such as BiH, are at different stages of the EU accession process, and it is important to emphasize that all of them are committed to this goal despite today's disadvantage,

which will be discussed here and propose appropriate measures as our contribution to understanding and improving the economic situation of the Western Balkan countries.

It is also important to emphasize that, prior to formal political integration into the EU, more intensive measures are being taken to facilitate and accelerate the economic development of the Western Balkan countries, which is the main objective of this Conference. According to the current situation, it can be said that the dynamics of economic development of the countries of the region are different, and on average they have not yet reached 40% of European development. Over the last ten years, the region has grown at an average rate of 1.4% and the EU at 1%.

In the period 2017-2019, it is expected that bh. the economy will grow by an average of 3.2%. If BiH and the countries of the region continue at this pace, the European Union could only arrive in 60 years. However, if there is an increase in economic growth of 5-7% per year, it could happen in 20 years. According to the World Bank's latest Regular Economic Report for the Western Balkans, all six countries are expected to grow in 2017, with accelerated regional growth forecast of 3.3% in 2018 and 3.6% in 2019. Investment has fueled strong growth in Albania, Kosovo and Montenegro, while spending has led to steady growth in BiH. The previous political crisis has exacerbated growth in Macedonia, as well as in the extremely cold winter in Serbia.

Economic growth, coupled with job creation, contributes to the decline in poverty in the region. The 23.6% rate is the projected rate for 2017 and is a full percentage point lower than the year before, which means 124,000 people fled last year. Although the outlook for economic growth remains positive for the Western Balkan countries, the risks remain.

Unless the Western Balkan Region accelerates growth, the European level will remain elusive. Higher investment and an

increase in private consumption are among the main drivers of growth. The competitiveness of our economies is progressing at a certain pace, but it is still far from the desired level. The recovery has led to further job creation in the private sector, but the unemployment rate is still very high. Despite progress in fiscal consolidation, the high level of public debt in most countries in the Region remains a problem and a kind of brake on economic development.

Foreign trade imbalances are significant in the Western Balkan countries, which remains a challenge for most countries as well as growing public debt in GDP. EU policy is very important for the countries of the Western Balkans because it recognizes regional economic cooperation as a precondition for strengthening the economy of the countries, which is why it supports projects for their integration and integration into the European Union. The Federation of BiH's budget projection for the next three years is planning a deficit and borrowing KM 1.7 billion. It is obvious that the authorities do not expect significant economic growth, and the debt has to be rescheduled to make more investments. According to the framework budget documents, only in the period from 2018 to 2020, the Federation of BiH plans budget deficit projections, as revenues are lower than expenditures, which include debt repayments. This means that no significant economic growth is expected, as projected tax revenues are expected at KM 1.6 billion. Over the next three years, a whole billion KM will be spent on debt repayments, or 60% of total revenue goes to budget users. This further reflects unrealistic demands for this three-year period, as budget projections have shown higher expenditures than revenues. Also, according to some established limits for budget users, it is evident that some of them have been projected more than necessary, among other things, for the needs of the Government of the Federation of BiH.

In the Western Balkans, there has been an

increase in the number of jobs, but this is still insufficient in BiH. Compared to the beginning of 2008, exports continue to grow, direct investment is still low and consumption is high.

The World Bank is of the view that governments should work on fiscal sustainability, mitigate shocks, and emphasize structural reforms to remove barriers to employment and increase productivity. Revenues were found to increase but budgets remained strained. Almost a decade after the global economic crisis, employment has recovered to pre-2008 levels in all Western Balkan countries except BiH, where the unemployment rate remains high, but at the same time dominates the region's highest unemployment rate this year. The current account deficit in BiH is close to 5% of GDP.

I BOSNIA AND HERZEGOVINA BEFORE ACCESSION TO THE EUROPEAN UNION

1. Socio-economic situation in Bosnia and Herzegovina on its way to membership in the European Union

In December 2014, the European Union took a new approach to Bosnia and Herzegovina (BiH), changing the order of conditions for the country to make progress in European integration and to address challenging socio-economic issues. After Bosnia and Herzegovina's institutions and leaders adopted a document reaffirming their commitment to reform, a renewed approach led to the Stabilization and Association Agreement (SAA) between Bosnia and Herzegovina and the EU on June 1, 2015, replacing the Interim Agreement. (PS) which has been in force since 2008. In July 2015, a Reform Agenda was adopted aimed at addressing the difficult socio-economic situation and advancing the rule of law and public administration reform. The reform agenda is still being implemented with significant progress. In September 2016, the EU Council invited the European Commission

to submit an opinion on the application for Bosnia and Herzegovina EU membership, submitted in February 2016.

The reform agenda adopted by the country's authorities in July 2015 with a view to addressing the difficult socio-economic situation, advancing judicial and public administration reform, as well as the country's further progress towards EU membership continues to be implemented in 2016 and 2017. at the state and entity levels with encouraging initial results.

Regular political and economic dialogue is taking place between the EU and Bosnia and Herzegovina within the structures of the SAA/PA. In July 2016, Bosnia and Herzegovina initialed the Protocol on the Technical Adjustment of the PS/SSP, in order to take into account its traditional bilateral trade with Croatia.

Bosnia and Herzegovina is still in the early stages of developing a functioning market economy. Some progress has been made in modernizing labor legislation, improving the business environment and addressing shortcomings in the financial sector within the agreed Reform Agenda. However, the public sector is inefficient and the private sector is slowly developing. What will be key is strong and continued political support for the swift implementation of much-needed structural reforms in line with the agreed Reform Agenda.

Bosnia and Herzegovina is in the early stages of capacity building to cope with competitive pressure and market forces within the Union. There has been no progress on competitiveness, but implementation of the Reform Agenda is ongoing.

Bosnia and Herzegovina has not yet achieved sufficient budget transparency. Annual budgets are published and annual budget execution reports are prepared by the Ministry of Finance and Treasury. The audit is done by the Supreme Audit Institution. Similar provisions apply in the Entities and in the Brcko District. Lack of alignment of chart of accounts at the state

and entity levels makes it difficult to access consolidated data.

When it comes to budgetary oversight, there is a need to better monitor whether activities are in line with the findings and recommendations of the external audit. Reporting during the year is insufficient, as is citizen participation in the budget process. No attempt was made to prepare a budget for citizens at any level of government.

2. Stabilization and Association Agreement

The European Union's policy towards the Western Balkans is defined through the Stabilization and Association Process (SAP), which was concluded with the aim of future membership of certain countries in the EU. Therefore, the Western Balkans countries are involved in a progressive partnership to stabilize the region and establish a free trade area. The SAP sets common political and economic goals, and the assessment of progress is based on the individual results of each country. The SAP was launched in July 1999 and consolidated at the Thessaloniki summit in June 2003 when it included elements of the accession process. The basic elements of the SAP are:

1. Contractual relations (Stabilization and Association Agreements);
2. Asymmetric trade liberalization (autonomous trade measures);
3. Financial Assistance (Instrument for Pre-Accession Assistance - IPA);
4. Regional cooperation and good neighborly relations.

The improvement of the SAA leads to the establishment of contractual relations between the countries and the EU in the form of a Stabilization and Association Agreement (SAA). BiH and EU negotiated SAA for 13 months, after which it was signed in Luxembourg on June 16th 2008. The SAA officially came into force on June 1, 2015.

The Stabilization and Association Agreement (SAA) is a new, third generation association agreement offered exclusively to the Western Balkan countries as part of the stabilization and association process. The Agreement is signed for an indefinite period with the aim of contributing to the economic and political stability of Bosnia and Herzegovina. The countries that have become EU Member States have signed association agreements (the so-called European agreements) with the fifth enlargement. The fundamental difference between the two agreements is the content of the "evolution clause" in the SAA and the emphasis on regional cooperation in the Western Balkans. By signing the SAA, Bosnia and Herzegovina confirmed the status of potential candidate country thanks to an "evolutionary clause". This is much more than the signatories to the Europe Agreement have received in terms of further EU accession. The second difference is reflected in regional cooperation, where the signatory state undertakes to sign bilateral treaties / agreements with the countries of the Stabilization and Association Process and the candidate countries.

The SAA is a "mixed" agreement, which means that in addition to the European Union, the contracting parties are also all Member States, since the SAA covers areas which are not only within the competence of the EU but also fall within the competence of the EU Member States.

3. Instrument for Pre-Accession Assistance

The instrument for Pre-Accession Assistance (IPA) is a means by which the EU supports reforms in "enlargement countries" through financial and technical assistance. IPA funds build the capacity of countries during the accession process, resulting in progressive and positive developments in the region. In the period 2007-2013, the IPA budget was

approximately EUR 11.5 billion; The ensuing IPA II builds on the results already achieved and brings in another € 11.7 billion for the 2014-2020 period. Current beneficiary countries are: Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Kosovo, Montenegro, Serbia and Turkey. EU pre-accession funds represent a reasonable investment in the future of enlargement countries as well as the EU itself. With their help, the beneficiary countries carry out political and economic reforms that prepare them for the rights and obligations that EU membership brings. These reforms should provide better opportunities for citizens and develop standards that are equivalent to those enjoyed by EU citizens.

Pre-accession assistance involves investment in

- Public administration reform,
- Rule of law,
- A sustainable economy,
- People and
- Agriculture and rural development

IPA II (2014-2020) was prepared in partnership with beneficiaries, IPA II sets the framework for providing pre-accession assistance in 2014-2020. The most important novelty that IPA II brings is its strategic focus. Country Strategy Papers are specific strategic planning documents that have been produced for each beneficiary country and relate to a period of 7 years. Through them, more ownership is transferred to beneficiaries as they integrate individual reform and development agendas of countries. The Multi-Country Strategy Paper is a priority for regional or territorial cooperation.

IPA II aims to reform within previously defined sectors. These sectors cover areas closely related to the enlargement strategy, such as democracy and governance, the rule of law or growth and competitiveness. This sectoral approach promotes structural reform that will help transform the sector and align it with EU standards. It also

enables the transition to better targeted assistance, ensuring efficiency, sustainability and result orientation.

The IPA II Regulation entered into force on 16 March 2014 and is retroactively applied from 1 January 2014. The IPA II Regulation is complemented by the Common Implementing Regulation (CIR), which is a set of simplified and harmonized implementing rules and procedures for all external action instruments, as well as the IPA II Implementing Regulation adopted by the Commission on 2 May 2014.

Implementation of IPA 2007-2013. is still in progress.

The instrument is designed to provide financial assistance through five channels (known as 'components'): Transition Assistance and Institution Building, Cross-border Cooperation (PGS), Regional Development, Human Resources Development and Rural Development.

4. Structural reforms

The Structural Reform Program (Program) supported by the IMF is very ambitious, and the implementation of a significant number of planned measures, more than half, is planned, again ambitiously, by the end of 2016. The institutions of Bosnia and Herzegovina in the Letter of Intent to the IMF have pledged to meet them within the set deadlines, and the continuation of the arrangement depends on their ability to deliver on their promise.

The program is linked to the measures in the Reform Agenda (RA) and essentially represents the financial support needed to implement structural reforms.

What exactly is the purpose of the Program? The aim is to achieve stronger economic and employment growth that should be achieved:

1. by improving the business climate,
2. improving fiscal policies; and
3. by strengthening the banking sector.

The intention is to ensure balance of payments stability, rebalancing the sources of growth from current - based on current consumption to growth based on investment, and reducing public debt. Achieving the planned goals depends on the implementation of structural reform programs that should result in strengthening the private sector and increasing employment in it.

In the past, a total of five planned measures have been implemented, eleven of them have not been implemented within the foreseen deadline, while twelve of them should be implemented by the end of 2016.

The Government of the FBiH is 10.02.2017. accepted the information of the Ministry of Communications and Transport regarding the commitment from the Letter of Intent signed by the Government and undertook to complete, in consultation with the World Bank Group and / or the EBRD, a financial and operational due diligence for BH Telecom d.d. Sarajevo.

The Bill on Amendments to the Law on Bankruptcy Proceedings is being harmonized in the FBiH Parliament, although the deadline for its adoption was by the end of September 2016.

In the area of "Fiscal policy in support of growth while ensuring sustainability", one measure was implemented, four were not implemented, while five were to be implemented by the end of 2016.

Contribution rates, that is, taxation of labor in BiH, especially in the FBiH, as it is one of the biggest burdens for domestic producers, and in the market it reduces the competitiveness of the domestic economy. In accordance with the Program, comprehensive plans to reduce the mandatory contribution rates and to simplify and improve the efficiency of the income tax system in both entities should be prepared by the end of September 2016.

The public is already aware of the social partners' assessment that the Amendments to the Rulebook on the Implementation of the Income Tax Act, as well as the draft Contribution Law and the Income Tax Act, represent an additional burden on the real sector and are not in line with the objective of the measure accomplish.

5. The gray economy

The gray economy is the most represented in BiH, accounting for 25.5% of gross domestic product. According to the World Bank, it is estimated that the informal economy in BiH, or work without reporting, is estimated at around 30% of GDP. The gray economy is one of the biggest problems in Bosnia and Herzegovina, and is manifested through the employment of the undeclared workforce, the pursuit of illegal money transactions, as well as the illegal trade in goods and services.

With the advent of the gray economy and its development, significant sources of budget revenues are eroded by the state. Therefore, the gray economy not only threatens the regular inflow of budgetary resources, but also seriously threatens the production and regular circulation of goods and services. Its high level indicates that the system is not functioning in all dimensions and, among other things, shows that the existence of the state and its institutions is unnecessary. The shadow economy has a direct impact on reducing public revenues, which threatens the efficiency of public institutions, forcing them to offer less and less quality public services and goods. This reduces the standard of budget users, but also of all citizens. By unfairly competing with the entire registered (legal) economy, it also reduces the effectiveness of economic policy at the state level.

If we know that the total GDP is about 29 billion, then almost another 10 billion is done in the gray economy. Large payroll

contributions are a problem for all employers, and it is therefore the duty of the state to recognize that taxpayers are correct in helping them reduce their tax burden. The gray economy has a negative impact on attracting foreign investment and competitiveness of BiH. economy.

Fighting the gray economy is also essential for integration into the European Union. In terms of reducing the informal economy, two levers are crucial, namely: the fight against corruption and the effective functioning of the state. It all starts with the responsible authorities. Responsible action by the authorities establishes the conditions for the legal acquisition of wealth and makes it unprofitable to operate in the gray zone. The Indirect Taxation Authority is a key institution in combating the informal economy and preserving BiH's financial stability.

5.1. The gray economy in Bosnia and Herzegovina

In the economic literature, the concept of the gray economy is more recent, although its existence is as old as the state, government revenues and social accounts. The gray economy is becoming a social phenomenon that is a legitimate expression of the conflicting economic motivation of the state and taxpayers. Four basic drivers of the gray economy are:

1. Avoiding payment of obligations to the country,

Paying tax liabilities to taxpayers is a cost, and it is understandable that an integral part of their motivation will be to reduce it. The method of this reduction may also be a conscious avoidance of the registration of the state taxable income or a diminution of their amount. If tax burdens increase, and especially if they are progressive, taxpayers will reduce or adjust the scope of activities so that their registered tax base is as low as possible.

2. Protection against reduction of business profitability,

The shadow economy does not have to arise only as a consequence of tax avoidance.

Any restrictive measure of economic policy, that is, state interventionism in the economy can provoke reactions of market participants with the effects of the gray economy.

3. Supply of public goods and services,

The volume and quality of public goods and services offered by the government through the use of public money can also be a cause of greater or less inclination of companies and individuals to act in the gray economy. High tax rates, in the face of low supply and poor quality of public goods and services, will act as an additional pressure on the existing formal economy sector to start activities in the gray economy.

4. Over-regulation

The number of regulations, the conditions for their implementation and the administrative costs of operating in the legal sector can often be a motive for acting in the informal economy and a demotivating factor for the transition from the informal to the formal economy.

5.2. The general crisis as an environment for the expansion of the gray economy

The spread of the global economic crisis to Bosnia and Herzegovina (BiH) has not been accompanied by the reaction of authorities, the business community, trade unions and citizens' associations in the way similar groupings react in other countries.

The general crisis in BiH has several causes.

1. Political instability. Throughout the post-war period, BiH maintained a relatively high degree of political instability. The process of democratic decision-making, harmonization and coordination has hardly worked.

2. The poor state of the economy. The BiH economy is burdened with serious structural problems in the economy, the absence of a strategy and policy on the use

of resources, which is directly manifested in the creation of a small social product, very low resource efficiency and uneconomic valorisation of the contribution of resources to the creation of a social product. The net cost of labor is low, but with relatively high rates of payroll taxes and contributions, it has been artificially raised to higher than labor market supply and demand. Unemployment is high. Wages, though low, rise faster than labor productivity.

3. Absence of the rule of law. Without a strong rule of law, there is no establishment of a value system, no legal certainty of business, no morality in interpersonal relations, no protection of property, no exercise of liberties...

4. Low efficiency of reforms. Most of the reform processes in BiH have been initiated, led and funded by various international organizations. Such a way of reforming the economic and social system in BiH did not create enough responsibility for the local authorities to implement the reforms and monitor their results.

5. High poverty rate. Almost a third of BiH's population is poor or at risk of poverty. There are also poor in the richest countries in the world, but being poor in BiH is much more difficult because the chances of getting out of poverty are slim.

6. Low level of coordination between different levels of government. BiH is a decentralized state. This fact implies effective mechanisms for coordination and cooperation between different levels of government in order to achieve common development goals.

7. Low level of efficiency of institutions. Institutions of different levels of government in BiH do not have a high level of efficiency. They are slowly changing the characteristics of the system, insufficiently protect the rights of citizens and the business community, do not create quality public services and spend a large part of the social product for all of this.

8. The great role of the international community. One of BiH's most powerful

integrative forces over the past fourteen years has been the international community. A large number of reforms in recent years in BiH have been initiated and 'tailor made'.

It is a public secret that the BiH economy has long been ruled by the people of BiH, instead by people close to the World Bank and the IMF. This is precisely one of the key reasons why this situation in the economy is what it is. For the last 20 years, it has been working on the desires, plans and orders that come from the World Bank and the IMF. It is known that in 1996 the World Bank took over the reconstruction of BiH. economy and startup production. The primary objective was to increase industrial production and reach GDP in 1991 within 5 years. The present results show that today's production reaches 50% of the pre-war production. Pre-war GDP has not been reached, only in recent years has its structure significantly changed. Unlike pre-war GDP, which was dominated by industry, mining, trade, agriculture, fisheries, construction, etc., public administration, defense and social security account for the largest share of GDP today. At this rate of growth, which we currently have, we will not reach pre-war production in the next 50 years, and that only an extremely high growth rate can reach it in the next 10-15 years. This is because we have enabled the World Bank and the IMF to experiment with what they want, all because of the loans we repay regularly. Today, the biggest problems in BiH are foreign trade deficits, low savings rates, low employment and high inactivity.

5.3. Corruption, poverty and the gray economy

The gray economy is one of the main causes of the unfavorable business environment in Bosnia and Herzegovina, with an estimated 150,000 to 200,000 people also working in the informal zone. Poverty and the need for mere survival are the reasons why Bosnians and Herzegovinians do not choose jobs,

while employers among the many unemployed can choose who will work for them for low salaries, without contributions and working hours. Part of the employers, especially smaller ones, because of the high levies of the state, they decide to hire undeclared workers, thereby harming both themselves and workers and budgets.

A country without transparent public spending and with corrupt government, no matter what nation it lives in, will be a poor country and the first capital to leave it will be the property of the indigenous population, that is, members of that nation. And corruption is a kind of gray economy. It is, after all, an illegal way of taxing. Gray economy actors need corrupt civil servants and corrupt officials the gray economy.

The spread of the gray economy in our country is not caused by the lack of regulations that limit it, although they are not perfect, they are not modern, nor efficient enough. Rather, it can be said that the impact of corruption on the profitability of the gray economy is one of its more powerful drivers.

Nor should we underestimate the poverty of the broad sections of the population, who, for existential reasons, are forced to economize in the shadow economy. This poverty is often a firm obstacle to curbing the informal economy. As the government has nothing to offer as an alternative to the poor living in the informal economy, it loses the moral right to apply repression to them.

5.4. The problem of high levies

There are around 400 to 500 para-fiscal levies that are defined through dozens of laws at the BiH, FBiH, cantonal and municipal levels, which regulate levies. With all these levies, depending on the cantons or municipalities, employers have to pay as much as 90 fenings to one pay mark. This results in the employer paying a lot and the worker receiving little.

Water, forests, fires, natural disasters, roads, grocery control, issuance of

decisions, land use, advertising, landscaping and company leakage fees are too large, directly affecting the number of employees in companies, and thus to the general level of employment.

BiH is among the world's leading in terms of gross wage levies, at 69%. Only Serbia is ahead of her. High workloads have a direct impact on BiH economy, from high unemployment, which is more than 40%, to the high level of gray economy, which is BiH. It does not make workers competitive in the world.

200,000 workers in BiH have been registered for minimum wage, while the other part has been paid out of hand. In addition to being illegal, this amount is not taxed. The current wage contribution is 41.5%, while for example, the burden in Germany, France, Turkey is below 34% and in Britain 32%. Due to high levies, there are no good social protection systems that are unsustainable in the long run.

The authorities need to take some measures to relieve the economy, such as:

- A. Reduction of para-fiscal levies,
- B. Cancellation of membership fees for tourist boards,
- C. Reduction of administrative and court fees,
- D. Cancellation of multiple membership fees for chambers of commerce and
- E. Abolition of the obligation of notarial certification of acts for legal entities.

6. Sustainability of doing business in Bosnia and Herzegovina

A significant warning that BiH is lagging behind when it comes to ease of starting a business comes from the United Nations.

To start a business in BiH, it has to go through 11 procedures and will need \$ 65 and about 13.5% of the average monthly income of the population, making BiH the 175th in the world. In Serbia, it takes five

procedures and about seven days to start a business, as well as about 6.5% of revenue, which ranked the country 47th in the world. In most Southeast European countries, it takes a maximum of 10 days to register a company. Therefore, only BiH is lagging behind the region and the rest of the world, as it ranks 175th.

Starting a business continues to be one of the best points of all who have encountered it. Thus, it takes 11 steps to start a new business, from collecting paper, going to notaries, large expenses, and the founding stake in the Federation for Limited Liability Companies is 1000 KM plus all costs, while in RS it all costs 132 KM.

According to the Law on Business Companies of the Federation of BiH, the establishment of a limited liability company requires a minimum share capital of KM 1,000, while the establishment of a joint stock company requires a minimum share capital of KM 50,000. Other costs related to the notarial processing of the founding act, the court fee for registration and publication of the registration in the Official Gazette, the making of a stamp, copying and certification of documentation. When founding capital is excluded, the biggest expense is filing a claim for fiscalisation that can reach as high as 700 KM. When all the maximum possible costs are summed up, except for the founding capital, the maximum amount of KM 1,780 is paid, which in FBiH must be paid in order to start a business, which is by far the highest in relation to the debt in the country.

According to the Doing Business report, BiH has fallen back by seven positions and now ranks 86th. In our circumstances, it is too difficult to maintain a business.

The World Bank's Business and Competitiveness rankings for 2018 rank Bosnia and Herzegovina in 103rd place out of 190 countries in terms of overall competitiveness. While countries in the region are among the top 50, Bosnia and Herzegovina is among the last in the region

and the last in Europe. According to the World Bank, out of 190 countries, BiH is ranked 133rd in terms of "ease of paying taxes". In addition, based on the Doing Business list, it takes an average of 21 days to start a business in the world, while in BiH this number increases to 65!

As for the amount of taxes, the percentages can be expressed as follows: value added tax 17%, income tax 10%, income tax 10%. And as the "other side of this coin" to the data on rates it should only be said that Hungary has a value added tax rate of 27% and Belgium income tax of 34%. Therefore, only a few European countries have a higher tax rate than Bosnia and Herzegovina. But let's not forget the contributions, which total 41.5% in the FBiH, 33% in the RS and 30.5% in the Brcko District. In practice, this means that a salary of 1000 KM should be allocated an additional 415 ie. 333 Convertible Marks.

When it comes to the process of obtaining building permits, BiH is ranked 166th, with the best results recorded in the category of insolvency resolution, where it is ranked 40th. In the category of obtaining loans for starting a business, BiH is in 55th place, and in the category of paying taxes, it is 137th position.

Everyone did some activities and measures except us. The reform agenda promised to facilitate business, from the aspect of business registration, the introduction of a one-stop-shop system, reduction of para-fiscal levies, and improvement of the overall business environment by all factors. The business environment is not just about starting a business, but also about everything that influences quality work and business development.

Conditionally, it is relatively easy to start a business, but in our conditions it is too difficult to maintain a business, with such levies, both from the point of view of corruption, the work of the government, without having an incentive clear policy.

In mid-2017, the FBiH Government drew up a proposal for an Action Plan for Priority Measures to Fight the Gray Economy. This

document identifies priority short-term activities that need to be undertaken in order to reduce the informal economy in the Federation of BiH, especially in the construction, tourism and hospitality sectors.

Everything the authorities in BiH have done to improve the business environment has not been enough, as the new Doing Business Report has released a report according to which BiH ranks 86th out of 190 countries. A year earlier, BiH was ranked 81st. This report discusses the global place of hospitality for foreign investment. How easy is it for private firms to grow and for local entrepreneurs to start a new business? Preventing BiH from reducing its competitiveness requires much stronger, more determined and coordinated action.

Multiple sectors are dominated by state monopolies in the economy, which have a detrimental effect on market competitiveness and discourage foreign investors. BiH's state monopolies are inherent in aviation, airport management, power generation and distribution, forestry, healthcare, postal services, rail, telecommunications and waste management.

It also requires a strong commitment from the highest levels of government to define and implement the Reform Agenda. This requires laws and regulations to be more conducive to entrepreneurship, with private entrepreneurs playing a key role in setting reform priorities and confirming that they are not just on paper. If the business environment does not improve, the country's competitiveness will remain compromised, investments will go elsewhere, and the country will continue to export people as its best resource.

7. Unemployment

According to the BiH Agency for Statistics, at the beginning of 2017, there were 511,571 unemployed persons registered in

BiH. Data show that in BiH less than half of the working age population - 42.6% are active persons, ie. those who participate in the labor market as employed and unemployed persons.

According to BBC analysis related to the complicated administration of BiH, Bosnia and Herzegovina has the highest youth unemployment rate in the world. According to data from the same analysis, six out of ten people cannot find a job.

On the other hand, in January 2017, according to the statistics agency, 749,566 employees were registered.

The question is, what is the cause of such a high unemployment rate and the shadow economy? The answer is an insufficient production rate and huge taxes that are poorly distributed, as well as a way to spend the money raised that way.

This problem can be significantly overcome by improving the business climate, increasing production and introducing a low tax rate.

7.1. Unemployment rates in BiH and countries in the region

Prior to the global financial crisis, six Western Balkan countries (Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro and Serbia) were flooded with cheap capital, which accelerated average economic growth of 5-7% annually in the countries.

According to the World Bank (WB), countries have managed to create 230,000 jobs, although they still have a high unemployment rate, with the youth unemployment rate extremely high, more than half of the jobs being created in the private sector, mainly in the service sector. Although unemployment has fallen across the region, it is still high; from 11.1% in Serbia to 30.6% in Kosovo, although Kosovo has seen employment increase by 8.5% in the last 12 months, World Bank analysts found unemployment in the six Western Balkan countries at 19%, while unemployment in the European Union

7.7%.

Economic growth is still resilient, but still too low to lead to a noticeable improvement in living conditions for citizens. In 2012, there was an economic decline of 0.9%, and due to extensive flood damage, production growth slowed down to 0.3% in 2014. As a result, average annual GDP growth during this period was only 1.4%. However, in 2015, production growth returned to 3%. Important drivers of growth were domestic demand, especially private consumption, as well as external demand. Resistance to private consumption is likely to be caused by a steady inflow of workers' remittances and an improvement in real surplus income, which has been driven by low inflation and increased employment. Domestic and foreign investments appear to remain weak, owing to the weak business environment, but also concerns about longer-term growth prospects. Industrial production intensified in the second half of 2015 and the first half of 2016, partly due to higher demand from abroad. Overall, data from the beginning of the year indicate moderate but solid economic growth. However, GDP per capita was still around 29% of the EU average in 2015, slightly higher than in 2011, when it was at 28%.

In five countries of the former Yugoslavia, unemployment looks like this:

- Serbia 11,1%,
- Montenegro 15,1%,
- Bosnia and Herzegovina 20.5%,
- Macedonia 22.6% i
- Kosovo 30,6%.

The 2008 economic crisis further exacerbated the existing structural weaknesses of the economy and the unemployment situation across Europe. High unemployment is one of the biggest social and economic problems in Bosnia and Herzegovina. According to the World Bank data for 2017, today Bosnia and Herzegovina, and Macedonia (27.3%), has the highest unemployment in the region of

25.4%.

In BiH, as of September 30, 2017, there were 480,379 persons on the records of employment services and employment services. Compared to the previous month, the number of unemployed persons decreased by 7,079 persons or 0.97%.

Of the total number of job seekers, 259,746 or 54.07% are women. Unemployment decreased in the Federation of BiH by 3,717 persons (1.04%), in the RS by 884 persons (0.75%) and in the Brcko District by 108 persons (0.97%).

Among jobseekers, at the end of September, the NKV of workers was 130.117 or 27.09%, PKV 8.137 or 1.69%, CV 157.898 or 32.87%, VKV 2.295 or 0.48%, NS 1.226 or 0.26% , SSS 134.670 or 28,03%, HSS 6,716 or 1,40% and HSS 39,320 or 8,19%.

The highest number of registered unemployment is made up of persons with the third level of education CV workers and workers with SSS. In September, 21,938 people were deleted from the employment service records. Out of this number, 15,198 persons are employed. At the same time, 8,236 people quit their jobs, while employers reported employing 5,995 new workers during this period.

The reform agenda produces some results, but they are not sufficient. Due to the huge unemployment and even more inactivity, BiH must have a growth rate of 6-7% per year instead of the current 2-3%. BiH needs more extensive reforms and bolder reform packages.

We need to relieve work because we have high unemployment. The structure of tax revenues in BiH should be looked at. Most are collected from indirect taxes and social contributions.

In Europe, where we want to reach, one third give direct taxes, indirect taxes and social contributions. With us, direct tax revenues are double that of neighboring Croatia, which is the last in Europe.

8. The existence of a functioning market economy

Bosnia and Herzegovina is still at an early stage in the development of a functioning market economy. Some progress has been made, such as modernizing labor legislation, improving the business environment and addressing weaknesses in the financial sector. However, stronger and more sustainable economic growth will require the development of a more efficient public and dynamic private sector. Strong and ongoing political support for the swift implementation of the much-needed structural reforms, in line with the agreed Reform Agenda, is crucial.

In line with the recommendations of the PER and the Reform Agenda, and in order to support long-term growth, next year Bosnia and Herzegovina should pay particular attention to the following:

- improving the quality of public finances through improved investment that supports growth, improved targeting of social expenditures, and stronger debt management;
- strengthening the financial sector by addressing poor quality loans, improving banking sector supervision and developing a new framework for bank rehabilitation and
- improving the provision and quality of timely and comprehensive statistics, with greater application of European and international standards.

Economic growth is still resilient, but still too low to lead to a noticeable improvement in living conditions for citizens. In 2012, there was an economic decline of 0.9%, and due to extensive flood damage, production growth slowed down to 0.3% in 2014. As a result, average annual GDP growth during this period was only 1.4%. However, in 2015, production growth returned to 3%. Important drivers of growth were domestic demand, especially private consumption, as

well as external demand. Resistance to private consumption is likely to be caused by a steady inflow of workers' remittances and an improvement in real surplus income, which has been driven by low inflation and increased employment. Domestic and foreign investments appear to remain weak, owing to the weak business environment, but also concerns about longer-term growth prospects. Industrial production intensified in the second half of 2015 and the first half of 2016, partly due to higher demand from abroad. Overall, data from the beginning of the year indicate moderate but solid economic growth. However, GDP per capita was still around 29% of the EU average in 2015, slightly higher than in 2011, when it was at 28%.

Monetary policy is still in line with political difficulties in the country. The currency board arrangement with the euro as the base currency is still in place and has a high level of reliability and credibility. This approach has so far been favorable to the economy. However, it also means that other areas, including fiscal policy, must bear the burden of adjusting to external shocks. This requires a more responsible fiscal policy, which requires the creation of sufficient fiscal depreciation mechanisms and a stronger emphasis on medium-term stability.

The general level of prices continued to decline, although it was slower. In 2016, the general consumer price index of consumer goods was 1.3% lower than the year before. The fall in prices was mainly due to a limited number of categories of goods, such as transport, while prices in the areas of housing, health and education increased by some 1-2%. Low domestic inflation was largely driven by lower prices of imported goods, e.g. energy and basic food, and a stable exchange rate against the euro.

General government accounts were almost balanced in 2015, although in 2016 the quality of fiscal administration was still low. Preliminary data indicate a small

surplus in total public sector accounts in 2015, of some 0.7% of GDP, compared to a deficit of 2.0% a year earlier. This significant fiscal adjustment of 2.7 percentage points of GDP appears to have arisen primarily from the delay in spending on investment and the level of spending on public sector wages maintained at last year's level. That is why public spending has been reduced from 45.8% of GDP in 2014 to 43.2% in 2015. A decrease of two percentage points in consumption resulted from a decrease in investments, which fell from 4.1% in 2014 to 2.0% in 2015 as a percentage of VAT. Difficult access to international capital markets has contributed significantly to this sharp decline in consumption. Total revenues in the public sector declined slightly, from 43.8% of GDP in 2014 to 43.2% in 2015. However, both the consumption rate and the revenue rate are still quite high compared to countries that are in a similar economic situation. Despite ongoing preparations to improve the focus of social spending and to reduce arrears, the quality of public spending is still very low.

The PER policy guidelines aim to improve the quality of public finances by improving the focus of public spending on growth, inter alia by increasing public investment and reducing spending on public sector employment. Improve social spending targeting and introduce a comprehensive list of public sector arrears. In addition, strengthen nationwide debt management capacity, and in particular improve collaboration and information flow from local data sources to the national level. Establish a rule-based, enforceable framework for the introduction of discipline at all levels of government.

Macroeconomic policy is generally appropriate. The approach of maintaining the arrangement of the Currency Board based on the euro and low fiscal deficits maintained the reliability and avoided the accumulation of large macroeconomic imbalances. However, sufficient attention has been paid to improving the quality of

public spending in the implementation of fiscal policy, e.g. through better targeting of social transfers and stronger public investment, which would increase the medium-term potential for government growth.

The average economic growth that BiH has achieved in the last three years is about 3%, and if compared to Europe, where the growth rate is lower, it seems like something significant for the economy. However, this is not exactly the case. At this pace, BiH will not reach the European Union standard in 60 years.

In order for BiH to be roughly developed as Europe now, it must grow much more and faster. If we continue to grow at these rates, it will take six decades to reach the level of capital per capita in Europe, but if we accelerate that growth process, if we discover new sources that can help boost growth in BiH, it could happen in half the time. What is important to do is to try to bring the macroeconomic model into balance. We currently do not have a lot of spending, little investment, so channels must be found to turn consumption into investment, where imports will decline, but exports will be accelerated and the private sector strengthened.

Foreign direct investment is not yet at the level we would need to drive growth a little more. From 2010 to 2016, Bosnia and Herzegovina had FDI of just \$ 92 per capita. BiH is also lagging behind in the ease of starting a business. All other countries in the region achieved better results, even higher than in the previous period. The average foreign direct investment per capita in transition countries is \$ 247, and at the European Union level, as much as \$ 846.

This year, the economy is expected to grow by 3% in BiH, and as it is mainly driven by spending, employment rates in the region have returned to pre-2008 levels, but this is not the case in BiH. Although employment is rising, it is still not enough to reach the

2008 level. It is encouraging that exports continue to rise.

It is discouraging that FDI is not yet reaching the level we would need to drive growth a little more. Fiscal stability is something that should continue to be worked on, however, if spending is what BiH's guidance will be. economy, then we have to be very precise about the issue of making strategic decisions that drive that spending. However, there is potential in BiH to take advantage, it is necessary to continue the reform process, with the estimate for 2018 being that BiH could grow at a rate of 3.2%.

In other Western Balkan countries, foreign direct investments are those that finance a significant portion of the current account deficit. In BiH, foreign direct investment finances about 25% of the current account deficit, while in Serbia the deficit is fully funded by foreign direct investment, and growth in BiH is expected to remain 3% in 2018, while it could reach 2019 3.4%, but only if reform processes continue.

II ECONOMIC ASPECTS OF BUSINESS IN BOSNIA AND HERZEGOVINA AND THE WESTERN BALKAN COUNTRIES

1. Economic exchange of Bosnia and Herzegovina with foreign countries

In 2016, the value of exports was KM 9.42 billion (EUR 4.82 billion) and increased by KM 429.30 million compared to 2015. The value of imports in the observed year amounted to KM 16.14 billion (EUR 8.25 billion), which is KM 287.46 million more than in 2015. Trade deficit amounted to KM 6.72 billion, which is 141.84 million less than the deficit in 2015. The coverage of imports by exports in 2016 was 58.35%.

Exports to CEFTA countries account for 14.80% of total BH exports, while imports from CEFTA countries account for 12.75% in total BH imports. In trade with CEFTA countries, Bosnia and Herzegovina

recorded an increase in exports of 4.45%, an increase in imports of 5.12% and a trade deficit of 6.56%. Exports to other countries (Rest of the World - ROW) account for 7.49% of total BH exports, while imports from other countries account for 20.84% of total BH imports. In 2016, in trade with the rest of the world, there was an increase of exports of 2.72%, followed by a fall in imports by 3.88% and a decrease in the deficit of 5.49%. Of the main trading partners, the largest export-import coverage is with: Austria of 90.08%, Germany 74.72% and Slovenia 73.95%, In 2016, BiH exported most to the following countries: Germany (15.71%), Italy (12.01%), Croatia (10.46%), Serbia (8.74%), Slovenia (8.57%) and Austria (7.76%). Exports to these countries account for 74.32% of total BH exports. Viewed by country of origin of imports, most were imported from: Germany (12.27%), Italy (11.69%), Serbia (11.26%) and Croatia (9.95%). Imports from these countries in 2016 accounted for 71.94% of total BH imports.

In the first nine months of 2017, BiH achieved exports worth KM 8 billion and 95 million (EUR 4 billion and EUR 150,000), which is 18% more than in the same period in 2016, while imports amounted to KM 13 billion and KM 306 million. up 13% from last year. The coverage of imports by exports remains in deficit by almost 40%, which is a bad sign for potential investors.

The coverage of imports by exports in the third quarter of 2017 is close to 61%, while the value of the foreign trade deficit is 5 billion and 211 million KM.

Weak macroeconomic indicators in the area of foreign trade are responsible for the complicated political situation, failure to implement reforms, inefficient legal system and weak market control mechanisms.

The only recorded surplus of exports in relation to imports is recorded by the timber industry. Bosnia and Herzegovina continues to have a disproportionate increase in imports of meat and meat

products, milk and water. Germany and Austria remain the foreign trade partners with which Bosnia and Herzegovina achieves the highest level of harmonization of exports with imports. At the same time, these are the countries with the highest value of goods exported from Bosnia and Herzegovina.

The most important partner of Bosnia and Herzegovina in foreign trade is the European Union, while the most important EU country in terms of trade is Croatia. The highest percentage growth in exports compared to last year was recorded in Montenegro, Serbia and Croatia.

Positive developments in the international environment and developments within BiH industries have had a positive impact on foreign trade in goods. Thus, in the first nine months of 2017, the overall merchandise trade, exports and imports of goods increased at double-digit growth rates in BiH, while the foreign trade deficit narrowed and the coverage of imports by exports improved. However, it should also be noted that during the observed period, there was a significant increase in export and import prices, so that the real increases in these indicators are actually slightly lower.

Exporting products is the most important segment of the economy in BiH, and without exports, the country would stagnate. What is also important is the structure of these exports. BiH has a lot of potential when it comes to exports, be it exports of aluminum, steel, and wood products.

Until 1992, BiH was the only republic in the former Yugoslavia to have a trade surplus. The good news is that bh. the economy is showing signs of life, it wants to resist the dominant import dependency for decades, the less good news is that we are still not using the potentials and chances to make a significant impact on capital flight from the country.

One of the chances that is becoming more and more realistic these days is the concept of "buy local". I know more and more

people who buy homemade and who don't bother to say it publicly. Likewise, I know of more and more companies that take domestic products and subcontractors for suppliers of their products.

Between 2001 and 2004, several large companies completed the process of privatizing and finding strategic partners. These companies have undergone restructuring by acquiring new equipment, resolving employee status and securing financial resources to enter the foreign market.

The metal and electrical sectors are one of the largest in the Federation of BiH. Exports for the first nine months of 2017 amounted to KM 5.4 billion and are 16.4% higher than in the same period last year. Other export activities were initiated. The top exporting countries are Germany, Croatia, Italy, Austria and Serbia. The total number of employees is 30,000. A positive example is the Igman company from Konjic, which works in the area of the dedicated industry, which employs 1,700 workers and is expected to receive new workers. Before the war, 23,000 workers in more than 20 companies were employed in the dedicated industry, and today 3,500 workers are exported to 54 countries. In the dedicated industry, there are still significant employment needs to work on.

Reliable companies must have a special place in the business world, because being a creditworthy company means being a stable support to your customers, suppliers, partners, which is, in fact, a competitive advantage today. In BiH, out of a total of 31,554 firms, 13.5% of them met the reliability criteria.

The importance of these companies for the economy of BiH is evidenced by the fact that the total income of credit rating companies in BiH in 2016 amounted to about KM 15.4 billion. It is a BiH force that needs to be promoted and supported.

BiH cannot fight alone in the world market, but needs to partner with countries in the region, as other countries have warned.

This would enable us to transfer goods and services faster through infrastructure investments. But our complicated procedures, dysfunctional market, inefficient legal system and the rest are limiting factors for faster progress. We are not tapping into the place, we are moving, but there is no wind in the back that we expected from the state, which have countries in the region.

As real economic indicators show the country's stalemate with regard to the region, as we still have high unemployment rates, high trade and wage deficits, the sustainability of external debt is realized through international assistance, and foreign transfers are barely maintained.

We need to build industrial chains that will import everything that can be imported into the manufacturing part. We have experience in the metal industry with these, but they are in the chains of large EU clusters. The story of IT and digitalization can go a long way in countries that have solved it all, and we who have to contend with these conditions to lift the economy are far from over.

The solutions were announced through IPA funds to finance agriculture, but we did not meet the requirements. The state is still waiting, but nothing concrete is working and we need to put a lot more effort into moving forward.

When it comes to the results achieved in the foreign trade of goods and services, BiH still has a deficit in the coverage of imports by exports.

Only in Austria we exported goods and services more than we imported for KM 17,401. Looking individually by entity, the Republic of Srpska has higher exports than imports with Montenegro, Austria, Croatia, the Netherlands, Germany and Italy. Unlike the RS, the FBiH imports more from all countries than it exports and generates a deficit in foreign trade.

Foreign investments in BiH have increased by 66.8% this year, reaching 400 million KM in the first six months of 2017, which is insufficient and does not allow for

solving unemployment and reducing public debt, as well as GDP and GDP growth. salaries of employees.

A number of new investments are underway, one of which will be signed on 27 November in Budapest. The investment is worth one billion marks.

In order to increase exports, reduce high unemployment, attract foreign investment, political stability and economic reforms are considered to be key factors for BiH. In doing so, it is necessary to build a new economic model based on export and investment growth. Reforms in the area of the rule of law are crucial to ensure that capital is safe, that is, healthy investments come. Although some progress has been made in this regard, in improving the legal order, it is still a challenge to work on in the future. The BiH outlook is optimistic, despite the problems identified in economic development, and we know that we can and must do more. The main objective is to carry out structural reforms and to lead sustainable economic development, especially public finances. Yet, the BiH economy has begun to show signs of recovery. Exports from BiH increased significantly, by almost 18% in the third quarter of 2017 compared to 2016. Industrial production shows strong growth, as does consumption. Interest rates for commercial and private lending, although still comparatively high, have been at their lowest level since the establishment of the Central Bank of BiH, and consumer lending is on the rise. Collection of indirect taxes increased significantly (10% in Q3 2017). Debt relative to GDP is at a relatively low level.

2. Agriculture in BiH

BiH still does not have the possibility to use the funds from the IPA II Fund for Agriculture. Representatives of the European Commission stressed that BiH will exercise the right to use the funds from the IPA II Agricultural Fund in 2018 if the Rural Development Strategic Plan is

adopted at the national level by the end of this year. Without IPA II funds, BiH can hardly achieve more serious shifts in agriculture.

The Office of the European Commission in BiH has repeatedly suggested that in order to attract money from EU funds, BiH must make greater progress in developing a strategic plan for rural development at the national level and implementing a harmonization program for agriculture, food and rural development.

The BiH Ministry of Foreign Trade and Economic Relations initiated a public debate this year on adopting the BiH Rural Development Strategic Plan. Adoption of this document is a prerequisite for obtaining additional funds from EU pre-accession funds, as well as opening access to the IPA fund.

The document has been completed and recent preparations are under way before the BiH Council of Ministers finally submits it to parliamentary procedure.

If Bosnia and Herzegovina fails to meet this deadline by 2021, it will not be able to participate in IPA funds, and if it does, it will have over 200 million euros available over the next four years.

A strategy for agricultural information is still expected to be adopted in Bosnia and Herzegovina. Preparations for the agricultural census are still at an early stage. Improvements in agricultural statistics and the agricultural information system are still insufficient. Land-entry systems have not yet been harmonized across the country, and land management requires further strengthening. The lack of consolidated statistics hampers agricultural policy-making.

The Government of the Federation of BiH, at the proposal of the Federal Ministry of Agriculture, Water Management and Forestry, adopted the Agricultural Incentive Program established by the FBiH Budget for 2017 in the amount of KM 65,700,000. Of these, incentives for plant production refer to KM 10,400,000, to the

animal 52,200,000 KM, to the capital investment model KM 2,300,000; 300,000 KM is planned for other types of support, and 500,000 KM for court judgments and appeals by decisions. The 2,400,000 KM Veterinary Incentive Program was also adopted.

In 2016, incentives for agricultural producers amounted to KM 5,099,416.67.

3. Entrepreneurship and Corporate Entrepreneurship

In today's economy, the basis for successful business, especially in a global context, is to create a favorable climate in an organization that promotes entrepreneurial behavior, innovation and flexibility. According to modern understandings, an entrepreneur no longer has to be an individual who owns a business. An entrepreneur may also be an individual employed by the employer but possess the characteristics that are characteristic of entrepreneurial behavior.

The corporate entrepreneurship model is increasingly evolving, which enhances teamwork, whose members are motivated to work toward success and accept risk. Entrepreneurship today means a continuous creative process, whose main goal is to implement innovations in the organization in order to succeed in business and solve problems of consumers and society.

In modern business, entrepreneurship is more a matter of organization behavior and business policy definition and implementation of appropriate business practices, and less of a personality issue.

Large enterprises need to encourage entrepreneurship to overcome the difficulties they face as they learn how to work with partners or allies. Large enterprises in their organizational structure create a unit that behaves completely differently from the rest of the organization. Over time, large systems have developed models of entrepreneurial behavior and the development of an entrepreneurial climate that have enabled them to compete with

medium-sized enterprises. However, the smallest businesses (micro and small businesses) are the least innovative, due to the fact that they operate in conditions of resource poverty - a general lack of staff, financial resources, equipment and the most knowledge.

The issue of applying corporate entrepreneurship is of paramount importance for businesses coming from countries in transition. Completing the transition process, that is, changing the economic structure of society - privatization, market economy, liberalization of foreign economic relations, etc., is a basic precondition for successful integration into international economic flows. The transition process should enable the economic operators in the country of transition to be able to compete independently, compete soundly, and operate internationally. This implies significant changes both in the organizational structure of the business entity and in the thinking of management and employees in the organizations. The key role in this process lies with the executive management and the domestic owners of capital, who should establish sound market bases of business, based on continuous improvement of knowledge of all employees and productivity of work.

Entrepreneurship education must create the conditions and climate that will enable the newly acquired knowledge to be applied to work and knowledge (the emphasis is not only on what to do but also how to do it). In this sense, the overall result of entrepreneurship education must be an entrepreneur and manager, to whom the world-wide definition of "one who is responsible for the application and practical performer of knowledge" can apply. "Entrepreneurship education includes:

1. Acquiring knowledge and developing the capacity for creativity, problem solving, developing entrepreneurial style and entrepreneurship in youth and

adults, in the formal sense of education,

2. Increasing the level of knowledge and ability to run businesses with existing entrepreneurs and executives (financial and legal business, IT, management, marketing, business communication),
3. Empowering the unemployed and redundant to start their own businesses.

4. Small and medium-sized enterprises

Small and medium-sized enterprises are increasingly the subject of interest in more developed countries where these enterprises are a factor of development. More developed countries put SMEs at the center of their economic strategies and programs and competitive measures of macroeconomic, targeted fiscal policies towards SMEs, through tax breaks, directly affecting the reduction of operating costs, improving the liquidity and thus the competitive position of SMEs. However, Bosnia and Herzegovina is not yet adopting the tax policies and practices of many developed countries, and is thus not paying sufficient attention to the advancement of the SME sector. This has been shown by the conducted research in Bosnia and Herzegovina. Changes in the socio-economic system with a reliance on the market economy, create favorable conditions for the development of various industries, which will be profitable and keep pace with development, while constantly adjusting to the constant changes in the market, gives priority to small and medium-sized enterprises.

How to define a small business? A business is a set of specific business activities that meet the needs of business owners, that is, invested capital, employees of the business and society. This term covers any economic activity of an individual and an organization in all activities. A business can

also be formed as a business, farm, bank, agency, shop, insurance, health, educational or other organizations. So the term business is broader than the term business. For any other organizational form of business it is possible to use the term "firm".

Developed countries, thanks to their particularly small business, make up the bulk of their successful economic and social development. Just over 2/3 of employees (67%) of the EU, 27% of the business non-financial sector were employed by SMEs in 2016 in a total of 20.8 million SMEs or 98% of the total number of enterprises, contributing to the gross additional 58.4% of the total gross value.

This can be explained by the following facts:

1. Small businesses are more adaptable to market demands,
2. They achieve higher profitability than large firms in relative terms,
3. More successfully address emerging environmental disorders,
4. They can work more successfully with a relatively small amount of invested capital,
5. Very often, they are in the hands of members of a wider and narrower family and are strongly and directly interested in the survival, growth and development of their businesses and
6. They have a lower risk of failing business and operating at a loss.

Depending on the development of an economy, as well as the benchmarks that can be taken to categorize the size of a business, these benchmarks are as follows:

1. The total value of the company's assets,
2. Sum of share capital,
3. Annual amount of revenue i
4. Number of employees employed.

For a long time, those in the EU were

considered small enterprises with up to 100 employees. However, today it is more complex to approach the definition of small business, so its importance, place and role, as well as the aspiration to define small and medium-sized enterprises throughout the EU are determined from this aspect.

Bosnia and Herzegovina is the European country with the smallest number of SMEs. Only a few other former Soviet Union countries, such as Georgia and Kyrgyzstan, have fewer SMEs than Bosnia and Herzegovina.

This is considered to be one of the most unfavorable periods for the BiH economy as banks have difficulty lending. The time when banks spread their hands for someone to come and take out a loan, whether it be a natural or legal entity, is definitely with us. The reasons are very simple, money supply is insufficient. Money is like any commodity currently lacking in the market. Then the banks automatically think about how to secure the repayment of the loans they place. Even in situations where development banks have lent through commercial banks; even in these situations, problems arose.

The global economic crisis has hit Bosnia and Herzegovina to a great extent. About 50,000 jobs have been lost so that the number of unemployed is about half a million, each new job is precious but in a situation where the state has to borrow to allow salaries for its officials and budget users, banks become more and more alert when in the case of lending, especially to small start-ups. The state, on the other hand, is not saying anything about investing in research.

World examples show that with the help of the state, the development of small business and new ideas has its own perspective. In Japan, the state is launching competitions for innovative business ideas. The winners of these competitions receive assistance from the state on the basis of which they can realize their ideas and create jobs, and in some European countries, such as Denmark, the whole economy is based on

small and medium-sized enterprises

Therefore, more work needs to be done in Bosnia and Herzegovina to develop cooperation between the private and public sectors in which the state would assist companies that are just starting up through professional and financial assistance.

Although Bosnia and Herzegovina has adopted a strategy for the development of small and medium-sized enterprises. Its coordinated implementation is still lacking. Improving the financing mechanisms of small and medium-sized businesses is one of the main priorities of the strategy, but in reality it has not registered any progress in implementation so far. Businesses continue to face high interest rates on loans offered by banks or microcredit organizations.

Also, businessmen believe that sources of financing, in this case banks and microcredit organizations, are reluctant to give long-term loans to companies. All this makes BiH business difficult. to companies that are struggling daily to gain a foothold in the market.

Regarding institutional support, there is no state-level SME development agency. Progress has been made in this area with regard to Republika Srpska, which has set up an agency to support small and medium-sized enterprises. In the Federation of BiH, no such agency has yet been formed.

5. Knowledge and new technologies

Knowledge has always been one of the basic instruments for the development of social communities and successful national economies. In modern conditions, especially globalization, innovation and newly acquired knowledge as a result of research becomes not only the basis of development but also a key factor of society. Increasing investment in the creation of new knowledge in all scientific fields and the transformation of that knowledge into all-round development is necessary not only to create a knowledge-

based society but also to improve national competitiveness, the quality of life of individuals and society, reduce disparities in the labor market, create social justice and connectedness of all groups of society. In today's environment of a global market economy, only those economies that value knowledge and innovation and invest adequate resources in innovation, research and development can make progress.

Developers, or IT professionals, are those who offer new, up-to-date knowledge and, due to their knowledge of new technologies, can contribute to the productivity and competitiveness of businesses, thanks to the innovations and ideas they have to offer. A good idea today is the best product on the market and the most expensive.

Knowledge has the effect of increasing the volume of business. Knowledge is the most important production factor that requires investing in it. There is a correlation between knowledge and investment. Namely, investments can increase knowledge, and knowledge can accelerate the realization of new investments, making growth, according to endogenous growth theory, limitless.

The basic factors of production (country, labor, capital and organization) characterized the so-called old economic science. However, in the context of new economic science, information, space and time are considered to be emerging factors of economic growth and development.

If there is already a demarcation on the so-called. old and new economic science is needed before defining the so-called new economies to state the technological and technological changes in the form of technological revolutions that have characterized today's civilization. The first technological revolution was characterized by the advent of steam, propulsion machinery, steamboat, railways, and the characteristic is that the animal and human physical labor was replaced by a steam-powered machine. The centerpiece belonged to workers who provided

relatively primitive means of labor. The second technological revolution is marked by the emergence of electricity, and the technological characteristics of the same are electronics, mechanization, conveyor, telephone, radio, car, airplane, where the primary place is occupied by experts. The focus of the third technological revolution is on information technology, and for it is the emergence of computers, microprocessors, rockets, televisions, robots. It represents the most significant feature of modern world production, while at the same time we can talk about the beginnings of the fourth technological revolution followed by the emergence of fusion of atoms, biochips, artificial raw materials, biotechnology, genetic engineering, and the basic subject is a scientist. The rapid development of technology, technology, organization, especially automation, robotics, computerization, nanotechnology, creates the foundations for the coming of the fifth technological revolution, which should focus on the teams of scientists and should take place in the 21st century.

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 relevant but information. In this context, a new economy is an economy based on knowledge, high technology, a developed infrastructure with information and ideas, that is, innovation as the most important sources of improving living standards and job creation.

The earlier mention of technological revolutions (especially the third one) aimed to substantiate the fact that under the influence of globalization, a number of social, technical, technological, manufacturing and development changes have taken place in the last few decades.

These same changes have changed the face of the world economy, the business environment of the company and its organizational structure as well as the production process itself. The production process is transformed into a scientific process, so that the qualification structure of employees is changed in such a way that the physical workers are replaced by the so-called intellectual workers, and that this increase in the share of knowledge in the newly created value is a basic feature of the already mentioned new economy, also known as the knowledge economy, where the most important productive resources are no longer capital, labor and land but knowledge, and in it intellectual capital. Intellectual capital, recognized as the most important factor in production, has its stronghold in the following: the modern economy rests on the scientific and technological revolution (s) and globalization processes, the current world market affirms competitive development advantages, while innovation emerges as a monumental trigger of economic activities. In such conditions, only intellectual capital can respond dynamically and in a timely manner to the new changes, by the way, creating new value. In other words, the most important place in this competitive global economic system is the actual knowledge, information, abilities and skills of employees.

6. Knowledge as a decisive factor in the successful operation of a company

The task of the company is to generate profit, not in the old way, but in a new way, because it imposes on it a modern way of doing business. Changing business conditions also imply a change in the way a business operates, that is, management must have a vision for the changes that will come later. That is why many of the elements that make production go away because they are uncompetitive and new

ones that will allow businesses to compete for long periods of time.

Knowledge is a competitive advantage for the enterprise because what the company knows and to what extent it uses it, as well as the ability to quickly acquire new knowledge. A responsible manager must recognize this knowledge in his company, how to use it and how to manage it in order to create new values, that is, to turn that knowledge into intellectual capital. Intellectual capital consists of three parts: Human capital (knowledge, skills, experience used in the business process), Structural capital-intangible (business processes, routines, customs, databases, intellectual property), Consumer capital (the link between consumers, customers, suppliers, distributors, includes the image, brand and identity of a company in the market).

All points to the fact that knowledge records the trend of obsolescence in three to five years if it does not respond in time, that is, if it is not refreshed and expanded.

According to research conducted by the UK Fast Forward 10 organizations, the jobs of the future are: stress developer, worker health manager, genetic designer, privacy consultant, vertical farmer, water trader, intelligent clothing designer, social worker on social networks, wellness manager for the elderly, epidemiologist. For this kind of job structure for the future, the role of knowledge and knowledge management is becoming a key strategic issue for every economy, and knowledge and innovation are fundamental factors for survival and development. Once a competitive advantage based on intellectual capital is achieved, this is not the end, but continuous investment is required to maintain that advantage. Each business is specific in its own way, so there is no universal solution for managing intellectual capital. The task of the manager is to successfully connect the strategy, employees and technology of the company with the market environment.

When possessing the knowledge and good judgment of the visions and the goal to be achieved, small specialized advisory firms occupy an increasingly better position than large investment banks. Such a company was founded by Simon Robbie, who worked at Morgan Stanley Investment Bank and Simon Worsho, former UBS financial advisor: They only confirm the view that intellectual capital creates value and that knowledge can increase profits and that knowledge workers carry their knowledge with them. The advantage of such small specialist firms is that the revenue from the high fees for consulting services that are charged for large jobs is shared by fewer people. For the modern economy, the most significant factor in the relentless competition in the modern market is the continuous improvement of intellectual capital, because only intellectual capital will ensure success and a stable position in the market.

7. The importance and application of communication in modern business

In an effort to put their business as high quality as possible in the service of entrepreneurship development and business improvement, most companies pay special attention to market communications, current communication trends and professional code of conduct. Quality, clear and targeted communication has long been not only an advantage, but the basis of a successful business. Focused on the consumer or service user, communication becomes a basic tool for marketing information, raising profits and achieving a successful business identity. Well-organized and functional channels seek to achieve predefined corporate goals. The purpose of communication is not only information, employee motivation and resource management, but also the duration and imposition of a market full of challenges and demands. When we talk about the process of communication and actualities in the relation of BiH to the world, the fact is that our experts do not lag

behind in the knowledge of technologies, trends, information. The disadvantage is most often expressed in the application of knowledge, the exchange of experience and the continuous improvement of existing knowledge, the organization of workshops, courses and training in the field of communication. The way we communicate has completely changed, so the role of the Internet and digital media is completely irreplaceable in modern business. The most pronounced difference in the attitude of BiH towards the world is reflected in insufficient awareness of the importance of planned and strategically guided communication, identification of marketing communications with business, access to social networks without previously done analysis, plan and expected results, carelessness in the selection and placement of information, inaccuracy and inaccurate direction by which communication is moving. In BiH, new trends appear to be the most prevalent in the field of digital communications and integrated communications across multiple platforms. Social networks are usually accessed for advertising purposes without first understanding the importance of interacting with the community that follows them. It is necessary to distinguish between groups of visitors and then apply different approaches to them and their expectations.

Conclusions

Based on the current situation, the EU Accession Agreement, the implementation of the Reform Agenda and the problems expressed in the Western Balkan countries, conclusions and measures are taken to overcome the disadvantaged economic situation, reduce unemployment, indebtedness and achieve a higher standard of total population.

1. Exports of products and services are now considered to be the most important segment of the economy, not only in BiH, but in all Western Balkan countries, and without an increase in exports, it cannot

contribute to increased production, lower indebtedness, and especially unemployment, as currently the most important issue. .

2. Until 1992, BiH was the only republic in the former Yugoslavia to have a trade surplus, which has now been eroded so that the deficit in exports is 40% of total exports, which represents a major problem in the functioning of BiH so far, and for the emergence of a large number of unemployed people, especially the young and for the overall standard of population.

3. One of the chances to get out of the current crisis in BiH is to focus on the concept of "buy domestic", because it is the only way to reduce the imbalance in foreign payments and increase employment as well as the personal and social standard as a whole.

4. The main problem in all the countries of the region, and especially in BiH, due to the existing organization of the state, is political uncertainty and instability, which significantly affects the favorable business environment, foreign direct investment and economic growth. The negative political climate and failed reform processes are the cause of the current setback and a very poor business climate.

5. This requires a strong commitment from the highest levels of government to define and implement the Reform Agenda, and to make laws and regulations more entrepreneurial, with private entrepreneurs playing a key role in setting reform priorities and confirming that they are not just paper. If the business environment does not improve, the country's competitiveness will remain compromised, investments will go elsewhere, and the country will continue to export people as its best resource. This is also compounded by the large number of state monopolies that are becoming an impediment to the economic development and competitiveness of BiH's economy in the domestic and global markets. Among the state monopolies, power, distribution, forestry, water management, railways, healthcare, television, telecommunications,

postal services and a large number of utility companies at entity, cantonal and municipal levels are particularly prominent.

6. The reform agenda produces some results, but they are not sufficient. Due to the huge unemployment and even more inactivity, BiH must have a growth rate of at least 6-7% per year instead of the current 2-3%. That is why BiH needs more extensive reforms and bolder reform packages.

7. The key to economic growth and development of BiH are small and medium-sized enterprises, precisely because of certain advantages, because small firms are easier to adapt to market demands, and achieve greater profitability than large firms, in a relative sense, more successfully deal with emerging disruptions environment, and can work more successfully with a relatively small amount of invested capital, etc.

8. More concrete measures to be taken by the state are to increase fiscal stability, relieve the economy of taxes and contributions, which will eventually lead to the suppression of the informal economy.

9. The gray economy is one of the biggest problems in Bosnia and Herzegovina, and is manifested through the employment of undeclared workforce, the carrying out of illegal money transactions, as well as in the illegal movement of goods and services. If we know that the total GDP is about 29 billion, then almost another 10 billion is done in the gray economy. Large payroll contributions are a problem for all employers, and it is therefore the duty of the state to recognize the proper taxpayers and help them reduce their tax burden. The gray economy has a negative impact on attracting foreign investment and competitiveness of BiH. economy. Fighting the gray economy is also essential for integration into the European Union. In terms of reducing the informal economy, two levers are crucial, namely: the fight against corruption and the effective functioning of the state. The Indirect Taxation Authority is a key institution in

combating the informal economy and preserving BiH's financial stability.

10. Everything that the BiH authorities have done to improve the business environment has not been enough, as the new Doing Business Report has published a report according to which BiH ranks 86th out of 190 countries. A year earlier, BiH was ranked 81st. This report discusses the global place of hospitality for foreign investors.

11. In order for BiH to be roughly developed as Europe now, it must grow much more and faster. If we continue to grow at these rates, it will take six decades to reach the level of capital per capita in Europe, but if we accelerate that growth process, if we discover new sources that can help boost growth in BiH, it could happen in half the time. What is important to do is to try to bring the macroeconomic model into balance. We don't have a lot of spending right now, we have a little investment, so channels have to be found to turn spending into investment, where imports will decline, but exports will be accelerated and the private sector strengthened.

12. The IC sector, which needs particular engagement, is now the fastest growing and fastest growing in Europe. Our problem is that we are still living in another industrial revolution, and the world is in the fourth. We need to think about the internet. In Europe, only BiH and Ukraine are on 3G. As many as 30 to 40 African countries are on 4G and this clearly shows where we are. If we want to be better, the vision of BiH must be a high-income country.

13. The basic factors of production (land, labor, capital and organization) were characterized by the so-called old economic science. However, within the new economy of science, that is, the knowledge economy, which is becoming the most important factor of growth and development, it is considered that information, space and time become the basic base of knowledge and progress of the population.

14. Knowledge has always been one of the basic instruments for the development of social communities and successful national economies. In today's environment of a global market economy, only an economy that values knowledge and innovation and invests adequate resources in innovation, research and development is possible to progress.

The economic impact of the Western Balkan countries is very important for them to become full members of the EU. Economy is the most important issue, the main condition for convincing European citizens. It is for this reason that the Western Balkans common market should be established as a precondition for accession, and the long-term integration of the Western Balkans common market in the EU internal market should be created.

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