

BOSNIA AND HERZEGOVINA

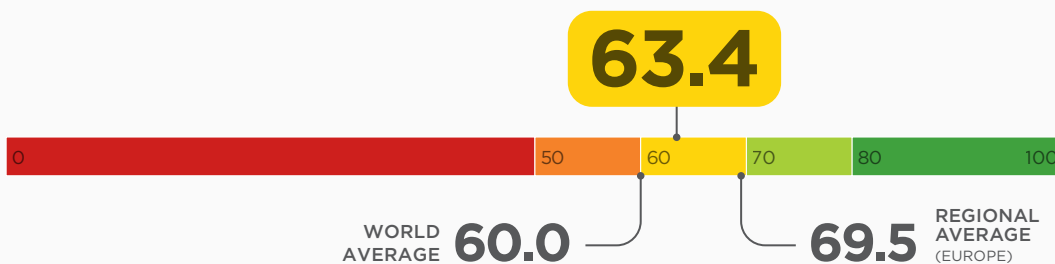
Bosnia and Herzegovina's economic freedom score is 63.4, making its economy the 68th freest in the 2022 *Index*. Bosnia and Herzegovina is ranked 36th among 45 countries in the Europe region, and its overall score is below the regional average but above the world average.

Bosnia and Herzegovina's economic growth decelerated from 2017 through 2019, turned negative in 2020, and rebounded in 2021. A five-year trend of expanding economic freedom has continued. Led by a score increase in **business freedom**, Bosnia and Herzegovina has recorded a 3.2-point overall gain of economic freedom since 2017 and is rising gradually in the lower half of the "Moderately Free" category. Tax burden and fiscal health scores are good, but the rule of law and **government spending** exhibit weaknesses.

IMPACT OF COVID-19: As of December 1, 2021, 12,628 deaths had been attributed to the pandemic in Bosnia and Herzegovina, and the government's response to the crisis ranked 77th among the countries included in this *Index* in terms of its stringency. The economy contracted by 5.5 percent in 2020.

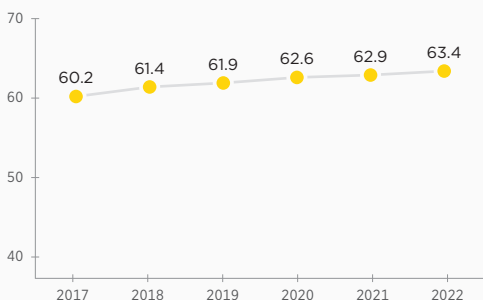


ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1998): +34.0

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
3.3 million

GDP (PPP):
\$49.3 billion
-5.5% growth in 2020
5-year compound annual growth 1.5%
\$15,047 per capita

UNEMPLOYMENT:
16.9%

INFLATION (CPI):
-0.6%

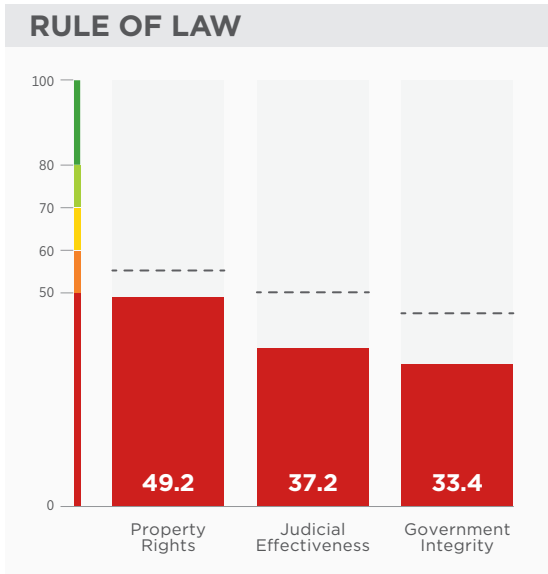
FDI INFLOW:
\$371.0 million

PUBLIC DEBT:
38.3% of GDP

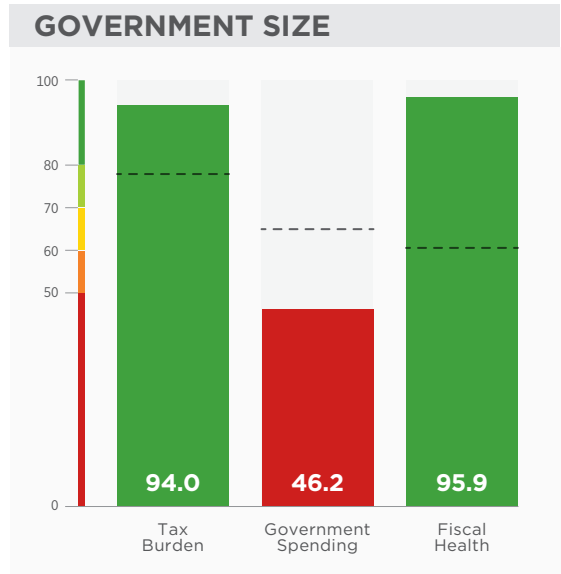
2020 data unless otherwise noted. Data compiled as of September 2021

BACKGROUND: The 1995 Dayton Agreement finalized Bosnia and Herzegovina's independence. Two entities, the Republika Srpska (Serbian) and Federation of Bosnia and Herzegovina (Muslim/Croat), exist under a loose central government. Disagreement among members of Bosnia's triumvirate presidency caused a 14-month delay in the formation of a government following elections in 2018. The slow pace of reform has stalled aspirations for accession to the European Union. The economy relies heavily on exports of metals, energy, textiles, and furniture as well as on remittances, foreign aid, and Chinese infrastructure investment. Migrant arrivals continue to strain resources. Additional challenges include high unemployment, slow vaccine rollout, and the nascent tourism industry's lack of resilience.

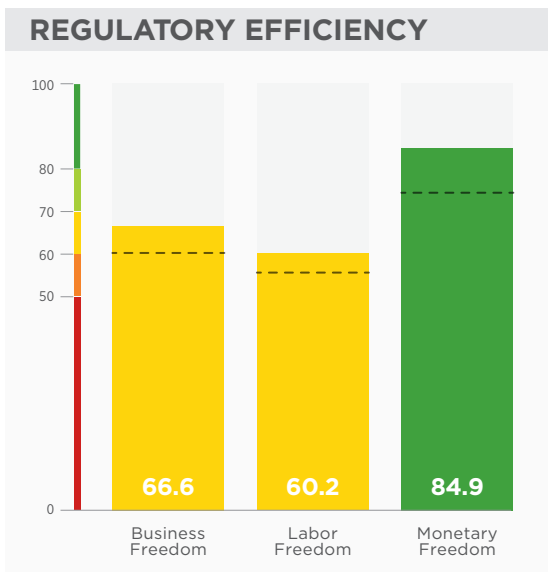
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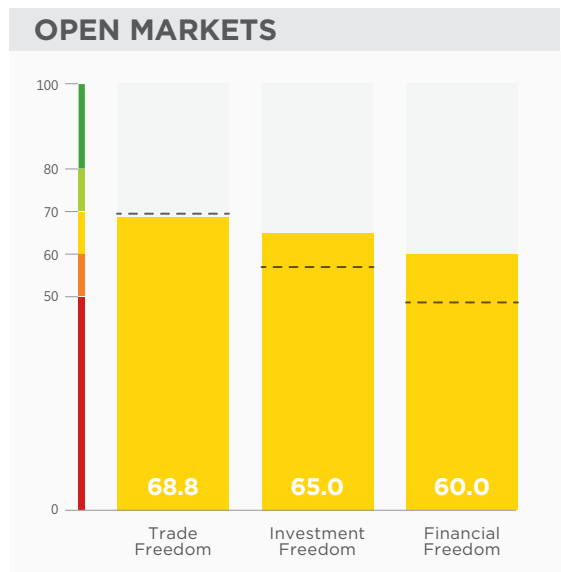
Protection of property rights is insufficient, and the judicial system is weak. A significant portion of real property lacks clear title, and property registries are largely unreliable. The judiciary remains susceptible to political influence and burdened by a large backlog of cases. Corruption remains pervasive and systemic, and legislation designed to combat it is poorly enforced. It is against the law to offer or demand bribes and gifts, but such practices are widespread.



The top income and corporate tax rates are 10 percent, but various governing entities have different tax policies. The overall tax burden equals 20.1 percent of total domestic income. Government spending has amounted to 42.4 percent of total output (GDP) over the past three years, and budget deficits have averaged 0.9 percent of GDP. Public debt is equivalent to 38.3 percent of GDP.



Nontransparent business procedures and complex legal and regulatory procedures stifle business freedom. Efforts to reform the country's business climate have been slowed by a legacy of socialism. Complex labor and pension laws need reform, which ostensibly is underway. Despite the worst recession in a quarter-century, the government has increased subsidies to the health care sector and several other sectors.



Bosnia and Herzegovina has four preferential trade agreements in force. The trade-weighted average tariff rate is 8.1 percent, and significant nontariff barriers further restrict trade flows. Bosnia and Herzegovina is not a member of the World Trade Organization. State and municipal administrations make up a nontransparent bureaucratic system that makes investment less appealing. The banking sector is dominated by foreign banks and remains stable.