

Bosnia and Herzegovina 2013



Total: 55.01

Quick facts

Population:	3.84 million
Population growth:	-0.1 %
GDP:	32.43 billion \$
GDP growth rate:	5.9 %
GDP per capita:	8400 \$

Political Freedom

Free and Fair Elections : 6.79

Despite the very complicated structure of the state, the elections in Bosnia and Herzegovina are generally free and fair and the results of the last election in 2010 are not disputed. Legislation still contains some ethnic limitations and is not in full accordance with the verdict of the European Court of Human Rights from 2009. As of September 2013, the three-head state presidency and the Parliament have failed to change the election law and enable citizens who have other ethnic origin than Bosniak, Serb, or Croatian to run for the Presidency.

Since the elections for the State Presidency, State Parliament, Parliaments of the Entities, President of the Entities, and (for the voters in the Federation) for the Cantonal Parliament take place on the same day, voters are regularly confronted with four or five different races, which contributes to some confusion at the polling stations.

In comparison with the other countries in the region, the legal framework on campaign financing is strong and effectively implemented. The announcement of the last election result was delayed for days, thanks to the poor capacity of the official site of the national electoral committee.

Absence of Unconstitutional Veto Players : 5

Bosnia and Herzegovina is the only country in the Western Balkan region which features a clearly defined unconstitutional veto player. The High Representative (HR) for Bosnia and Herzegovina, with the Office of the High Representative (OHR), was created in 1995 to oversee the civilian

implementation of the Dayton Agreement. The HR and the OHR represent the countries involved in the Dayton Accords through the Peace Implementation Council (PIC). The Dayton Accord is the legal basis for the OHR, which grants the HR substantial invasive veto powers. Those powers were extensively used in the past to push reforms. The mandate of the HR was extended by the PIC until a set of benchmarks and conditions have been fulfilled. Closure of the OHR is considered to be a pre-condition for reaching the EU candidate status.

Freedom of Press : 5.1

The press in Bosnia-Herzegovina is partly free., but the record has worsened over the last few years. The owners use the press for political purposes. Hate speech is used in tabloids and self-censorship is widespread. Although there is a press council which acts as a self-regulatory body, it has no power to implement the code due to the ownership structure of the press. Citizens have the right to file complaints to the ombudsman of BiH. The shadow report of the press council 2012 indicates, journalists are badly paid and working conditions are difficult. Concerns have been raised that a possible splitting up of the public broadcasting service among the Federation and Republika Srpska will strengthen political involvement and the use of intimidation to further infringe upon reporting freedom.

Rule of Law

Independence of the Judiciary : 3.98

The legal framework is complex due to the multi-tier system of government as set by the Dayton Agreement. The judicial system is fragmented and political divisions hinder meaningful institutional and other reforms. Political influence on courts and prosecutors is common and pervasive. The courts are underfunded and suffer from huge backlogs. There are opposing views on the role and future of international judges and prosecutors and as a result of a lack of political consensus, a few have remained in place.

Corruption : 4.2

Corruption is a serious and persistent problem, most concentrated in the political sphere. Corruption is pervasive in the privatization process, public procurement tenders, public-private partnerships and in activities of public sector companies. Religious dignitaries contribute to the problem rather than mitigating it. Petty corruption in health care, education and law enforcement is widespread and political parties still control employment in the public sector. A number of corruption-related international conventions were ratified, yet their implementation has not been satisfactory. The problem is further worsened as a result of a complex, asymmetrical, multi-tier system of government, whereby administration is inflated and multiplied. Responsibility is diffused and there is too little coordination and cooperation between anti-corruption agents at various tiers.

The Agency for the Prevention of Corruption and Coordination of the Fight against Corruption is under-staffed, under-resourced and is suffering from political pressure. Audit Service's or Ombudsman's recommendations are often ignored by the government. Whistleblowers are poorly protected since there are no relevant laws. However, the situation has slightly improved between

2010 and 2012, as BiH overtook Serbia and ranked 72 of 176 in Transparency International's Corruption Perception Index in 2012.

Protection of Human Rights : 4.7

Kidnapping and extra-judicial killings are very uncommon in Bosnia and Herzegovina. However, the respect of human rights shown by security forces is variable. There are a number of cases of arbitrary arrest and a prevalence of torture or ill treatment in custody. Poor working conditions, trafficking and discrimination in the workplace (political, racial, ethnic and gender) are the worst problems in the area of industrial relations, while freedom of collective bargaining is also limited. Minority rights are poorly protected, especially of non-members of the three "constituent" ethnicities. Women rights are considerably less than men's and their salaries are comparatively considerably lower. Homophobia is strong and violent. Freedom of thought and expression is seriously limited, while freedom of religion is particularly restricted for those living outside their own ethno-religious neighborhoods. There is a widespread discrimination of the Roma, including in access to civil registry. Refugees and IDPs often face administrative and political obstacles. Hate speech and impunity for war crimes are a part of everyday life. On the other hand, human rights NGOs or other freedom defenders enjoy relatively acceptable treatment.

Economic Freedom

Security of Property Rights : 5.24

Private property rights are poorly protected in Bosnia and Herzegovina. Other than an absence of purchase restrictions, every other element of the sub-scores show very weak performances. The main factor of poor protection of property rights is the state of the Judiciary system. Judicial process is slow, partial and occasionally influenced by politics and corruption. With overly complex political system and inefficiency derived from having to go through two entities, the Federation of Bosnia and Herzegovina and Republika Srpska, most of the judiciary reform efforts were hampered. With rising tensions in previous years little has been done to reassure the protection of private property.

General security continues to be an issue. Policy regarding protection of private property and security is relatively reliable, but is especially troubled when it comes to combating organised crime. This explains the overall poor state of the business environment in the country.

Size of Government: Expenditures, Taxes, and Enterprises : 5.32

Tax burden in Bosnia & Herzegovina is relatively high since general government revenues rose to 45.7% of GDP in 2012. Both labor income tax and corporate income tax are at the level of 10%, however the downside is the complexity of the rest of the tax system. It is highly dependent on political circumstances of federation entities and cantons which have different property taxes and other government fees. Spending and direct government involvement in to the economy is relatively high.

Inadequately implemented privatisation processes and populist interventionist policies have left many government owned companies with high labor surpluses and deficits that are covered by government transfers. There are still government monopolies in several industries. They are used in political struggles without consideration of the economic effects. This squeezes funds from cantonal budgets and, without unified fiscal policy, lacks discipline. Some of the cantons and municipalities run very high deficits and are building up debt quickly. Even though Bosnia and Herzegovina is not a highly indebted country, previous mechanisms drove public debt to jump from 21.7% of GDP in 2008 to 38.5% of GDP in 2012. The general Federation government deficit was not very high in 2012, but the recent trend raises concern. Cantonal governments spending must be put under control before the debt rises to unsustainable levels.

Regulation of Credit, Labour, and Business : 7.14

Regulation of economic endeavors in principle is relatively favorable for private business, though bureaucracy remains a major obstacle. The regulation of credit is completely liberalized as a result of currency board application and exchange rate policy. Labor laws are in some aspects flexible, especially with working hours regulations and non-excessive collective bargaining. But, experiencing one of the highest youth unemployment rates, much can be done to further ease obstacles and taxes in the youth labor market. Major reforms are needed in hiring and firing and mandate regulation which discourage employment in the first place.

Administrative requirements for business operations are very harmful with high corruption and idle administrative processes. Bureaucracy is very inefficient, expensive, non-transparent and highly corrupt. Tax compliance costs are in line with complicated administration.

Freedom to Trade Internationally : 7.54

Trade freedom is very high in Bosnia and Herzegovina. In spite of ethnic tensions, trade is free between federation entities. Regarding the movement of people, special exit and entry arrangements with Croatia, Serbia and Montenegro, as well as strong historical bonds, add to overall trade networks with regional countries.

Bosnia and Herzegovina is a member of CEFTA and has signed the SAA agreement with the EU which give a framework for very liberal terms of trade. The result is very low tariffs and small regulatory barriers especially between CEFTA countries. In line with further EU integration, major elements of Freedom to Trade Internationally sub-scores will improve in the future.