



Norwegian Embassy  
Sarajevo



# ANALYSING BARRIERS TO ENTREPRENEURSHIP DEVELOPMENT

**in Bosnia and Herzegovina**



ANALYSING BARRIERS TO  
ENTREPRENEURSHIP DEVELOPMENT  
IN BOSNIA AND HERZEGOVINA

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Norwegian Embassy  
*Sarajevo*



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# SUMMARY

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The *Economic Governance for Growth* (EGG) project is implemented by the United Nations Development Programme in Bosnia and Herzegovina (UNDP) in cooperation with the Kingdom of Norway in the period from 2019 to 2021. The project seeks to aid economic development of partner local communities and support job creation in promising industries. Project activities include support for start-ups and existing small and medium-sized enterprises in advanced technology sectors, as well as equipping and training primary and secondary schools for the development of staff needed by the modern-day economy. On the one hand, it addresses the systemic gap in entrepreneurship development by improving future market skills and fostering innovation and ecosystem start-ups, while on the other, it supports optimised public spending and targeted use of public incentive schemes to support economic development. In addition, Bosnia and Herzegovina, together with the United Nations member states, committed itself to implementing the 2030 Agenda through recommendations under the Sustainable Development Goals Framework, as also one of the country's priorities in the European Union accession process. On this path, BiH should, among other things, focus its efforts on building a conducive environment for entrepreneurship – primarily through relaxation of existing barriers that make it difficult to do business in this area. Guided by the goals of sustainable development, the main project objective is to identify the most important barriers in entrepreneurship in the fast-growing industries of Bosnia and Herzegovina and develop recommendations for improvement or elimination of barriers. Along these lines, the first step was to identify barriers based on a desk review, followed by qualitative and quantitative research on a sample of entrepreneurs and representatives of relevant institutions in BiH. The results show that in order to remove the identified barriers, there is a strong need to facilitate easier procedures for establishing legal entities, reduce red tape at all stages of business, change tax regulations, increase awareness in all aspects of business, boost financial support, especially for new companies, and introduce specific educational programmes for the development of entrepreneurial skills. It should, however, be stressed that changes in these areas are possible only through adaptation of legislation, which is the biggest challenge in creating an improved business environment. Although the identified barriers of this project covered a relatively limited sample of respondents, it should be stressed that these are identical to previous research done not only in Bosnia and Herzegovina, but across the region and the European Union. Therefore, the listed barriers and developed recommendations can be deemed a befitting and purposeful incentive for the development of entrepreneurship in BiH.

# 1. INTRODUCTION

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With a population of 3,531,159, Bosnia and Herzegovina recorded 35,077 active companies in 2019, of which 88% have revenues of less than four million. A symbolic percentage of 1.8% falls on business registers, which generate revenues of more than BAM 20 million (BiH Agency for Statistics BHAS, 2020). It should, however, be noted that these statistics do not include the number of registered sole proprietors (crafts), as this data is available only at the level of individual municipalities in charge of their establishment and monitoring. With an average net salary of BAM 966 in November 2020, population in BiH contributes to GDP value of BAM 10,108 (BHAS, 2020), while the unemployment rate remains a significant macroeconomic problem in this country. Although the number of working age population is at a satisfactory level ( $n = 2,396,000$ ; BHAS, 2018), compared to the total population, the unemployment figure is still extremely high and concerns 15.7% of the working age population (BHAS, 2019).

Given the above indicators, the country continues to face the challenge of achieving sustainable growth and development. The leading activity to that end is entrepreneurship development in all its aspects, being a powerful mechanism of economic development. Therefore, the key question is what the factors that limit the development of entrepreneurship in BiH are, and what changes need to be made to improve the ease of doing business. In this sense, the main goal of this project is to identify barriers to entrepreneurship development and offer recommendations for their removal or improvement. Focused on fast-growing industries in BiH such as IT, automotive, creative and other promising industries, and based on a combination of different research, this project offers the following:

- Insight into demographic and macroeconomic indicators, and illustration of procedures for establishing the most common legal forms of economic entities;
- Review of good practices related to entrepreneurship support in the context of establishing companies in the countries of the region and the European Union;
- Mapping the most important barriers in entrepreneurship development;
- Mapping resource networks for entrepreneurship support as a special appendix to this document;
- Recommendations for improvement that are the result of a combination of information obtained from three research sources.

Noteworthy, the project relies on the recommendations of the Sustainable Development Goals Framework in BiH. The Framework, among other, aids the creation of an environment conducive to entrepreneurship primarily through business facilitation, which is seen as one of the accelerators of growth and development in general. This is more specifically addressed in the project's deliverables and recommendations.



## 2. RESEARCH APPROACH

In order to map barriers to entrepreneurship development and develop recommendations how to eliminate them, the project relied on a range of information sources. In other words, the results and recommendations are the result of several synchronised activities starting with desk review, and supplemented by data from qualitative and quantitative research.

### **A) Desk review**

In order to paint a concrete picture of BiH in terms of demographic, macroeconomic and other indicators, the first step was to attend to collecting and analysing available official materials. Documents and reports of the BiH Agency for Statistics, chambers of commerce, ministries, and international documents referencing BiH in the context relevant for entrepreneurship were collected. Databases (Web of Science and Scopus) were also searched to identify barriers to entrepreneurship in previous research, and a list of topics for qualitative research with entrepreneurs was prepared. The analysis of secondary data also included a search of all other relevant sources with the aim of mapping resource networks as an aid that entrepreneurs can use in certain stages of business activities. As for the countries of the region and the countries of the European Union that were the subject of the analysis, the same structure of materials published by their respective statistical agencies, reports of local institutions and international reports was used, with special emphasis on World Bank publications, which systematically show the procedures for establishing companies for each country (Doing Business 2020 reports). It is certainly important to stress that there are significant differences in terms of quality between the reports from BiH and the reports of other observed countries. The context in BiH still shows the need for more systematic and transparent ways not only of reporting, but also of collecting data related to business activities.

### **B) Qualitative research on a sample of entrepreneurs**

Qualitative research was conducted in the form of interviews with five entrepreneurs whose businesses are in fast-growing industries in BiH, and their companies fall under micro, small and medium enterprises. When selecting respondents in the research, it was made sure that the seat of their business activities is in different cantons and Entities. Interview topics covered the process of founding companies, business development and financing, legal and tax regulation, and topics that led to identifying personal traits of the interviewed entrepreneurs. One interview, on average, lasted 57 minutes. After interviewing all entrepreneurs, a transcript was created and used for data processing and analysis in the QDA Miner qualitative data analysis software.

### **C) Qualitative research on a sample of representatives of institutions**

Representatives of institutions in BiH were interviewed in this part of the research. The criterion for selecting institutions included the relevance of the institution in the context of performing entrepreneurial activities. Therefore, representatives of three local governments



(municipalities Centar Sarajevo, Hadžići and Pale) were selected, given that the registration procedures of one of the most popular types of legal registers (sole proprietor or trade) fall within their competence. Interview topics included ongoing activities, incentive measures and its usability, experiences with entrepreneurs, and topics related to examining attitudes and recommendations regarding the legal framework. The remaining two interviews were conducted with representatives of two tax offices at the level of the Sarajevo Canton and the Central Bosnia Canton, bearing in mind that tax offices have direct supervision over the execution of financial obligations towards direct taxes that entrepreneurs are required to pay. In this regard, their competences, experiences, problems faced by branches and entrepreneurs, the most common forms of violations, and attitudes and recommendations towards the legal framework were examined. One interview, on average, lasted 33 minutes.

#### **D) Quantitative research**

An online questionnaire with an invitation letter to participate in the research was distributed to e-mail addresses of entrepreneurs whose businesses belong to fast-growing industries such as IT, automotive, creative and other growing industries in BiH. A total of 255 invitations were sent out for the survey, and a total of 56 fully filled out questionnaires were considered in the analysis. The questionnaire sought to examine the level of significance of barriers addressed in the process of interviewing entrepreneurs. Statements within the questionnaire were rated by entrepreneurs with scores from 1 to 7, while some included Yes and No answers. In addition, nine sections for open answers were put in, allowing respondents the opportunity to enter additional comments. The last part of the questionnaire included demographic questions that examined the age and gender structure of entrepreneurs, the level of education, the size of the company, and the place of residence. An invitation letter with questions from the questionnaire is given as Annex 1 to this project.

## 3. ON ENTREPRENEURSHIP

### 3.1. Bosnia and Herzegovina

#### 3.1.1. Country in figures – General overview

According to the latest 2013 Census, the BiH Agency for Statistics (BHAS) recorded 3,531,159 in the country's population, while the number of households is 1,155,736 (BHAS, 2020). Looking back, in 1981, 4,124,256 were registered, with a growing tendency in the next decade, so in 1991 the number was 4,337,033. The country recorded the lowest total population in 2013, while a slight increase was recorded in the period from 1981 to 1991.

In the last decade, BiH succeeded to increase its economic growth. In 2019, the nominal value of gross domestic product (GDP) was 35,229 convertible marks (BAM), while this value per capita was BAM 10,108 (BHAS, 2020). As for other indicators, it is necessary to look into average net wages, industrial consumption index, and imports and exports of goods, all shown in Table 1.

Table 1. Overview of financial indicators in BiH

Indicator	Vrijednost
Average net wages	BAM 961.00
Industrial consumption index	-1.2%
Import of goods	13,921,578*
Export of goods	8,594,631*

\*In BAM thousands.

The majority of workforce has secondary education (68.9%), while the number of working age population is almost equal between those with primary (15.8%) and university education (15.3%). Women make up for most of the inactive ones in employment (67.1%), and their employment rate is more than 20% lower than in male population (26.7% and 44.6% respectively). In terms of aggregate statistics, the largest number of working age population is inactive (57.9%), which is significantly above the total number of those employed (35.5%). The greatest work potential is found in the population aged 25 to 49, followed by the workforce aged 50 to 64.



According to the latest data from the Statistical Business Register (SPR), in 2019 there were 35,077 active companies in BiH that submitted financial reports for the year. Of this number, the share of companies by size is as follows: micro companies with 72.8%, small companies with 19.7%, medium companies with 6.4% and large companies with 1.1% (BHAS, 2020). Financial reports show that of the 35,077 recorded companies, 88% generate annual revenues of less than four million. Further, annual revenues in the range of four to 20 million were recorded in 6.5% of companies, while a symbolic percentage of 1.8% included companies with revenues exceeding BAM 20 million. It should be noted that revenue data is not available for 3.7% of active companies.

### 3.1.2. Entrepreneurship environment in BiH

According to the World Bank's regular publication Doing Business 2020, Bosnia and Herzegovina ranks 90<sup>th</sup> of a total of 190 observed countries in terms of ease of doing business (World Bank, 2020), followed by countries such as Nepal, Sri Lanka, Uruguay, Pakistan and many others. The poor positioning of the country is conditioned by many factors, such as the establishment of companies, issuing permits, registration of assets and the like. Advancement on this list would require improvement in those areas that are a common feature of the first 20 countries on this list. These include wider use of electronic systems, online business registration processes, electronic tax filing platforms, online property transfer procedures, and electronic building permitting procedures. Further, such position of BiH is firstly due to the slow and complicated process of business registration, which eventually discourages not only domestic but also foreign investors from having their business activities in this area.

Company establishment procedures in Bosnia and Herzegovina are based on informally established information, lengthy procedures and a complicated legal framework. The first hit of internet search (keywords *founding a company in BiH*) shows discouraging information from the portal, which reads that the registration process takes more than 80 days, and that BiH is the worst ranked country in terms of ease of doing business. Further search results suggest that there are no formal acts at the BiH level that define the steps and procedures required for registration, although a significant shift in these activities has been observed at the municipal, cantonal and Entity levels. Here, it should be noted that the costs and procedures of establishment differ significantly at the level of FBiH compared to Republika Srpska (RS).

When it comes to procedures at the level of BiH, entrepreneurs must go through a series of activities that mainly concern collecting required documentation, and submitting it to the relevant institutions, which depends on the formal form of establishment. The two formal forms that can be established are a limited liability company (in local language *d.o.o.*), and craft. The following sections give a detailed overview of requirements to establish both forms. Table 2 lays out the procedures for establishing a limited liability company, while Table 3 shows the sequence of activities required for registration of crafts in BiH.



Table 2. Procedure for establishing limited liability company in BiH

No. of steps	Activity	Institution/ Subject	Costs	Time	Additional explanation
1	Drafting a founding document	Notary	BAM 350 – 500	1-2 days	The document is prepared by a notary, to define owners, roles, appointment of the director and the activities that the company will engage in. The notary also prepares other documents (forms on registration and foreign trade activity, the decision on the appointment of the director, and the announcement for publication in the Official Gazette).
2	Payment of the founding capital	Bank	BAM 1,000	within one day	Payment is made at the bank, with mandatory presentation of the founding act.
3	Registration with the Municipal Court	Municipal Court	BAM 80	10 to 15 days	The founder submits all documentation prepared by the notary to the municipal court, in the municipality where business activity will be performed, including a proof of payment of share capital. Two fees are paid: one when submitting a request in the amount of BAM 10, the second after being issued the decision on registration (BAM 70).
4	Making a stamp	Printing house	BAM 30 – 50	1 days	A copy of the registration decision should be submitted, and the address of the company should be known (if the space is rented, a lease agreement should be signed and certified. For premises owned, a land registry entry should be obtained).
5	Obtaining an ID number and classifying activities	Tax Administration and Statistical Office	up to BAM 30	up to 13 days	It is necessary to submit certified copies of the registration decision, lease agreement or land register entry, and two completed POR-500 forms (available in electronic format) to the Tax Administration. After obtaining the ID number, an application (RPS form) is submitted to the Statistical Office for classification by business activity
6	Dedicated consent	Competent municipality	up to BAM 10*	up to 15 days	A request for obtaining a dedicated consent for the use of business premises is submitted to the competent municipality. Certified copies of the registration decision, as well as the lease agreement or the land registry excerpt are attached. This procedure can be started in parallel with the previous step.



No. of steps	Activity	Institution/ Subject	Costs	Time	Additional explanation
7	Business account	Selected bank	Free	depending on the bank	The account is opened in the bank where the founding capital was deposited. It is necessary to enclose the registration decision, founding act, ID number and certificate of the Statistical Office, ID card and CIPS application form.
8	Statement on fulfilment of technical requirements	Competent Municipal or Cantonal Authority	up to BAM 10*	within one day	A notification on the memorandum of the business entity on the commencement of work is submitted to the competent municipal or cantonal body (inspection). At the same time, a statement is enclosed on meeting the technical requirements to perform activities in the business premises by submitting the P1 form and a certified copy of the registration decision.
9	Registration of employment	Competent tax office		within one day	JS 3100 form is to be submitted in two copies, as well as a tax card, and deregistration from the employment office in case the registered worker was previously registered as unemployed at the Employment Office.
10	Registration in the VAT system	Indirect Taxation Authority	up to BAM 40	up to 15 days	It is necessary to enclose the completed ZR1 form, and the documentation available on the website** of the ITA.
11	Fiscalisation	Authorised agency	up to BAM 700	depending on the agency	An agreement is signed with the selected agency for the introduction of tax systems, filling in the ZIF form taken from the website of the tax administration, certified copies of the registration decision, ID number, certificate of VAT registration and a certificate from the Statistical Office.

\*May vary within different municipalities.

\*\*Documentation for registration in the VAT system: <http://www.new.uino.gov.ba/bs/Registracija-obveznika>



Table 3. Procedure for establishing crafts in BiH

No. of steps	Activity	Institution/ Subject	Costs	Time	Additional explanation
1	Submitting an application for registration, fee included	Competent municipality	up to BAM 100*	within one day	A written request is submitted in the municipality in which the seat of the craft will be located.
2	Submitting the required documentation	Competent municipality	up to BAM 90	within one day	The documentation that needs to be submitted includes a certificate of citizenship, a copy of the ID card, a medical certificate, a certificate of no prior criminal record, a work and health booklet.
3	Obtaining a registration decision	Competent municipality		up to 7 days**	The decision is obtained in the municipality where the request was submitted.
4	Making a stamp	Printing house	BAM 30 – 50	within one day	It is necessary to enclose a copy of the registration decision, and the address of the company should be known (if the space is rented, a lease agreement should be signed and certified. For premises owned, a land registry entry should be obtained).
5	Obtaining an ID number and classifying activities	Tax Administration and Statistical Office	up to BAM 30	up to 3 days	It is necessary to enclose a completed form, a decision on registration and a copy of the ID card.
6	Business account	Selected bank	free of charge	depending on the bank, usually within one day	Documents as requested should be submitted to the bank. These are mainly certified copies of the registration decision, ID number, certificate from the Statistical Office, CIPS application form and a certified statement of non-existence of an account over which a measure prohibiting the disposal of funds has been imposed.
7	Application for employment	Competent tax office	free of charge	within one day	It is necessary to enclose a filled out JS 3100 form. In the case of an additional business activity, the craft owner is not required to submit this form.
8	Initial fiscalisation	Authorised agency	up to BAM 700	depending on the agency	An agreement is signed with the selected agency for the introduction of tax systems, filling in the ZIF form from the website of the tax administration. The form is filled in by the craft owner, the agency and the tax administration.
9	Registration for the VAT system	Indirect Taxation Authority	up to BAM 20	up to 15 days	This step is not mandatory for craft owners, but voluntary registration into the system can be done. If the annual turnover exceeds BAM 50,000, this step is mandatory.

\*Depending on the fees and procedures of individual municipalities.



In summary, several important features concerning the differences between the two legal forms in BiH should be noted. The first feature is that the time required to register a limited liability company differs significantly from the time to register a craft. The minimum period within which it is possible to register a limited liability company is 50 days, although practical experience has shown for the most part that this period takes longer. When it comes to registration of craft, the situation varies significantly across municipalities and cantons, but the time required to complete all procedures is significantly shorter and in some cases takes five to 15 days.

Another important feature is the cost of establishment. For the total cost of registration of limited liability company, some BAM 2,300 should be set aside, while these costs for establishing crafts are lower and amount to BAM 900. Thirdly, it should be mentioned that the craft owner is liable with own personal property in cases of disputed collection of payments. However, in the case of a limited liability company, the director of the company is liable up to the amount of invested capital. Fourth, the craft owner pays a lump sum income tax. In the case of an overpayment, the tax administration will refund, although there is a possibility that the amount will be transferred to the next year, thus executing a certain form of overpayment. A hampering element here is that the lump sum payment is mandatory even if the craft is not generating income. On the other hand, in the case of a limited liability company, this tax payment is exclusively income-based, and is calculated depending on the reported amount of generated income.

### **3.2. Entrepreneurship in the countries of the region and the European Union**

Good position of the observed countries on the Doing Business 2020 list is primarily based on the ease of uncomplicated procedures required for the establishment of companies. In this sense, it can be concluded that the first priority in achieving a better position of the country on this list is in facilitating procedures, reducing documentation and necessary permits, and shortening the time when establishing companies. As a result, a good position boosts not only the development of domestic entrepreneurship, but also contributes to attracting foreign investment, which, in return, brings employment growth, as well as improved business practices. Therefore, the focus on company establishment procedures within this project was viewed as the most essential factor of the business environment, highlighting the practices required for business registration. It should be noted that some of the analysed countries recognise several of the most attractive legal forms that can be registered, which includes a one-member limited liability company, a multi-member limited liability company, and a sole proprietor (craft). One of the great advantages of such divisions is the simplicity of procedures created for single and multi-member companies in Montenegro or Slovenia, where a single-member company can be fully registered through online procedures, while multi-member is subject to a number of administrative requirements. Additionally, there is a whole range of other differences that differentiate the business environment in the countries that are the subject of the analysis, as outlined in the following sections of the project.

Above all, insights into the countries in the region (Republic of Serbia and Montenegro) are outlined, followed by the practices of two selected EU Member States (Slovenia and Austria).

### *3.2.1. General overview of countries in the region in figures*

In order to portray the general state of play when it comes to entrepreneurship in the countries in the region, two countries were taken into account, namely, Serbia and Montenegro. In the Republic of Serbia, located in Southeast Europe, the estimated population according to data from July 2020 is 6,945,732. According to the 2011 Census, the number of employed is 2,304,628, mostly in processing industry (n = 396,392). According to the same data, the majority population has secondary education (n = 3,015,092), while the number of those with higher education is 652,234. When it comes to gross domestic product, its value for 2019 was 6,593 per capita, with a real growth rate of 4.2%. However, in 2020, the value of GDP decreased by 1.1% compared to 2020, which is also evident for gross fixed capital formation, where a decrease of 2.8% was recorded. Total employment at the state level for the third quarter of 2020 was 49.9%, and unemployment was at 9.0%. When it comes to the activities of business entities, it should be noted that their structure is different according to the size of the company. In 2018, the Republic of Serbia had 375,842 registered companies, of which the number of entrepreneurs was 272,969 (Republic of Serbia Bureau of Statistics, 2020).

Montenegro, on the other hand, with a far smaller population (n = 620,029), has 203,545 employed, while the largest share of the employed is most active in the field of trade (n = 39,834). As a country also located in Southeast Europe, most of the employed hold secondary education diploma (n = 104,800), and the total number of employed with higher education is 64,400. The value of GDP in the third quarter of 2019 amounted to 1,603,600 Euros, or a real growth rate of 4.7%. The total number of employed in the same year was 203,545, and the unemployed 36,693. The number of registered companies in Montenegro in 2019 was 34,707, mostly in Podgorica (n = 12,565). The classification of companies shows that small companies (with less than 50 employees) account for the largest share, with as many as 98.9%. The total number of small companies is 29,954, while 284 refer to medium-sized ones, and 48 to companies that belong to large ones by class size (MONSTAT, 2020).

### *3.2.2. Entrepreneurship environment in the countries of the region*

According to the publication *Doing Business 2020*, the Republic of Serbia has a slight advantage over Montenegro (ranked 50<sup>th</sup>) in terms of ease of doing business, as 44<sup>th</sup> on the list. Serbia owes its position to relatively easy procedures for founding companies, and this is the starting point for analysing the environment for entrepreneurship in these countries. Generally, a limited liability company can register in seven days, which includes the following seven procedures: drafting and certifying the founding act (or founding agreement) with a notary (time required: 1 day), opening a business account in a commercial bank and paying fees in the same bank (time required: 1 day), registration and obtaining the necessary certificates from the Business Registers Agency (time required: 2 days), making a stamp (time required: 1 day), registration



with the national Health Insurance Institute (time required: less than one day, can be done online), obtaining an electronic certificate usually in the form of an electronic signature or stamp (time required: 1 day) and registration of authorised persons with the Business Registers Agency (time required: 1 day, can be done online).

On the other hand, the status of an entrepreneur includes an even shorter and simpler procedure, since from 2018 this legal form can be registered online through a one-stop registration system. A person establishing this form is required to have an electronic signature, an installed electronic card reader and appropriate cards for the payment of registration fees. This registration is also done in the Agency for Business Entities by accessing the so-called centralised user login system (APR, 2021). The Agency offers detailed tutorials and videos on its website explaining the establishment of this form, with the founders having the option of paying fees online with payment cards. During the online registration process, the founders should enclose the following documentation: a single registration application, the prescribed documentation in the original or photocopy, and proof of payment of the establishment fee.

Finally, several other facilitating elements should be noted as a part of the establishment process of the two mentioned and most attractive legal forms in the Republic of Serbia. This is above all the amount of the founding capital for limited liability company amounting to some BAM 1.6, and for an entrepreneur around BAM 20. An electronic stamp or signature, regulated by the Electronic Document Law, can be obtained from five authorised bodies: the Ministry of Interior (MUP), the Post Office, the Chamber of Commerce, Halcom and E-Smart Systems. Every founder who has a chipped ID card can get an electronic document free of charge, with prior online appointment in the Ministry of Interior of the Republic of Serbia. The total cost of establishing a legal form is around BAM 200 (Doing Business, 2020).

As mentioned, Montenegro holds a solid 44<sup>th</sup> place on the Doing Business list. Much like Serbia, this country owns this ranking primarily to short and cheap procedures for founding companies. From December 2020, the process of registration of a limited liability company can be done online, via the website of the Central Register of Business Entities (eFirma portal). A necessary requirement is the possession of an electronic certificate, which is provided by authorised certification bodies in Montenegro, such as the Post of Montenegro. After creating a user account, the person establishing a one-member company fills in the registration order, that is, the registration application is done. The application is signed with an electronic certificate, after which a confirmation with the case number under which the application is administered is sent to the founder's e-mail. The status can be tracked online, and the registration decision is delivered within eight days by email or mail, depending on the founder's option chosen (CRPS, 2020). Finally, it should be noted that the Doing Business 2020 report lists preliminary procedures required to establish a company, and the costs of establishment are identical to the analysis and are applied in the case of establishing a multi-member company. Therefore, for the establishment of a company in Montenegro, the founder should set aside around BAM 180 in line with the procedures described within the publication, while in online registration, these costs are communicated only after logging on to the portal.



### *3.2.3. General overview of the European Union Member States in figures*

A basic criterion for the selection of the EU countries was lower ranking according to Doing Business 2020 compared to the observed countries in the region. Therefore, Slovenia and Austria were selected, which rank 37<sup>th</sup> and 27<sup>th</sup>, respectively. Slovenia is located in Central Europe, with the population of 2,100,126, of whom 890,542 are employed. According to 2016 data, the largest percentage of the population (29%) is in the age group of 30 to 49. Total unemployment in early 2021 was 5.1%, which is lower than in 2016, when its rate was 8%. Further, 28% of the population has tertiary education, while those with secondary education account for a total of 56%. The current value of GDP decreased by 2.6%, and its value in 2019 amounted to EUR 23,204 per capita, which is the result of business activities of 221,711 thousand registered companies in Slovenia (SiStat, 2021).

Located in the southern part of Central Europe, Austria is a country with a population of 8,851,417 according to 2018 statistics. According to the same data, 3,091,554 million have completed higher education within the population over the age of 15, which makes Austria, compared to other analysed countries, the environment with the largest number of educated ones. A slightly higher number belong to the employed population (n = 3,865,532), while the number of self-employed is 504,871. The unemployment rate is higher than in Slovenia and amounts to 6.5% (Statistics Austria, 2018). The World Bank's regular 2019 statistics show the value of GDP at USD 50,137 per capita (World Bank, 2019), while the number of registered companies recorded is 341,102 (Statistics Austria, 2019).

### *3.2.4. Entrepreneurship setting in the European Union Member States*

Companies (limited liability) in Slovenia recognise single-member and multi-member legal forms. The procedures for establishing a single-member company can be fully completed online. As for the establishment of a multi-member company, the process can be completed within eight days, in only three steps. The first is the opening of an account with a commercial bank, with the mandatory payment of the founding capital in the amount of 7,500 Euros, and obtaining a confirmation of payment. One third of the paid-in capital must be paid in cash, while the rest may have the equivalent in movable and immovable property, rights or other forms of non-financial assets. This procedure can be completed within one day. This is followed by a procedure that involves online registration of the establishment of the company with the state body for business entities (SPOT), and this document must be signed with an electronic certificate. Before visiting SPOT, the founder of a multi-member company must have a notary certification of its Articles of Association, which should contain basic and mandatory provisions. At this point, the next step is taken, which involves the founder signing the necessary documents prepared by the SPOT officer and sent to the relevant institutions in a scanned form. The last step is mandatory registration in the register of beneficial owners. This registration can be completed online and is required within eight days of registration. In accordance with the Law on Prevention of Money Laundering and Terrorist Financing, this



registration necessarily includes the submission of the names of all founders, the amount of initial capital and the tax number of the company. The total cost of founding a company is about BAM 15,000.00, but it should be mentioned that Slovenia offers wide access to financial support for entrepreneurship, through various grants, initiatives and financial support in the form of founding capital, and non-financial support, such as various types of training and mentoring (European Commission, 2019).

Establishing a company (multi-member limited liability company) in Austria is subject to procedures that cost around BAM 23,500.00. Unlike other countries, the establishment procedure starts with obtaining a certificate from the Chamber of Commerce, tasked is to determine that it is indeed a new business. This form is available in electronic format, and the procedure itself ends online and takes up one day. In the next step, the founder(s) of the company access the online notarial processing of the Articles of Association, after which it is possible to make the payment of the minimum founding capital. At the level of the local court, the company is registered (with the mandatory possession of previous documents), and then it is possible to register with the tax administration. The next step is also to approach the online procedure, which, in fact, involves the registration of the company and employees for social security. The last step of the establishment is registration in the municipality, and every municipality has its own taxes or municipal stamps. The total duration of the procedure is the longest in relation to the other observed countries and lasts about 22 days. In addition to the development of inclusive entrepreneurship, through various grants and facilitated access to associations, Austria offers exceptional support in the development of business ideas, and support in other stages of business.

## 4. RESEARCH RESULTS

The main goal of the research of this project is to identify and analyse barriers to entrepreneurship development in Bosnia and Herzegovina in order to develop recommendations how to remove these barriers. The presented research results are a combination of the following:

- Qualitative research in the form of interviews with five entrepreneurs from BiH,
- Quantitative research conducted in the form of a survey on a sample of 56 entrepreneurs,
- Qualitative research applied through interviewing representatives of relevant institutions relevant to the context of entrepreneurship in BiH.

Background information on entrepreneurs who participated in interviews is presented in Table 4, while the gender and age breakdown of survey participants is shown in Graph 1.

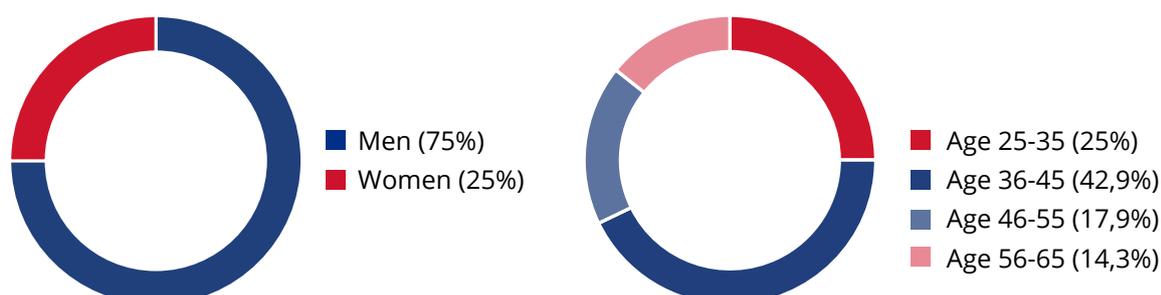
Table 4. Demographic breakdown of entrepreneurs in interviews

<b>Initials</b>	<b>City/Town</b>	<b>Company size and type</b>	<b>Position and type of industry</b>
D.T., 28	Banja Luka	small	IT/Marketing
M.R., 62	Laktaši	medium	Car Industry
N.S., 55	Gračanica	small	IT and trainings
R.K., 33	Sarajevo	small	IT and trainings
S.A., 59	Travnik	micro	IT

Percentage-wise, more male entrepreneurs than women entered the survey, or 42 men and 14 women (75% and 25% respectively). According to the analysis of the age breakdown, most respondents are aged between 36 and 45, which corresponds to the official statistics in BiH, whereby the largest number of working age population belongs to this age range.

Figure 1. Gender and age breakdown of the surveyed respondents

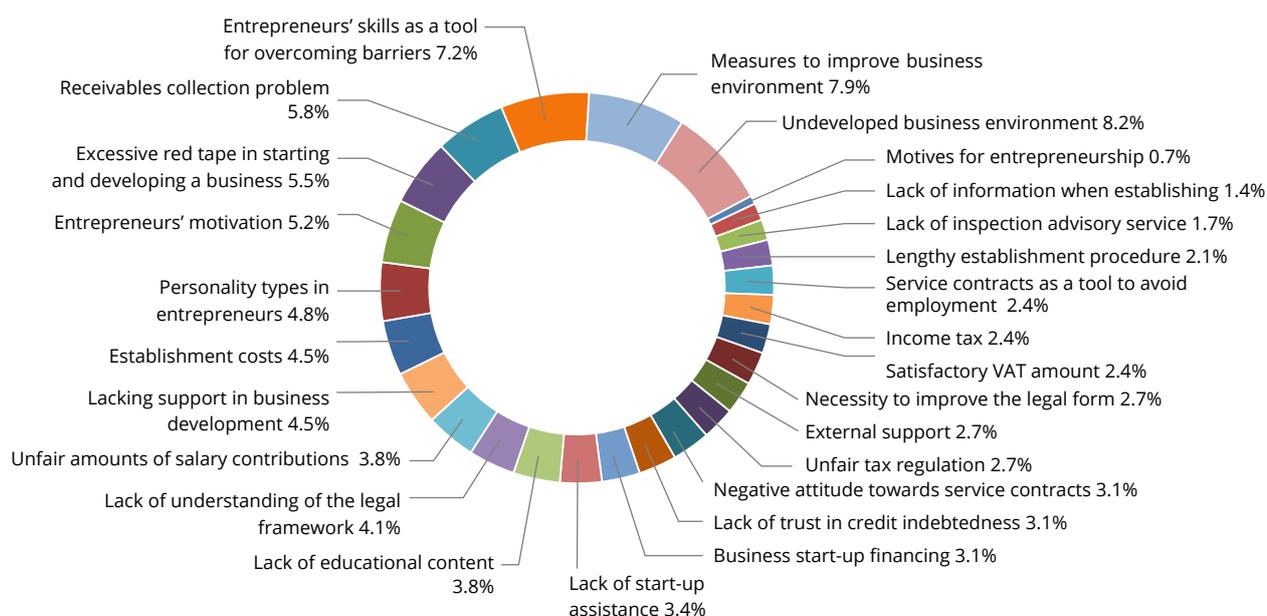
According to the breakdown of the presented sample of respondents, there are 44.6% with a university degree, 33.9% hold a master's degree, 17.9% have completed secondary education, and 3.6% of respondents have a doctorate.



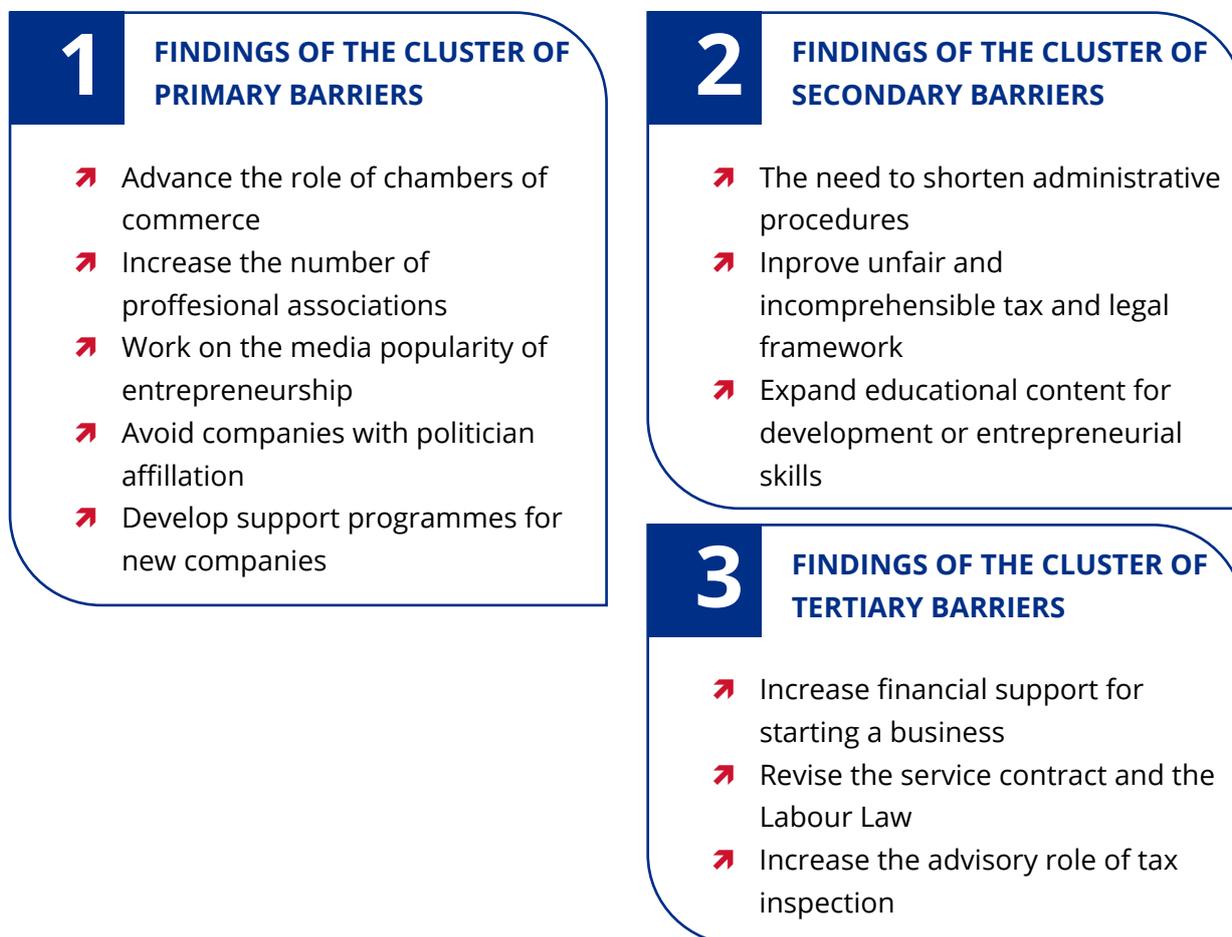
In further analysis of the demographic breakdown, respondents had the option to select the place of residence of the business. The results suggest that the majority hold residence in the Sarajevo Canton (a total of 31 respondents out of 56), and the smallest number is in the Canton 10 (n = 1) and the Una-Sana Canton (n = 1). The statistics were further expanded with information on the size of the company, where it was concluded that most companies are micro companies with up to ten employees (60.7%). Finally, the breakdown of interviewed representatives of relevant institutions should be recalled, namely representatives of local governments (municipalities Centar Sarajevo, Hadžići and Pale) and representatives of tax offices in the Sarajevo Canton and the Central Bosnia Canton.

The analysis of the data obtained through interviews served to gain insight into topics rated as the most important by the surveyed entrepreneurs, and percentages are shown in Figure 2. The analysis provided for the identification of three important clusters, namely the **cluster of primary, secondary and tertiary barriers**, with its cross-section presented in Figure 1. The primary cluster includes topics mentioned by the surveyed entrepreneurs more than 20 times, while the secondary cluster consists of topics with a repetition rate between 11 and 19. Finally, the tertiary cluster covers topics that entrepreneurs mentioned less than 10 times. The following sections explain the findings identified in each cluster of barriers, offering the main takeaways resulting from the analysis.

Figure 2. Frequency of topics in the interview process



Picture 1. Main findings identified within the barrier cluster



## 4.1. Findings of the cluster of primary barriers in entrepreneurship

The cluster of primary barriers includes topics assessed by the interviewed entrepreneurs as those of the greatest importance. Certain remarks when it comes to the business environment in BiH have been highlighted. In this discussion, entrepreneurs on their own initiative expanded this topic by giving recommendations for improving the business environment.

Generally assessed as “catastrophic” from the perspective of this research, the state of play in the business environment in BiH is the result of a myriad of problems presented through findings obtained from interviews with entrepreneurs and representatives of relevant institutions, including the results of quantitative research. The first findings highlight the need to strengthen the role of chambers of commerce, with the aim of improving the business environment. It is also likely that entrepreneurs in BiH could benefit significantly from professional associations in specific industries, currently quite limited in number.



INTERVIEW FINDING:

**The role of chambers of commerce**

In interviews, entrepreneurs believe that the experience with chambers of commerce can be significantly improved. Some of them had membership that they unilaterally terminated. One respondent argued that he had terminated membership in the chamber for he did not receive the benefits as expected.

**Where are active professional associations?**

Sarajevo-based respondent R. K. (33) stressed in particular the positive and useful experience with a professional IT association. In the association, he was given the opportunity to network with other counterparts from the same industry, and got a clear picture of the state of play in the industry. This helped him identify the market gap and direct his business activities towards building an offer that would fill that gap. Other respondents could not name a single professional association available to them in the development of their business.

Table 5. Attitudes of surveyed entrepreneurs towards the entrepreneurial environment and cooperation with institutions

Statement	1	2	3	4	5	6	7
	1 – Fully disagree			7 – Fully agree			
There is an extremely good entrepreneurial culture in BiH.	21,4 %	16,1%	25%	21,4%	10,7%	3,6%	1,8%
I often meet with representatives of the government and line ministries to discuss issues.	73,2%	12,5%	5,4%	1,8%	1,8%	5,4%	0%
II intend to establish cooperation with chambers of commerce and institutions that could help me connect with others in the market.	25%	19,6%	7,1%	19,6%	5,4%	14,3%	8,9%

The results of the survey confirm the attitudes of the interviewed entrepreneurs. In fact, 21.4% of respondents believe that the culture of entrepreneurship in BiH is at an unsatisfactory level, and a total of an additional 41.1% of answers also include poor assessments (grades 2 and 3). As many as 73.2% of surveyed entrepreneurs do not have the practice of holding meetings with ministries and government bodies, which, in fact, further ranks the business culture in BiH as unsupportive at the level of respondents who participated in this survey. Probably due to previous experience with chambers of commerce, it can be said that there is no serious intention to achieve future cooperation with chambers and other potentially beneficial institutions, which is evident in the percentage of (dis)agreement with the statement.

*Insufficiently controlled undeclared work can be singled out among additional comments that the surveyed entrepreneurs could have addressed. Another respondent stated that “if you are good, you will find a market. You can find Coca-Cola in the desert.” The third one raises the issue of workforce and believes that qualified and educated people with initiative are urgently needed. Additionally, the attitudes of the interviewed entrepreneurs presented in the following findings were identified in this cluster of barriers.*



INTERVIEW FINDING:

**Where is entrepreneurship and entrepreneurs in the media space?**

N. S. (55) wonders why the media always reports news on politics (laughs sarcastically). He continues to think out loud and says that this is the main topic in BiH, instead of constantly talking about entrepreneurship, technologies, successes of our entrepreneurs and good practices. Another respondent also believes that the media are heavily influenced by political developments, and that they should be more focused on promoting entrepreneurial stories.

**Politically tailored companies**

One of the respondents was disappointed with the management of large companies. As he puts it, political parties have a major influence and only entrepreneurs who are “splitting profits” can land jobs with these large companies, and believes that the real state of the business environment should be much better. According to another respondent, the private sector is neglected compared to the public, and the state should pay more attention to the private sector.

**Assistance to start-ups**

Interviewed entrepreneurs believe that there should be some special treatment for start-ups. They also hold that the state should help them by relieving them of payments on net salaries and other taxes in the first two years of operation. According to D. T. (28), entrepreneurs need concrete support and assistance, as well as opportunities to learn from professionals.

Comments of the surveyed entrepreneurs are provided as a supplement to the interview findings. Entrepreneurs share the common opinion that the business environment in BiH should be improved primarily through special regime for newly established companies. It should, however, be noted here that the business environment as a topic opens a significant number of problems that entrepreneurs in BiH face, the most important of which, judging by their comments, is the amount of allocations for salary contributions.

**Additional comments of surveyed entrepreneurs**

“What is missing in BiH is some incentive for start-ups. No incentive/call that has been launched so far has been of this type. General impression is that the attempt here is to avoid giving incentives to companies that have one or two employees. Projects with mentoring, resources and more flexibility are needed when it comes to conditions.”

“Start-up companies should be exempt from paying contributions and other duties for at least two years. And the inspection in those two years should be of advisory nature.”

“In any normal country, an entrepreneur, meaning, the founder of the company, has the right not to pay contributions, he doesn't even have to pay health insurance if he doesn't want to. You have to pay everything in our country and you cannot ask for a refund from the Pension and Insurance. A 10% income tax is paradise, while payroll taxes are pointlessly high.”

However, the findings of interviews with local government representatives when it comes to financial incentives for entrepreneurship to support new and existing companies should also be noted. The first impression on the support provided by local governments is that it is mostly conditioned by the actual location. More precisely, the Municipality of Centar Sarajevo

has a greater focus on more standard types of entrepreneurship such as shops, various types of services and the like, while the Municipality of Hadžići Sarajevo and the Municipality of Pale are more oriented on giving incentives to farmers due to the proximity of fertile land. The most common forms of financial assistance from the Municipality of Centar are provided through interest rate subsidies (BAM 340,000 in 2020), subsidies for contributions for trainees, and currently working on reducing the fee for display of the company's name. An additional form of incentive for 2020 was the reduction of the fee for renting business premises owned by this Municipality. The plan for 2021 is to reduce the number of awarded incentives, but increase the actual financial amounts. It is common for this Municipality to have incentive measures in the form of grants of up to BAM 2,500 for the purchase of equipment needed for the operation of the craft. At the level of the Municipality of Pale, there are some types of incentives such as exemption from the payment of lease of public space for caterers in the period from June to August 2020. For 2021, financial support for agricultural producers is planned in the amount of BAM 136,000, some of the flagship projects of the Municipality of Pale include drafting of a tourism development strategy and agricultural development strategy. Other incentive measures should also be mentioned, such as financial support for entrepreneurs and workers affected by the pandemic in the amount of BAM 265,000. Similarly, the Municipality of Hadžići is actively working to provide regular financial incentives for the development of entrepreneurship, mainly agricultural. Along these lines, in 2020, it subsidised contributions to net salaries for businesses affected by the pandemic, and ensured the reduction of the rent of construction land to BAM 38. Recent projects also include BAM 100,000 in aid for agricultural development, and continuous assistance is provided through a partnership with the Muslim Aid organisation in the form of subsidies for the purchase of livestock and the construction of greenhouses.

## 4.2. Findings of the cluster of secondary barriers

The cluster of secondary barriers comprises topics that the surveyed entrepreneurs ranked second in importance. They believe that there are specific and significant problems with the establishment of companies, administration, tax and legal regulation, business development, and the lack of education and training that would be aimed at building specific business skills. The analysis of this cluster offered three findings, which were supplemented by the results of quantitative research, and the results of interviews with representatives of relevant institutions.

### INTERVIEW FINDING: **Sisyphean task**

S. A. (59) says that even backbreaking work is better than finishing paperwork and starting a business. M. R. (62), on the other hand, says it is fine for administration to cost money, but that it does not have to be that complicated. Further, they express dissatisfaction with filling in the illogically excessive number of payment slips when paying contributions to salaries, for this takes a lot of time. They are also not clear about the need to certify documents if they are already showing the original document. One surveyed entrepreneur (D. T, 28) changed the legal form (from a craft to a limited liability company) due to limitations of legal requirements, while entrepreneur R. K. (33) was on his way to do so. Finally, respondents do not consider that the costs of establishment are high, since, as they say, they counted on that cost and that the cost as such is not a barrier for those who seriously want to do business.



Table 6. Attitudes of surveyed entrepreneurs towards the procedure of founding a company

Statement	1	2	3	4	5	6	7
Information on how to set up a company is easily accessible.	12.5%	16.1%	16.1%	23.2%	17.9%	7.1%	7.1%
It would be very good if companies could register online.	10.7%	0%	0%	1.8%	0%	1.8%	85.7%
The process of founding companies is too lengthy and too complicated.	0%	3.6%	12.5%	7.1%	14.3%	17.9%	44.6%

The findings firstly point to problems in terms of red tape in general and the procedures for founding companies. In the survey stage, respondents evaluated claims concerning the company formation process. As can be seen in the percentages in Table 6, it is clear that these are mostly negative experiences that entrepreneurs had during the registration of the desired legal form. The biggest support was extended for the introduction of online company registration (85%). Further, the surveyed entrepreneurs had the opportunity to select those options that were the biggest hurdles for them in starting their business. The results presented in Figure 10 show that the number one problem arises with the lack of information about the procedures for founding a company, which is identical to the findings offered on the basis of interviews. It is also clear that entrepreneurs mostly relied on their own resources when founding the company, and this represented an additional barrier for them to start their own business.

However, mention should be made of the process of registration of crafts and related activities, which is the responsibility of local governments. As the interviewed representatives of the municipalities point out, these procedures are very short in time and last from two to seven days. Also, these depend on the Law on Crafts and Related Activities, which also deals with the documentation required for the registration process. When asked whether they consider that certain documents are not needed, it was concluded that there is room for exclusion of certain documents such as a certificate of legal capacity (specifically, in the Municipality of Centar in 2020 there were only ten individuals who lost legal capacity. One of the respondents believes that obtaining this document can be excluded from the mandatory documentation, especially due to the fact that social welfare centres submit lists of persons who have lost their legal capacity). Finally, it should be mentioned that local governments develop and submit regular initiatives to the legislature, and the latest initiatives concern the amendments to the Law on Crafts, which, in their opinion, requires improvements.

Figure 3. The biggest obstacles in founding a company



Entrepreneurs had a chance to leave their comments in this part of the survey as well. All the problems that have already been noticed in the interview process are observed here alike. In summary, these refer to the slow administration and complexity that accompanies these processes, as well as insufficient information. Another problem highlighted is the lack of financial incentives for start-up companies, which are mainly supported from own funds, savings or borrowing.

#### Additional comments of surveyed entrepreneurs

“The most challenging part is the regulation as to who can open what. You can’t open an IT company if you went to economics high school. Total nonsense.”

“You have to physically go to too many addresses, submit a request, wait in line, come again and pick up the decision, which should instead be completed in one place with the online submission of the request.”

“What was missing for me is an address where I could find everything I needed to know.”

“It is a major problem to find start-up capital. Usually it comes down to borrowing money from someone in the family. Banks do not listen to start-up companies. There are no funds. Projects and programmes provide insufficient funds. Capital is the number one problem for start-ups.”

“Too slow administration, too many unnecessary and expensive certificates and decisions.”

“There is not enough information, complicated procedures. Civil servants are unprofessional and arrogant.”

Further analysis revealed two additional findings. The first refers to barriers in terms of tax and legal regulation, and the second to the need for more educational content focusing on the development of entrepreneurial skills.



INTERVIEW FINDING:

**Unfair and incomprehensible tax and legal regulation**

Respondents argue that they constantly face the problem of mandatory VAT payment in cases of uncollected receivables. They do not see the point in collecting claims through the courts, as court proceedings take too long. However, two respondents also had different experiences through years of work. One says he has clear rules and will not do anything without an advance payment of 50% in his account. The second, far more experienced, does everything to check the creditworthiness of the client. He would often find new jobs for the client who owes him, with the sole aim of collecting his outstanding payment and improving the liquidity of the debtor. They also say that contributions on salaries are unreasonable, and that they would rather not hire or pay themselves salaries to avoid paying contributions. D. T. (28) argues that all laws are incomprehensible, especially for those who are just entering business. Other respondents are of the opinion that the problem is that different institutions interpret the same thing differently, and that it is often not possible to get a clear answer, believing that support in this area is very poor. They think it would be good if the information could be obtained in one place. Respondents generally did not receive any form of assistance, except for one respondent, who took advantage of incentive measures offered by the Employment Office (recruitment of new staff) and the municipality's credit line by subsidising the interest rate for the purchase of office space.

Considering that significant remarks were noticed in the interview on the amount of contributions to net salaries, and the problem of paying VAT on the basis of uncollected receivables, the survey also covered these topics. The results show that the amount of liabilities calculated on net salaries represents a barrier not only for new employments, but also points to the fact that this slows down economic development and macroeconomic indicators.

*Table 7. Attitudes of entrepreneurs towards contributions and VAT payments*

Statement	1	2	3	4	5	6	7
One of the leading problems in business development is the amount of contribution to the net salary.	0%	3.6%	0%	7.1%	12.5%	19.6%	57.1%
The amount of net salary obligations is limiting in hiring new people.	0%	0%	1.8%	10.7%	10.7%	21.2%	53.6%
VAT payment on unpaid receivables is extremely unfair to my business.	1.8%	3.6%	1.8%	0%	1.8%	3.6%	87.5%

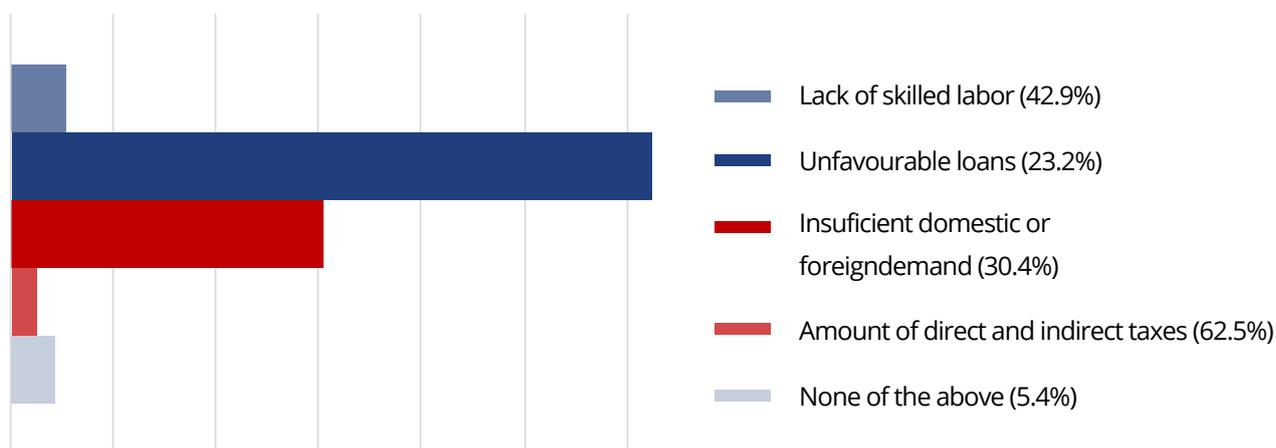
These results were followed up by the attitude of 57.1% of respondents who were faced with the situation of enforced collection of receivables, but gave up due to court proceedings, which is also indicative of a sluggish administration, in need of urgent relaxation. Although 82.1% of respondents believe that the amount of VAT in BiH is at a satisfactory level, 66.1% believe that contributions to net salaries should be adjusted to the size of the company (smaller company, lower contribution rates). Moreover, as many as 58.9% of respondents applied an employment contract with the aim of avoiding employment burdened with the payment of high contributions. It is certainly worth noting the comments made by the entrepreneurs regarding the mentioned barriers.

**Additional comments of surveyed entrepreneurs**

“Duties towards the state are surreal, considering that the state does not give anything in return, does not protect the entrepreneur and his business with legal regulations. It allows unfair competition. Inspection controls are another fundraising mechanism in the state budget. Pure racketeering.”

The amount of direct and indirect taxes being a significant barrier in business is also shown by the entrepreneurial choice of factors with the greatest negative impact on business development. The next in line is a lack of skilled labour, which actually confirms the findings obtained within the three barrier clusters. Figure 4 presents these results.

Figure 4. Impact of various factors on business development



Here, the views of the interviewed representatives of tax offices should also be emphasised. It should be noted that in their work they encounter many types of violations, the most common being the reduction of the amount of net salaries in order to pay as little contribution as possible. There is also the problem of overuse of employment contracts, which has also been identified as an area in need of revision.

### What do the representatives of the tax offices say?

Representatives of tax offices point out that there are various forms of violations, most refer to those employers who attempt to report lower bases on which mandatory contributions are calculated. In other words, reduced amounts of net salaries are shown, in order to reduce allocations for contributions. Certainly, respondents are aware that the difference in the rest of the salary is paid in an agreement between the employee and the employer. Although this form is the most common, respondents stress that it is a hidden form of criminal offences, which is very difficult to prove without the support of an employee who is in such a situation. Another common type of minor offence is the excessive engagement of employees under the principle of employment contracts, where lower contribution rates are prescribed, thus reducing the amounts that must be paid to the state. One of the solutions that can be used as a prevention of these phenomena is the calculation of different bases for different qualifications of employees (e.g. the lowest base for unskilled workers). In this way, as it is claimed, the employer would have the space to pay the unskilled worker a higher amount of net salary. Other types of offences mentioned by the respondents include undeclared work, non-recording of transactions on the fiscal account, and performing activities for which the company is not registered.

In the further analysis, the attitudes towards the legal regulations were looked into, so as to find that as many as 55.4% of the surveyed participants unintentionally violated the law due to insufficient information. Their other views on the issue are presented in Table 8, which point out that there is insufficient support in BiH for assistance in interpreting the legal framework. It is also indicative that companies mainly rely on the knowledge of accounting agencies or other forms of assistance in understanding the legal framework, which actually identifies an additional recommendation whereby entrepreneurs should be rather cautious when it comes to their selection

Table 8. Attitudes of entrepreneurs towards understanding and applying the law

Statement	1	2	3	4	5	6	7
One of the leading problems is the inability to acquire knowledge of all laws.	0%	3.6%	5.4%	23.2%	14.3%	17.9%	35.7%
When interpreting the law, I commonly rely on accounting agency or accounting manager.	3.6%	5.4%	0%	3.6%	10.7%	17.9%	58.9%
Legal and other procedures for hiring and firing workers are highly complicated.	1.8%	7.1%	12.5%	21.4%	10.7%	8.9%	37.5%

As a last finding within this cluster of barriers, it was concluded that entrepreneurs in BiH mainly rely on their own designed development and improvement of the necessary skills. In this regard, it is indicative that the development of the business environment should include avoiding situations where entrepreneurs rely on informal sources of education, and are in need of an environment of learning and development through specialised and mostly free education. As shown in Figure 5, entrepreneurs have the greatest need for training in writing projects, business or marketing plans.



INTERVIEW FINDING:

**Self-taught entrepreneurs**

S. A. (59) shares own experience with trainings and educations, arguing that not much was even offered unless you pay. The offers he constantly receives by e-mail are boring. R. K. (33) believes that he is doomed to own resources because he has not attended or heard of a useful form of education so far. And M. R. (62) confirms the above, and says that it is all theory, and nothing concrete. However, as D. T. (28) says, and is further confirmed by N. S. (55), concrete and interesting trainings where something can be learnt are necessary. Their educational background was additionally examined, where it was concluded that formal education did not help them in the development of their careers, and that they mastered and learned everything on their own.

Figure 5. Identified needs for trainings



When it comes to formal education, 41.1% of surveyed entrepreneurs believe that it helped them develop their business, while 16% of them absolutely do not advocate this attitude (rated 1 and 2). A total of 39.3% went through trainings related to market research or writing business plans, or in other words, a significant number of them (60.7%) never attended a similar type of training, which is expressed through their attitudes regarding the need for additional types of learning. The most appealing is the need to know how to write a project, business or marketing plan, which can perhaps be tracked back to the desire to apply for various grants. One should certainly ask why the need to acquire knowledge of market research is ranked as second, since the basic purpose of almost every company is to satisfy the needs and desires of its end users. Instead, as can be seen, preference is given to acquiring skills of writing projects and business plans. Respondents have the least need for education in the field of legislation.

### 4.3. Findings of the cluster of tertiary barriers

In the process of deriving the findings from the tertiary barriers, it was initially concluded that a significant part of them overlapped with the barriers and findings given for the previous clusters. Findings not observed in the form of repetition relate to attitudes regarding credit indebtedness, and the need for tax inspections to have a more pronounced advisory role.

#### REPEATED FINDINGS

Respondents reiterated the problems related to starting a company, claiming that the procedures are complicated and time-consuming. Again, they stress the need for support in this process, emphasising the need for information to be in one place. The need for centralised information was observed in all later phases of business. They also repeat the problem of paying VAT when invoices are not collected, and the need to change the legal form (from trades to limited liability company) due to the limitations of the Law on Crafts. Respondents also claim that formal education was of no help, and that they mostly rely on accounting agencies when in legal and tax doubts.

The sample of interviewed entrepreneurs financed their businesses from their own funds, and has no inclination towards credit borrowing. Also, the surveyed entrepreneurs did not base their establishment of companies on loans, partly due to mistrust, and partly to unadjusted interest rates for business development. In this regard, they financed their businesses mainly from their own funds (78.6% of them), and generally do not have the practice of borrowing.

#### INTERVIEW FINDING:

##### Undesirable credit indebtedness

The respondents financed the establishment of companies exclusively from their own funds. Even in the later stages, they did not use credit funds, nor did they intend to because of the high interest rates. Nevertheless, M. R. (62) sometimes reaches for loans, but short-term, because he wants to get rid of the debt as soon as possible. N. S. (55) argues that his loans and interest rates destroyed his previous business and he is now absolutely against credit indebtedness.

#### FINDING 2:

##### What is the purpose of the service contract and how does the Labour Law help?

The attitude of one respondent towards the service contract is that it is used only in case of some certain deviations. Two respondents believe that such contracts are being abused and that it is a well-known tool for avoiding paying contributions on salaries. Still, there are attitudes that a service contract is the best thing for his business. One respondent says that the Labour Law of the last century protects workers the most, and that it should benefit all parties to the arrangement. M. R. (62) also has a negative attitude, as the Labour Law allows his worker to take annual leave of almost one month, and there is no one to replace him. The other respondent is not clear why the gross amount of salary must be stated in the contract, as this takes time due to the calculation of contributions. Furthermore, they say it is unclear, especially for those just entering the business.



On the other hand, the survey concluded that 58.9% of entrepreneurs preferred to resort to concluding employment contracts in order to avoid employment and payment of contributions to net salaries. In fact, 66.1% of them believe that contributions to net salaries should be adjusted to the size of the company, and that the state should create modalities according to the size of legal entities. This finding is in line with the findings of interviews with representatives of tax offices, who in their work mostly encounter situations in which company owners very often resort to defining the minimum wage in order to reduce the level of contributions. According to the interviewed respondents, the phenomenon of reporting the minimum wage is more pronounced in the Central Bosnia Canton, where tax controls have observed only a handful of companies that register their employees on full salaries.

The last finding of the interview is the need for inspections to strengthen their advisory role. Some of the views were highlighted by the following finding, while the survey examined the claim against the usefulness of inspections.

FINDING 3:

**(Un)usefulness of inspections**

I mind that the inspections come at their discretion, unannounced, says of one of the respondents. One gets the impression that it all depends on the inspector whether he will sanction you or not. It was also pointed out that, although not welcome, occasionally inspections can prove useful because they point out irregularities in the work. It would certainly be good to know that they come on a certain date, because, as one of the respondents says, he would then try to keep everything in order.

The statement that inspections can be useful was generally assessed as incorrect, as a total of 59% of respondents gave a grade between 1 and 3 (grade 1 = 28.6%, grade 2 = 17.9%, grade 3 = 12.5 %). Absolute usefulness was assessed in a sample of 5.4% of respondents. Additional opinions of respondents focus on administrative and legislative barriers.

**Additional comments of surveyed entrepreneurs**

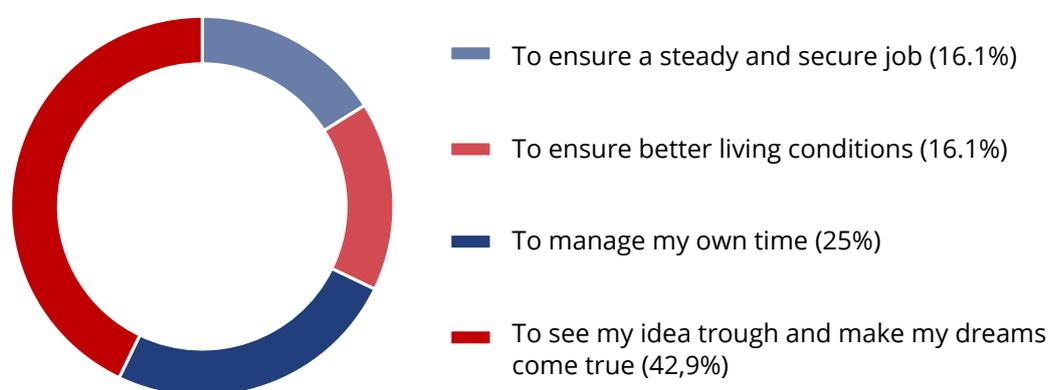
“People don’t need theories about business plans, and so on, as they are too stubborn. They need a place where it says which paper they need to get, which door to knock on and how much do various certificates cost. The rest, unfortunately, they learn following the principle that when I get burned I will know, but, miraculously, it does a good job.”

“Better information on international trade laws, as we are a small market and it is necessary to work globally, however, we have no consulting houses or legal staff that can support or draft an international agreement or advise us on payments and opportunities. It is very difficult to find experts in international trade in our country.”

## 4.4. On personal traits of surveyed entrepreneurs

As mentioned, the survey was conducted on a sample of 56 entrepreneurs from Bosnia and Herzegovina online. After evaluating the previously presented claims, the last part of the survey aimed to gain a deeper insight into the experiences towards the support they had, personal characteristics, and motives for starting a business. According to the results, 33.9% of respondents had the absolute support of their primary or secondary family when founding the company. Given that 78.6% of them consider themselves to be naturally motivated persons, the previous result is not surprising. Also, 17.8% of respondents rated this statement with grades 5 and 6, and two respondents with grades 3 and 4. So, one of the conclusions derived is the possibility that one of the important prerequisites for entrepreneurship in BiH is the ability of self-motivation, as corroborated by scientific research in this area. That the motives can have different roots is also supported by the following figure, which highlights those motivational processes that directed entrepreneurs towards starting a business the most. This analysis was supplemented by the comments of the surveyed entrepreneurs.

Figure 6. Motives of surveyed entrepreneurs to start a business



### Additional comments of surveyed entrepreneurs

“Entrepreneurship is the best tool that allows you to express yourself creatively, to be free.”

“My personal motive only gives me the option of one choice. So my motive was also to provide myself with a secure and steady job, to provide better living conditions and to manage my time. When you have those goals ... the idea is born on its own!”

“There are more motives, but the basic one is to implement the right business policy and then enjoy all forms of results. Financial aspect is perhaps the least important and comes only at the end.”





In addition to the expressed motivation, it is concluded that the surveyed entrepreneurs have a tendency towards flexible and leadership behaviour, which includes the ability to successfully delegate tasks and manage people. Further, 37.5% of respondents believe that they have absolutely flexible behaviour (grade 7), and 28.6% think that their flexibility can be assessed with a grade of 6. A total of 41.1% of them gave a grade of 7 for the next statement on expressed ability to delegate and manage people.

## 5. CONCLUDING REMARKS AND RECOMMENDATIONS

Bosnia and Herzegovina is a country facing the task of creating an improved business environment with the aim of increasing the number of both domestic and foreign companies. This entails a whole set of preconditions, the most important being a change in the legislative framework. Adaptation of the Law on Crafts and Related Activities is certainly a priority, through the application of those modifications as offered within the presented findings of the Project. In this set of changes, it is necessary to take into account the comparison with the analysed countries, shown in the following table, which gives a strong impression that BiH in this set of changes must address the issue of how to ease the procedures for establishing companies.

*Table 9. Basic indicators when establishing companies in BiH compared to other countries*

<b>Indicator</b>	<b>BiH</b>	<b>Serbia</b>	<b>Montenegro</b>	<b>Slovenia</b>	<b>Austria</b>
Population	3,531,159	6,945,235	622,303	2,100,126	8,851,417
Number of registered companies	35,077	375,842	34,707	221,711	341,102
Costs of company establishment*	2,300.00	200.00	180.00	15,000.00	23,500.00
Amount of share capital	1,000.00	1.00	0.00	14,500.00	19,500.00
Time required for establishment	at least 2 months	7 days	12 days	8 days	22 days
Existence of single-member limited liability companies	NO	NO	YES	YES	NO
Online registration for single-member limited liability companies	NO	NO	YES	YES	NO
Number of establishment procedures	11	7	8	3	8
Digitisation of processes through online applications	NO	YES	YES	YES	YES
Active use of electronic certificate system	NO	YES	YES	YES	YES
Ease of business ranking**	90/190	44/190	50/190	37/190	27/190

\*Shown in BAM, as approximate costs due to the possibility of price variation.

\*\*According to *Doing Business* 2020 list.



Procedures for establishing companies are burdened by heavy administration and insufficient information. However, in order to have adjustments, the adaptation of legislation remains the top priority. The changes necessarily include the re-launch of activities on the introduction of electronic signature; to this end, the relevant law at this stage has been returned for modifications and compliance with EU standards. Further, access to information can be another priority that would place BiH in a better position in countries where ease of doing business is at a satisfactory level. Therefore, one of the recommendations, arising from the research of this project, is to launch initiatives for the introduction of a centralised information system, in addition to the necessary obligation of the legislator to turn his attention from political topics to entrepreneurial ones. Highlighted recommendations are summarised to address the findings identified in the three barrier clusters. In this regard, recommendations have been created for the legislature, entrepreneurs and local governments in Bosnia and Herzegovina.

## RECOMMENDATIONS TO THE LEGISLATIVE AUTHORITY

### **Improving the work of chambers of commerce**

Should Bosnia and Herzegovina seek to work on the development of entrepreneurial culture, one of its focuses should be on changing the established practices of chambers of commerce and other associations so as have the capacity to support. This, in the first place, includes strict control over the defined, adopted and implemented work programme, with the mandatory application of measurable indicators. Further, chambers of commerce should be one of the most relevant sources of information on the state of the economy. To achieve this, their role should be focused on regular collection (or retrieval) of data and reporting on the state of the economy. Based on these reports, chambers can determine the content of education and training they can offer to certain industries, eliminating inefficient existing programmes, which fail to provoke a positive reaction from end users (entrepreneurs). Although a solid number of organised trainings and educations can be seen in the work of chambers of commerce, chambers of commerce should be focused on the analysis of entrepreneurial needs. Regular surveys of members would make it very easy to conclude which trainings and educations should be organised and how. In addition, there should be expert control over the content carried out, taking into account the quality of the content rather than the form. Comparing the narratives of the surveyed entrepreneurs and the existing offers of the chambers of commerce, there is a clear imbalance between their needs and the offer created. Therefore, the focus on more concrete and quality work programmes is of great importance not only for entrepreneurs, but for popularising the role and the work of chambers of commerce.

### **Creating a more conducive environment by following a benchmark approach**

Following the benchmark approach mentioned earlier, Bosnia and Herzegovina must create and brand its own environment as a conducive place for start-up companies. The most realistic and easiest way is to urgently amend the Law on Crafts and Related Activities, as follows:

- Deletion of Article 10 (special conditions), whereby it is not possible to register a craft if the founder does not have the appropriate education background;



- Eliminating the measure not allowing craftsmen to import and export, since they have no possibility of obtaining a customs number. Current rules regulate that imports and exports can only be done through intermediaries, which inevitably raises the price of the final product;
- Correction of Article 30 (Liability of craftsmen) in such a way that in case of asset seizure, the craftsman is liable with the property of the craft, and not with his personal assets;
- Linking the contribution base to turnover, instead of the average amount of net salaries at the state level. The contribution base may also be linked to GDP or employee growth/decline;
- Abolition of taxes on display of the company's name (this initiative has been launched).

### **Relieving administrative burden through web services and digitisation of archival material**

Further measures impose the need to relieve the administrative burden, in order to be able to ensure the possibility of online registration of crafts, and shorten the time and paperwork for the establishment of limited liability company. In order for the state to achieve this, it must start implementing two main activities. This is firstly linking institutions into central register (so-called web service) and the digitisation of archival material. Thus, the process of registration of new crafts and other legal forms could be completed in one place, since the institution performing the registration has access to data within other institutions that issue the documents required for establishment. Secondly, in order for the online registration system to deliver on its purpose, BiH must complete the already started activities on the introduction of electronic signatures. This process should be completed with ease of access to all documents required for registration, as well as provide ongoing support for frequent questions from new founders.

### **Creation of a culture of subsidies**

Due to the lack of a healthy economy, practical experience shows that a significant number of entrepreneurs face major challenges as a result of uncollected receivables. In BiH, there is no public impact of positive practices aimed at raising awareness of the harmful consequences that companies can have with the delivery of goods and services without invoices collected. This is partly due to inexperience, partly to an undefined payment policy, and partly to the lack of awareness of risky business and disputed claims. In order to create such a culture, relevant institutions (e.g. chambers of commerce) and professional associations must campaign to raise awareness of the benefits of not doing business that have the potential for uncollected receivables. In that sense, campaigns can promote an approach and culture that requires that no work is started without the payment of a part of the invoice, rather than having a unilateral act of doing the work without a part of the payment. Special training of experts in this field, and especially advisory support in terms of taking steps to collect receivables, can be very useful, as evidenced by the experiences of surveyed entrepreneurs.

### **Correction of the Law on Contributions and the related Rulebook**

The legislature body of Bosnia and Herzegovina needs to amend the Law on Contributions



and the Rulebook on the Method of Calculating and Paying Contributions. According to research, only two countries in the world have higher amounts of social contributions of workers than BiH (33.5%), namely the Democratic Republic of Congo and Romania (35%), while the European average is 13.24% (FBiH Employers' Association, 2018). It would be logical to expect a reduction in the base for calculating contributions, and the creation of modalities of different bases according to the age and size of the company. The legislature should also address the revision of the Labour Law. It is clear that this is a major challenge, which in the first phase should explore all its shortcomings, both from the perspective of workers and entrepreneurs alike. According to the respondents', ways of calculating salaries and using annual leave should be considered. The Labour Law itself must not be to the detriment of either party. Therefore, it is very important to investigate in detail the practical experiences of all signatories to these agreements, so that it is based on fairness. The impacts of changes could bring a myriad of benefits, the most notable being a signal of positive changes in BiH society. As one respondent points out that the state does not care about the private sector, this may be a form of announcement that the legislature is in fact interested in a healthy and accelerated economy, and encouraging a culture of entrepreneurship. Finally, the revision of the legislative framework should be accompanied by an improvement in the work of tax controls. Regardless of which tax controls are involved, they should be organised in a systematic and objective manner. In this regard, it is suggested to apply the same treatment to all companies, with a focus on well-communicated regular controls that entrepreneurs will be familiar with. It is also important to strengthen the consultative role of tax inspectors, thus detaching themselves from the existing perception that tax control is a problem for the entrepreneur.

### **Introducing a centralised information system**

One of the leading problems that occurs not only during the registration of any legal form, but also during the business itself is the lack of information regarding legal procedures and possible changes. The surveyed entrepreneurs, although they rely on the knowledge of accounting agencies, still very often cannot get the necessary information instantly, and even when they do, such information often tends to be incorrect. Therefore, the legislature must increase the visibility of this data through setting up and implementing a centralised information system, as a system that would collect and inform the entrepreneurial public in one place (online), and serve as a support for all legal, tax and company registration issues in BiH.

## **RECOMMENDATIONS TO ENTREPRENEURS AND LOCAL GOVERNMENTS**

### **Establishment of professional associations**

The work of chambers of commerce is regulated by the Law on Chambers, adopted by the Parliamentary Assembly of Bosnia and Herzegovina, which is indicative of the strong influence of an otherwise complicated political system. Whether it is possible to increase the efficiency of chambers of commerce is not a question to which a simple answer can be given. For this



very reason, another question should be asked, and it concerns alternative options that would be an adequate replacement for the role played by chambers of commerce. As the respondent R. K. (33) stated, he received the greatest aid from a professional association in the field in which he works. Therefore, a strategy of bypassing and finding other alternatives would be the only possible solution. This solution requires active involvement of entrepreneurs from a certain industry with the aim of establishing associations on the principle of one industry – one association at the level of the whole of BiH, in order to allow equal access to all companies and a more active relationship with local governments. Sustainability of professional associations is possible not only through payment of membership fees and active work on projects that promote and improve the work of a particular industry, but also through financial incentives that can be provided by local governments. On the other hand, it is necessary to have a strong informal entrepreneurial networking between younger and newly established companies, rather than the mature one, which would be ready to launch initiatives aimed at more active work of chambers of commerce. Given that this type of pressure does not exist, it is logical to expect the chambers to maintain the status quo. Only voiced demands and constant initiative can lead to significant changes, which will be in the function of improving the business environment.

### **Building individual entrepreneurial responsibility**

In addition to the presented recommendations, a special recommendation created by the representatives of tax offices is added. In this regard, they stressed the importance of individual responsibility towards creating a more favourable business environment and knowledge of the legislative framework. In order for entrepreneurs in our country to adhere to all legal procedures, one of the most important recommendations is to find adequate persons who will interpret the existing laws and regulations that need to be complied with for the needs of entrepreneurs. In this regard, every entrepreneur should be aware and well familiar with the agency or manager in charge of taxes. Their recommendation is that they should rely on those sources that they know have adequate knowledge and are, more importantly, up to date with tax regulations. In fact, it was concluded that this recommendation is of great importance due to the fact that tax offices often encounter unintentional violations of regulations, mainly due to ignorance of legal regulations. Therefore, continuous education and active engagement of entrepreneurs are necessary tools in removing barriers to the development of entrepreneurship, and one of the important prerequisites for a vigorous and prosperous Bosnia and Herzegovina.



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# ANNEXES

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## *Annex 1. LIST OF RESOURCE NETWORKS FACILITATING ENTREPRENEURSHIP IN BOSNIA AND HERZEGOVINA*

### **1. FACILITATING ENTREPRENEURSHIP IN BiH**

There are several formal institutions at the level of Bosnia and Herzegovina, seen as assistance available to entrepreneurs based on the activities they undertake. These primarily include chambers of commerce, the FBiH Ministry of Economy, centres for entrepreneurship within chambers of commerce, centres for entrepreneurship within local governments, and other associations. Due to their division, certain institutions at the national level are available at the level of the FBiH, some at the level of BiH, and some at the level of Republika Srpska. For example, existing chambers of commerce can be categorised into chambers of commerce in the FBiH (12 chambers registered), Republika Srpska (six chambers registered), and the Brčko District Chamber of Commerce (one chamber registered) (Foreign Trade Chamber, BiH, 2021).

More concrete support for the development of entrepreneurship, through the activity of the chambers, is best reflected in the centres for entrepreneurship. When it comes to the levels of local governments, entrepreneurs have assistance available in registering a company thanks to the guides available on websites of local governments. Here, Centar Sarajevo Municipality and its Entrepreneurship Service stand out as a prominent example. Expert associates of this Service provide information regarding support, credit lines, and self-employment programmes (Centar Sarajevo Municipality, 2021). A good example of incentives for entrepreneurs is the one concerning programmes of the Novo Sarajevo Municipality. In this regard, initiatives have been taken, such as allocation of funds to support setting up and business start-ups in October 2020. In addition, one of the programmes offered incentives for the purchase of business premises and equipment by financing interest rate through a selected commercial bank (Novo Sarajevo Municipality, 2021).

Notably, at the FBiH level, there is the FBiH Ministry of Development, Entrepreneurship and Crafts, composed of different sectors in its structure, such as sectors in charge of development, entrepreneurship, crafts, and the legal and financial sector. One of their latest activities from 2020 is the adoption of the Draft Law on Entrepreneurial Infrastructure, aimed to provide infrastructural space at affordable prices through entrepreneurial zones (FBiH Ministry of Development, Entrepreneurship and Crafts, 2021). Further, ministries of economy are found at the cantonal level, each with its own competencies, activities and work programmes. At the level of Republika Srpska, the Ministry of Economy and Entrepreneurship is set up. In early 2021, this RS Ministry disbursed more than eight million BAM as an incentive to increase the

salaries of workers. A similar initiative was noted at the level of the Sarajevo Canton with the launch of a public call for the allocation of funds to finance a part of the minimum monthly salary for June and July 2020.

It is important to mention other forms of assistance and support to entrepreneurship in BiH. Among more active associations is the *Intera* business incubator; one of its goals is to encourage individuals to develop entrepreneurial ideas, through assistance in writing business plans, free use of workspace, and mentoring in the development of business ideas. A similar type of support is provided by the Startup Studio, available at three addresses in Sarajevo, Banja Luka and Bihać. This Studio also offers information regarding access to various grants and legal assistance at all business stages. Finally, another noteworthy mention is HUB387, focusing on renting coworking space and networking between members of this association.

## 2. RESOURCE NETWORKS IN BiH

Desk review, required for this project, also addressed the identification of resource networks in the country. Resource networks are understood to include institutions, agencies, and other associations available to BiH entrepreneurs as a form of financial, infrastructural, or consulting assistance. When it comes to their forms of ownership, a distinction should be made between public and private. The leading public institutions available to entrepreneurs, as identified in desk review, are as follows:

- **FBiH Ministry of Development, Entrepreneurship and Crafts** – initiates activities of importance for the development of entrepreneurship through various types of consulting, promotional and financial incentives, and launches initiatives related to improving the business environment.
- **BiH Ministry of Foreign Trade and Economic Relations** – responsible for foreign trade and customs-tariff policy of BiH, used by entrepreneurs as a normative framework in creating international bids. Although not focused on providing financial incentives, the Ministry is responsible for the development and promotion of entrepreneurship both in the country and abroad.
- **Employment services** – as public institutions, provide financial incentives on an annual or semi-annual basis for employment through subsidising net salary contributions.
- **Ministry of Economy and Entrepreneurship of Republika Srpska** – the most important activities include support for the construction of entrepreneurial infrastructure, and planning and implementation of procedures related to incentives targeting development and promotion of entrepreneurship. The Ministry also supports the development of women’s entrepreneurship in the context of their eligibility for the allocation of funds from the European Union and is working on the continuous forming of databases and registers in the field of entrepreneurship.
- **Chamber of Commerce of the Federation of BiH** – the Chamber consists of a total of 12 chamber networks, including the Chamber of Commerce of the Federation of Bosnia and Herzegovina (Sarajevo office), the Chamber of Commerce of the



Federation of Bosnia and Herzegovina (Mostar office), the Sarajevo Canton Chamber of Commerce (Sarajevo office), the Chamber of Commerce of the Tuzla Canton (Tuzla office), the Chamber of Commerce of the Una-Sana Canton (Bihać office), the Chamber of Commerce of the Zenica-Doboj Canton (Zenica office), the Chamber of Commerce of the Bosnia-Podrinje Canton (Goražde office), the Chamber of Commerce the Posavina Canton (Orašje office), the Chamber of Commerce of the West Herzegovina Canton (Posušje office), the Chamber of Commerce of the Canton 10 (Livno office), the Chamber of Commerce of the Central Bosnia Canton (Jajce office) and the Chamber of Commerce of the Herzegovina-Neretva Canton (Mostar office). The most frequent activities of the chambers of commerce are in organising business information and training aimed to provide certain knowledge to entrepreneurs.

- **Chamber of Commerce of Republika Srpska** – this Chamber is composed of its regional chambers, namely: Regional Chamber of Commerce Banja Luka, Regional Chamber of Commerce Doboj, Regional Chamber of Commerce Istočno Sarajevo (Pale office), Regional Chamber of Commerce Trebinje and Regional Chamber of Commerce Bijeljina. Similar to the counterpart FBiH Chamber, the Chamber of Commerce of Republika Srpska focuses its work primarily on consolidating business information available to members and organising professional training sessions and panel discussions on topics of interest to entrepreneurs
- **Brčko District Chamber of Commerce** – the Chamber, much like its counterparts, does not provide access to financial support for various grants. Instead, its work is focused on providing assistance in addressing the need for different types of information regarding the initiatives it takes and providing training or education according to the needs of entrepreneurs who are members of the chamber.
- **Local governments** – part of the qualitative research was conducted with the representatives of local governments, where, in the context of identification of resource networks, it was concluded that some governments have specially organised centres for entrepreneurship. In addition, the most important role of local governments when it comes to entrepreneurship is that they represent the starting point in formally setting up a craft. Local governments provide information and carry out establishment procedures, and thus have an insight into the number of established crafts at the level of their municipality. Unlike chambers of commerce, all local governments have regular programmes of financial incentives directly through their departments for the economy or a specially formed department in the form of centres for entrepreneurship. In general, professional associates of these departments provide information on the establishment of crafts, credit lines, and self-employment programmes. However, it should be noted that the support provided by local governments is largely conditioned by its location. More precisely, the support provided by municipalities depends on the activities of crafts registered at its level. Thus, for example, the Centar Municipality focuses on the typical entrepreneurship types, such as shops and various types of services, while Hadžići and Pale are more oriented towards giving incentives to farmers, due to the proximity of fertile soil. Some standard types of incentives provided by

local governments include interest rate subsidies for the purchase or furnishing of business premises, contribution subsidies, internship subsidies, reduction of fees, and the provision of grants for the purchase of equipment for trades. Finally, it should be noted that every entrepreneur should independently research the available incentives of the municipality where the craft is located, in order to be able to apply for published calls timely and in accordance with own needs.

- **Sarajevo Regional Development Agency (SERDA)** – provides development support to entrepreneurs, most often through specialised training programmes. The year 2020 was marked as a period when SERDA had organised a series of free education programmes on how to successfully develop and apply for the European Union funds.
- **RARS** – RS Agency for Development of Small and Medium Enterprises – this agency is in charge of providing support for incentives for the establishment, operation, and development of entrepreneurship, as well as providing ongoing support for infrastructure development. It is also responsible for research and data collection related to the review of the situation in entrepreneurship at the level of business zones in the Republika Srpska.
- **Other public resource networks organised by competent institutions** – for example, the emerging Business Clinic, implemented by the Centar Sarajevo Municipality, Innovation Centre Banja Luka, Agency for Development of Small and Medium Enterprises Trebinje, City Development Agency Istočno Sarajevo, and many others.

The following private resource networks have been identified as the most important:

- **YEP** – this organisation is an incubator of business ideas. In addition to financial support, YEP regularly publishes various types of calls aimed at boosting other skills in entrepreneurship development, especially in young people.
- **LINK** – this Mostar-based association provides support in the form of various types of research that benefit entrepreneurship in BiH, creates projects and provides various types of education, and is available for the development of business ideas.
- **MOZAIK** – located in Sarajevo, this foundation supports young entrepreneurs in developing their ideas. One of the programmes developed within the Foundation is Startup Studio, which offers future entrepreneurs a setting for the development and implementation of ideas, not only through consulting but also through financial support.
- **INTERA TECHNOLOGY PARK** – offers specialised training sessions in the field of IT, coworking spaces, consulting in the development of business ideas, and other types of training sessions through regular calls that they publish on their portal.
- **SEENET** – this Banja Luka-based organisation provides support in organising seminars, webinars, and conferences and takes part in the development of publications aimed at improving the business environment in BiH.
- **RIS (NEŠTO VIŠE)** – through the Association *Nešto više*, RIS, as a regional incubator for the development of social entrepreneurship, supports the development of business



ideas. In doing so, it provides support concerning training sessions, networking and sharing of previous experiences.

- **AGORA** – a foundation based in Banja Luka provides support to young entrepreneurs, from developing a business idea to translating it into reality, while offering not only consulting but also financial assistance.
- **FOUNDATION 787** – implements a number of programmes aimed at capacity building for women and youth entrepreneurship by offering a variety of training sessions, events, networking platforms and various forms of business consulting. Its beneficiaries can attend various programmes, notable modules such as the development of an individually tailored business model, market research, and comprehensive knowledge of the legal framework for operations of legal entities.
- **STARTUP STUDIO** – available at three addresses: Sarajevo, Banja Luka and Bihać, offers information regarding access to various grants and legal assistance at all business stages.
- **GIRLS ADVANCE LAB** – organised to assist young women through a mentoring programme, offers financial assistance in creating and developing business ideas.

## Annex 2. Quantitative Research Questionnaire

Dear entrepreneurs,

In case you have your own company, you are kindly invited to take part in this research and give your contribution in creating an improved business environment.

A few words about the research ...

The research is conducted within the project *Economic Governance for Growth* (EGG). The project seeks to contribute to economic development in partner local communities and facilitate preconditions for new employment in promising industries.

The project is implemented by the United Nations Development Programme in Bosnia and Herzegovina (UNDP) from 2018 to 2021, in cooperation with the Government of the Kingdom of Norway. Project activities include, among other, support for start-ups, small and medium-sized enterprises in advanced technology sectors, improvement of equipment, and training of primary and secondary schools for the development of workforce as required by the modern-day economy.

If you have additional questions, suggestions or comments, feel free to contact us via the contact information provided.

Thank you in advance and best regards.

Code	Question	Question type
OK1	It was very easy for me to get information about all the procedures I needed to start a company.	Likert from 1 to 7
OK2	I had the advisory support or mentoring of various agencies or institutions when founding the company.	YES or NO
OK3	It would be very helpful if the process of starting a company could be completed online.	Likert from 1 to 7
OK4	The process of founding a company is too long, too complicated and time consuming.	Likert from 1 to 7
OK5	Out of the obstacles listed, select the ones that presented you with the biggest problems when founding the company.	Multiple choice (only one answer possible)
	a) Lack of savings	
	b) Lack of entrepreneurial skills	
	c) Insufficient information on the procedures regarding the establishment of the company	
	d) Lack of previous business experience	
	e) Lack of mentoring or counselling	
	f) Fear of failure	

Code	Question	Question type
OK6	Enter a comment here to expand or add on previous questions (optional).	
TO1	I think that the costs of founding a company are extremely high.	Likert from 1 to 7
	I financed the start-up of my business exclusively from:	
	a) Own funds	
	b) Loans	
TO2	c) I inherited the business, so there was no need to expose myself to these costs	Multiple choice (only one answer possible)
	d) Funds lent to me by friends	
	e) Funds I received through the grant, with my own share included	
	f) Other means	
TO3	Enter a comment here to expand or add on previous questions (optional).	
PR1	I see the amount of liabilities on the net salary as one of the biggest problems in business development.	Likert from 1 to 7
PR2	The amount of obligations on the net salary limits me in hiring new people.	Likert from 1 to 7
PR3	I have been in a situation where I prefer to apply a form of service contract, in order to avoid paying meaninglessly high burdens on the net salary.	YES or NO
PR4	Contributions to net salaries should be adjusted to the size of the company (e.g. smaller contributions for small companies, higher for large ones).	YES or NO
PR5	The amount of VAT (17%) in our country is at a satisfactory level compared to other countries.	YES or NO
PR6	It would mean to me if the profit tax (10%) in our country was lower.	YES or NO
PR7	Paying VAT on uncollected receivables is extremely unfair to any business.	Likert from 1 to 7
PR8	Inspection controls can be useful and very helpful.	Likert from 1 to 7
PR9	Enter a comment here to expand or add on previous questions (optional).	
PRR1	One of the more significant problems of business is the inability to acquire knowledge about all the laws that we must comply with in doing business.	Likert from 1 to 7
PRR2	When interpreting the law, I usually rely on the accounting agency / accountant / financial officer who "runs" my accounting.	Likert from 1 to 7
PRR3	Legal and other procedures for hiring and firing employees are very complicated.	Likert from 1 to 7
PRR4	I needed to collect my claims in court, but gave up due to court proceedings.	YES or NO
PRR5	I have been in a situation of <b>unintentionally</b> breaking the law and paying a fine due to insufficient information from the institutions.	YES or NO
PRR6	Enter a comment here to expand or add on previous questions (optional).	
ET1	I had prior work experience before founding the company.	YES or NO
ET2	The formal education I have has helped me greatly in developing my business.	Likert from 1 to 7
ET3	I went through trainings and educations related to market research and writing business plans.	YES or NO



Code	Question	Question type
ET4	If I could choose, I would be happy to choose a training or education related to:	Multiple choice (only one answer possible)
	a) Market research	
	b) Writing projects, business or marketing plans	
	c) Improving leadership skills	
ET5	My company is ready to digitise all processes within the company.	Likert from 1 to 7
ET6	Enter a comment here to expand or add on previous questions (optional).	
EK1	I believe that there is an extremely good entrepreneurial culture in our country.	Likert from 1 to 7
EK2	I believe that there is significant informal and unregistered competition.	YES or NO
EK3	I very often meet representatives of the government and line ministries in order to discuss problems.	Likert from 1 to 7
EK4	In the coming period, I intend to cooperate with chambers of commerce or other institutions that could help me connect with other market stakeholders.	Likert from 1 to 7
EK5	It is very difficult to find and retain adequate workforce.	Likert from 1 to 7
EK6	With ratings ranging from 1 (least important) to 5 (most important), rank the factors that hinder the expansion of your business the most.	
	a) Lack of skilled labour	1 to 5
	b) Unfavourable loans	1 to 5
	c) Insufficient domestic or foreign demand	1 to 5
	d) Amounts of direct and indirect taxes, and liabilities on net salaries	1 to 5
EK7	Enter a comment here to expand or add on previous questions (optional).	
PM1	I had major support from the primary or secondary family when starting the company.	Likert from 1 to 7
PM2	I find the greatest support and motivation in myself. I actually believe I am a naturally motivated person.	Likert from 1 to 7
PM3	With grades from 1 to 7, rank your personal motives for starting your business.	Likert from 1 to 7
	a) Ensure a safe and permanent job	
	b) Ensure better living conditions	
	c) Due to social status	
	d) To manage my own time	
PM4	Enter a comment here to expand or add on previous questions (optional).	
VZ1	Given that I had specific knowledge, starting my own company was a logical step.	Likert from 1 to 7
VZ2	Unawareness about market opportunities was partly a limitation in the development of my company.	Likert from 1 to 7
VZ3	Enter a comment here to expand or add on previous questions (optional).	

Code	Question	Question type
LK1	When it comes to doing business, the first priority should be: a) Profit b) Getting the job done c) Quality of the job done performed	Multiple choice (only one answer possible)
LK2	I believe I am a rather flexible person.	Likert from 1 to 7
LK3	Being in business means being emotionally intelligent.	Likert from 1 to 7
LK4	I am a person who knows how to delegate tasks and get what I want from people.	Likert from 1 to 7
LK5	Failure to take the initiative is a significant obstacle in any business.	Likert from 1 to 7
LK6	I had a fear of failure at the start of my business development.	Likert from 1 to 7
LK7	If I could choose, I would give priority to improving the following personal characteristics: a) Becoming more assertive b) Becoming more motivated c) Better manage people d) Improve communication skills	Multiple choice (only one answer possible)
LK8	Enter a comment here to expand or add on previous questions (optional).	
DSO	Education background: a) Secondary education b) Undergraduate c) Master d) Doctoral	
DIN	Industry/sector where I founded my company: (insert)	
DSK	My company is in the category of: a) Micro company (up to 10 employees) b) Small company (up to 50 employees) c) Medium-size company (up to 250 employees)	
DSS	Age group: a) 25-35 b) 36-45 c) 46-55 d) 56-65	
DSP	Sex: a) Male b) Female	



Code	Question	Question type
DKR	Canton of birth:	
	a) USK	
	b) PK	
	c) TK	
	d) ZDK	
	e) BPK	
	f) SBK	
	g) HNK	
	h) ZHK	
	i) KS	
	j) K10	
	k) Ako je RS, molimo upišite mjesto rođenja.	
DKP	Kanton mog prebivališta je:	
	a) USK	
	b) PK	
	c) TK	
	d) ZDK	
	e) BPK	
	f) SBK	
	g) HNK	
	h) ZHK	
	i) KS	
	j) K10	
	k) Ako je RS, molimo upišite mjesto prebivališta.	

