



UEARS

Union of Employers' Associations of
Republic of Srpska

PROPOSALS AND RECOMMENDATIONS
OF THE UNION OF THE EMPLOYERS'
ASSOCIATIONS OF THE REPUBLIC OF
SRPSKA FOR THE ECONOMIC REFORM
PROGRAM OF THE REPUBLIC OF SRPSKA
FOR 2020 - 2022



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INTRODUCTION

The Union of Employers' Associations of the Republic of Srpska, through its proposals and recommendations, wants to contribute to the identification of the most important planning documents of the Government of the Republic of Srpska, but also to show its readiness and commitment in implementing the measures contained in the Economic Reform Program of the Republic of Srpska 2020-2022.

By our proposals we want to contribute to overcoming structural economic and social problems, that is, to establishing a sustainable, productive and socially just society. In this regard, we particularly emphasise the importance of synergy of all socio-political actors in creating a vision and defining the planning documents of the Republic of Srpska.

The long-standing negative demographic trends, driven by poor natural growth, an aging population and the continued increase in population migration to EU countries, have caused a dramatic decline in the labour force supply. The projections¹ point to a further downward trend in the number of active population, active labour force supply, and a decrease in the population aged up to 15, an increase in external migration and other adverse trends. Given both the significant decline in industrial production and the announcement of instability in relation to global economic developments, these trends are seriously tempting the future projections of the sustainability of the social protection system and economic growth and indicate the need to take a strategic approach to the sustainability of the overall system.

Appreciating the efforts of the President of the RS and the Government of the RS invested in drafting the document "Proposal for Population Policy Measures of the Republic of Srpska"², the Union of Employers' Associations of the Republic of Srpska supports the proclaimed strategic approach and suggests that demographic renewal should be given the highest national priority, and that all policies, primarily economic and social, should adapt to the national reconstruction program.

Stopping the negative trends of population migration towards more developed economies and societies can be achieved through the growth of citizens' living standard. By reducing fiscal and para-fiscal burdens, employers would be able to divert these funds to workers' wage growth. Basically, the problem of population migration is related to economic motives. However, the general sense of security and perspective of society is also significantly dependent on the level of the rule of the law and political stability, which at the moment, given the outflow of population, is not at a level that enables economic growth and development of the community.

One of the most important prerequisites for retaining the population in the Republic of Srpska is the effective management of natural and human resources, with particular emphasis on issues related to redistribution and equal opportunities in access to the management and use of natural resources. In this segment, we see significant resources and opportunities for improving the overall system.

Bearing in mind the quality and approaches to changes in the education systems in the areas to which our citizens migrate, special emphasis should be placed on reforming the education system, not only in the segment of its adaptation to the needs of the labour market, but primarily in its adjustment to technological development and development policies of the Republic of Srpska. Although limited progress has been made in linking education and the economy (secondary education), it is necessary to move more decisively into education reform in the short term with the aim of modernising knowledge transfer and the learning process in general, early selection and early introduction of students into the world of work.

¹ Labour Market Analyses and Projections in the Republic of Srpska 2019 - 2022, UEARS-2019

² Proposal for Population Policy Measures of the Republic of Srpska, Center for Demographic Research, 2019

We see the digitization of the education system, administration and economy as an opportunity that our community can take to overcome the problems of the public spending, the informal economy and, in general, the problems of redistribution. In the short term, it is possible for us to create an efficient administration and competitive economy through the process of digitalisation, which, on the basis of efficient management of natural and human potential, creating enough value for a dignified life of citizens, will catch up with developed economies.

With our proposals and suggestions we want to contribute to the creation of the vision of modern society and in this respect we want to express our readiness and openness to participate in its creation as well as in its implementation. The complexity of the challenges, as well as our proposals, requires a responsible approach in dynamic planning, with the animation of all available strategic planning resources.

Bearing in mind the complexity of the challenges that our community will face in the future, we express our hope and expectations that the strategic documents of the Republic of Srpska will be adopted in an atmosphere of appreciation and compromise, all with the aim of securing a general socio-political consensus that is a key precondition for creating vision and definition of strategic goals of the Republic of Srpska.

CONSIDERING ALL OF THE ABOVE, THE ESSENCE OF ECONOMIC AND SOCIAL REFORM CAN BE STATED AS FOLLOWING:


1. SUPPORTING THE ECONOMY THROUGH REDUCING FISCAL AND PARA-FISCAL BURDENS;
2. MODERNISATION OF THE EDUCATION SYSTEM IN ORDER TO ADAPT IT TO TECHNOLOGICAL DEVELOPMENT AND LABOUR MARKET NEEDS;
3. MORE EFFICIENT USE OF NATURAL AND HUMAN RESOURCES THROUGH ADJUSTMENTS IN REDISTRIBUTION – REFORM OF PUBLIC ADMINISTRATION AND SOCIAL PROTECTION SYSTEM;
4. SUPPRESSION OF THE INFORMAL ECONOMY;
5. PROPOSALS FOR IMPROVING THE BUSINESS ENVIRONMENT BY CHANGING THE REGULATIONS AT THE LEVEL OF BOSNIA AND HERZEGOVINA.

PRIORITY PROPOSALS AND RECOMMENDATIONS FOR THE ECONOMIC REFORM PROGRAM OF THE REPUBLIC OF SRPSKA FOR 2020 - 2022





1. SUPPORTING THE ECONOMY THROUGH REDUCING FISCAL AND PARA-FISCAL BURDENS



Continuity of relief from labour taxation and reduction of para-fiscal burdens in the programmed period should be ensured, as confirmed by the signing of the Joint Socio-Economic Reform for the period 2019 - 2022, all in order to stimulate competitiveness and allow for additional wage increase.


FISCAL RELIEF MEASURES

- ✿ Through monitoring the implementation of the Law on Business Incentives, determine the average cumulative contribution rate to which the salary has been paid in its entirety, and reduce the cumulative contribution rate / **initial decrease of 1.4% at the beginning of 2020** – at the end of 2022 to the level from 2008 (aggregate rate of 28% on gross salary).
- ✿ Considering the almost insignificant level of the number of beneficiaries of unemployment benefit (between 1300 - 1800 per month – 9 million is spent – 33 million collected), with a further trend of reducing the number of beneficiaries, as well as the inefficiency of spending the funds collected for this purpose, **the proposal of the UEARS is to reduce the unemployment contribution from 0.8% to 0.3% and thus reduce the cumulative contribution rate from 33% to 32.5%**
- ✿ Amend the Law on Corporate Income Tax with the aim of **exempting from taxation the invested profits in facilities and vehicles;**
- ✿ Establish a system of incentives for employment in the private sector on the principles of **equal rights and opportunities for all employers** / by submitting a request at the end of the year employers recover contributions and income tax for an increased number of employees compared to the previous year / by signing a contract with the Employment Institute the employer binds to retain the stated number of workers for two years from the date of entry of the worker into employment, whether or not the worker is registered;
- ✿ **Provide** funds for technological development of the economy and development of new products in cooperation between employers and academia through **long-term loans with a low interest rate** (IRBRS funds with possible additional international sources of funding).
- ✿ Full **tax recognition of various types of business expenses;**
- ✿ Establishing **a fund for co-financing the certification of export-oriented companies**, as well as establishing laboratories within which certification of domestic products could be carried out

PARA-FISCAL RELIEF MEASURES

- ✿ **Upgrade the Register of Fiscal and Para-Fiscal Burdens** to simplify procedures and prepare for digitization – (the register contains data on the amount of funds collected for each of the burdens (both for citizens and employers), the length of service delivery to citizens and employers, and the assessment of options and the effects of digitizing procedures on saving resources and time;
- ✿ Upon completion of the registry upgrade, establish a **"guillotine" plan for unnecessary para-fiscal burdens** with a transitional plan (adjustment) of institutions / organisations for functioning after the abolition of certain para-fiscal burdens (use the experience of the Republic of Croatia); for the sake of relieving work and business and so as to create space for increasing the living standard of workers; the proposal for a "guillotine" for para-fiscal burdens by 30 June 2020 with clear deadlines for repealing regulations governing individual para-fiscal burdens;
- ✿ In order to reduce para-fiscal burdens and improve conditions, it is necessary **to amend the regulations governing fees / taxes for the conversion of agricultural land into construction land** so as to reduce the amount of fees or abolish them during the construction of commercial facilities;
- ✿ In order to reduce para-fiscal burdens, it is proposed to instruct local communities to initiate **a reduction or abolition of rents for the construction of commercial facilities**;
- ✿ In order to reduce para-fiscal burdens and to support investment growth and competitiveness increase, it is necessary **to reduce the amount of 0.7% (Republic Administration for Geodetic and Property Affairs) fee for the registration of constructed business / commercial facilities, which is paid upon the estimated value of the facility.**





2. MODERNISATION OF THE EDUCATION SYSTEM IN ORDER TO ADAPT IT TO TECHNOLOGICAL DEVELOPMENT AND LABOUR MARKET NEEDS



Considering the continuous decline in the number of students (35 000 students – 1997/2017) as well as the continuous increase in the number of employees in education over the past 10 years, a key step in changing the approach to financing and modernising the education system is to divert the funds currently spent on employee salaries (92 % of the total budget of the Ministry of Education and Culture) to the modernisation of teaching processes.

The key challenge of the education system, in addition to the large number of employees, is technological development, which is also a challenge for the future functioning of the economy.

PROPOSALS FOR IMPROVING THE EDUCATION SYSTEM

PRIMARY EDUCATION

- ✿ establish the principle of **early selection** and apply the established criteria consistently;
- ✿ equip all classrooms with cutting-edge **teaching and communication tools** (one student – one i-pad-laptop / video-beam, sound system, smart boards, etc. / 5G in all schools)
- ✿ establish **knowledge platforms** in the Ministry of Education through which students can transfer knowledge more easily and more quickly;
- ✿ make **curriculum changes and modernise them and adapt them** to the modern approaches to education adopted in developed countries (Norway, Sweden, etc.) / by changing the regulations allow rapid revision and adaptation of the curricula to the dynamics of technological, communication and other changes affecting the quality of education;
- ✿ content in computer science, programming, entrepreneurship, financial literacy should be more prominent in the curricula.
- ✿ given the dynamics of change, establish **continuous education of teaching staff** through education platforms of the Ministry of Education – long-distance learning, workshops, etc.).
- ✿ in the teaching and extracurricular process, use **state-of-the-art tools in assessing students' psychological profiles** in order to identify their preferences and other characteristics important for student development as early as possible;
- ✿ establish a quality system for rewarding talented and successful students (work, innovation, etc.),
- ✿ establish a quality evaluation system for teaching staff that will enable the quality of education to increase;

SECONDARY EDUCATION

- ✿ Establish **an employer education system (LEARNING WITH WORK) with the aim of introducing students to the world of work as soon as possible** (for the first time, young people enter the world of work at the age of 27 on average);
- ✿ Change the regulations in the field of labour relations and adjust it in such a way as to enable the student to work and study at the same time, as well as to regulate it through stimulating ways of compensation for work of students in practice (no taxation / safety and health protection at work regulated by private policies insurance or otherwise);
- ✿ Create **enrolment policy in line with the real needs of the labour market** and development policies of the Republic of Srpska (the Guidelines) by forming regional/local education councils;
- ✿ **Equip** high schools with workshops and train a sufficient number of lecturers to provide high school students with the necessary knowledge for occupations that can provide economic development (part of funding from employment incentives, part from employers, part from local government, part from the Government).
- ✿ Changing the ways of providing scholarships for high school students through changes in tax regulations (no taxation of this work) and regulating the status of pupils and students in the labour legislation;
- ✿ **Reform** the network of secondary schools with changes in the structure of their occupations, which implies the closure of a number of schools and occupations.

HIGH EDUCATION

- ✿ Create **enrolment policy in line with the real needs of the labour market** and development policies of the Republic of Srpska;
- ✿ Define **the cost of education** for each individual direction and define the STATE-STUDENT relationship through a contract (define through employment, student loan and other / define rights and obligations during the termination of education, completion of education, employment ...)
- ✿ **Connect** universities and businesses through various projects by providing foreign consultants who will work together to master new technologies and products.
- ✿ **Changing** the way of financing the faculties in order to strengthen their connection with the economy;
- ✿ **Abolishing** unnecessary study programs.
- ✿ **Define** a unique system of awarding and registering scholarships in the RS, and provide them with returns to form a support fund for the most talented.
- ✿ **New** law on higher education.
- ✿ Establish a Science and Innovation Fund of the Republic of Srpska as a central location for all budget allocations and investments of the business community, from which projects of applicable researches would also be funded.

AN EXCERPT FROM THE GUIDELINES³

- ✿ Establish the concept of management, organisation and operation of the universities with a view to greater involvement of the universities in the development of science, technology and economy.
- ✿ Change the way the faculty financing from the budget so that only those study programs that are needed by the labour market are financed and the rest is left to the higher education institution to decide – whether these will be provided for self-funded students or will they cover their own costs.
- ✿ Innovate study programs with a clear differentiation of academic and vocational studies and align them with the needs of the labour market;
- ✿ Increase the number of practical classes in all study programs;
- ✿ Create effective mechanisms for controlling the use of budgetary resources;
- ✿ Strengthen the conditions for the appointment of academic staff, i.e. establish a system of mandatory continuation of vocational training;
- ✿ Apply the already prescribed system of remuneration for academic staff, whereby part of their earnings is obtained through scientific research;
- ✿ Achieve greater study efficiency/study time by increasing tuition fees for repeat students; that is, by introducing the loss of the right to budget (co)financing in case of poor results in study;
- ✿ Redefine the way scholarships are provided so as to make them quality oriented and socially justified (return on society);
- ✿ Stimulate and promote quality in such a way that when enrolling in budget-funded faculties the minimum knowledge required for admission is taken into account;

³ Guidelines for Economic Development of the Republic of Srpska





3. MORE EFFICIENT USE OF NATURAL AND HUMAN RESOURCES THROUGH ADJUSTMENTS IN REDISTRIBUTION – REFORM OF PUBLIC ADMINISTRATION AND SOCIAL PROTECTION SYSTEM

In view of the negative demographic trends with poor effects on the decline in the number of active population, as well as the growth of the average age of the population and the continued growth of the number of inactive population, it is necessary to open a dialogue between institutions and social partners regarding the sustainability of the social protection system on the principles of intergenerational and labour solidarity, and ways of financing the system in the future.

Given the unfavourable demographic trends, with certain short-term and long-term implications for the ratio of active and inactive population, budgetary and extra-budgetary transfers (social funds) must be **reduced in order to direct savings to the growth of net salaries of employees, primarily in the economy.**

Bearing in mind the rapid decline in labour supply caused by the fall in birth rates and migration, as well as the importance of reducing public spending for the sustainability of the system, it is necessary to initiate the process of **transition (surplus) of workers from the public to the private sector** (non-business to economic sectors). In this context, efforts should be made so as to increase wages in economic sectors, as well as to establish dignified and safe work and jobs in the private sector (KNOWLEDGE AND COMPETENCES - THE WAY TO SAFETY).

In order to develop a dialogue on the sustainability of the social protection system, the UEARS points out its starting points and suggestions:

SOCIAL PROTECTION SYSTEM

Unsatisfactory financial management is a widespread phenomenon in the health care system, while at the same time there is no effective oversight of the health care system. A small percentage of health facilities are subject to independent audits, with the result that they do not go through any further action or sanction. It is imperative that immediate steps be taken to stop the growth of arrears in the health sector and achieve financial stability, including close monitoring of the financial performance of funds and health insurance providers.

HEALTH CARE SYSTEM

MEASURES TO IMPROVE THE BUSINESS ENVIRONMENT

- ✿ **In order to prevent abuse and negative trends related to sick leave**, the competent Commission for the assessment of workers' ability to work is placed under the direct control of the Minister of Health / Director of HIF;
- ✿ **The Agreement between the UAERS and the HIF RS** clearly define an action plan to reduce the use of entitlements based on sick leave. In case of inefficient implementation of the measures defined in the agreement, amend the regulations whereby the Fund **will assume the obligation to finance the absence of workers from work due to sickness in gross amount during the period of absence;**

- ✿ In order to reduce the abuse of sick leave, by changing the regulations in the field of labour and health insurance, **reduce the amount of compensation during absence from work to 50% of the salary paid in the previous month, while for serious diseases the amount of compensation should be 100% or in the amount of gross salary;**
- ✿ Initiate a dialogue with the competent institutions in the health and pension and disability insurance system with the aim of amending the regulations in the field of pension and disability and health insurance in order to regulate the institute of **early retirement**, with the aim of overcoming problems related to workers whose treatment has not been completed within 12 months;
- ✿ By amending the Law on Child Welfare allow **maternity leave to be reimbursed for a gross amount of 12 months**, i.e. include the first month of maternity leave not covered by the present decision;
- ✿ Amend the Child Protection Act **to allow reimbursement of maternity leave in gross amount**, instead of the current 70%;
- ✿ To amend the regulations in the field of health insurance **to provide representative organisations of employers and employers individually insight in analytical and statistical data related to sick leave up to 30 and over 30 days** (types of diseases, duration of sickness, location, etc.);
- ✿ By changing health insurance regulations, give employers who have a larger number of workers the opportunity **to organise occupational health services**, which would allow businesses to have their own dispensaries, which would make it much easier for both employers and the workers themselves.
- ✿ Amendments to health insurance regulations to enable **sole proprietors to use health insurance rights (sick leave) without hindrance;**
- ✿ Given the problem of labour force outflow to EU countries, it is necessary **to arrange communication between the institutions of the system with the State Border Service** in order to clearly **determine the length of stay of RS / BiH citizens outside the territory of Bosnia and Herzegovina** or amend the regulations and procedures under the jurisdiction of Ministry of Health and Ministry of Work aimed at preventing abuse related to employment obligations, health care rights and other RS / BiH regulations
- ✿ In order to increase the level of health care, **to establish prevention as one of the more effective forms of health care**, i.e. to reduce the costs of the health care system, HIF, UAERS, Institute for Health Protection and Institute for Occupational Health should carry out **continuous activities to educate workers** on safety and protection of health at work, healthy lifestyles and work and other topics that may increase the level of health of the population;

PROPOSED MEASURES FOR RESTRUCTURING THE HEALTH SYSTEM

- ✿ **A linear increase in salaries for health system employees is not acceptable and will not** result in a reduction in the outflow of labour force to the EU, but on the contrary – the health system would lose the opportunity to increase salaries of scarce and quality staff, and through such an approach would lose the opportunity to improve healthcare services, but also the potential to repair the health system's debt;
- ✿ By reducing the cost of expenditures on salaries of non-medical personnel, **increase salaries for the deficient staff in health care** – not by changing the tariff system but through contracted salaries;

- ✿ To consolidate **the cost of all individual services in the healthcare system** on a real cost basis, using the experience of sustainable health systems;
- ✿ In view of the development of road infrastructure (highway and road network), as well as the continued decline in the number of health care users, **consider further investments** in building a network of health care facilities and **the sustainability of existing health care facilities**;
- ✿ Identify short-term and long-term obligations (loans, debts, etc.) of the health system through analysis, and inform the social partners and the public about the content of the analysis (World Bank);
- ✿ Given the structure of income (90% of work - from health contributions), as well as the responsibility and interest in managing the resources coming from work, **representative organisations of employers and workers should be allowed to be represented in the administrative structures of the RS Health Insurance Fund**;
- ✿ Introduce all health care institutions into the treasury mode of business;
- ✿ Optimise the number of employees and comply with the standards applicable in sustainable health systems, taking into account primarily the parameters – number of inhabitants, population structure, etc.
- ✿ Involve people with managerial competencies, experience and skills in the management of the health care system and health care institutions;
- ✿ To reduce the cost of the health care system, reduce the network of health care facilities to a level that respects demographic trends (migration – village/city, natural increase, etc.).
- ✿ Provide for other forms of health insurance (for example health tourism) the preconditions for the development of private-public partnerships in the field of health insurance;

PENSION AND DISABILITY SYSTEM

- ✿ Perform analyses and projections of the number of insured persons in the period 2019 - 2028, taking into account the migration balance;
- ✿ Based on analyses and projections on the number of insured persons, PDS Fund should initiate a dialogue with the social partners and determine the proposal for possible financing in the coming period, taking into account the interests of the insured and the contributors;
- ✿ Establish a mandatory second pillar of the pension scheme (the payer chooses the insurer itself) and make the third pillar of the pension scheme more attractive by changing the tax regulation (raising non-taxable amounts).

TRENDS ON THE LABOR MARKET OF THE REPUBLIC OF SRPSKA⁴

The economy of the Republic of Srpska is currently in a state of expansion and this is the result of the expansion of the economy in the European Union. However, the key limiting factors are demographic changes, i.e. natural growth and migration. They are an expression of long-standing tendencies that are difficult to stop. If we look at the working age population in the last 10 years, there is a marked downward trend. According to our projections, over the next five years the number of working-age residents will decrease by an additional 45 000 people, from 838 000 to 793 000.

Out of the total working age population, the active population, i.e. the labour force (sum of employed and unemployed) will decrease relatively, while the level of inactive population, i.e. of the working-age population not seeking employment will decline significantly. According to our projection, in the period 2019 – 2022, the workforce should decrease compared to 2017 (some 3.3%), whereas a decrease inactive population would be 7.2%.

On the other hand, the consequences of a negative birth rate are particularly evident in people under the age of 15, where a decrease from about 205 000 in 2006 to 105 000 in 2017 was recorded, a decrease of about 100 000 or 48.8%. Based on our projections of the number of children under 15 in the Republic of Srpska, and we can say that it is almost alarming, it will decrease by an additional 35 000 by 2022. The reason is, first of all, a negative natural increase, but also migration.

The migration outflow of the population is another important reason for the depopulation of the territory of the Republic of Srpska. Due to migration outflow, the Republic of Srpska is losing a significant number of young, working-age population. According to Eurostat, in the observed eight years, 155 449 people moved from BiH to one of the EU countries. What is of particular concern is that the number of those who move out of BiH is increasing year by year. At the beginning of the period, there were about 11 000 people and at the end of the period about 36 000 a year. According to our Eurostat-based projection, from 2019 to 2022, BiH will leave some 210 000 people.

In terms of labour demand, it is important to emphasize that employment has increased significantly in 2016 and 2017, as a result of strong growth in the manufacturing industry, especially export-oriented one. Our projection suggests that, as the working age population shrinks, labour force demand will continue to rise. The number of jobs will increase from 261 000 in 2017 to about 276 000 in 2022, a difference of about 15 000 new jobs, with the largest number of jobs created in the manufacturing industry. What speaks for this development is, of course, the projection of economic growth. Specifically, the International Monetary Fund predicts continued economic growth in BiH, where growth rates of 3-4% are projected throughout the period.

Unemployment has been declining in the RS over the last five years. The formal unemployment rate was 39.3% in 2012 and 30.5% in 2017, a difference of almost nine percentage points. Real unemployment has also decreased, from 27% in 2013 to 20.9% in 2017. According to the trend so far in 2017, the number of unemployed i.e. the excess supply over labour demand will also decline in the period 2019 - 2022. The

4 Excerpt from the document "Labour Market Analyses and Projections in the Republic of Srpska 2019 – 2022"

projection is projected to fall from about 114 000 workers in 2017 to 85 000 workers in 2022, a total of 29 000 fewer workers. Of those 29 000, about 15 000 are likely to be employed domestically (according to the employment growth projection), while the remaining 14 000 are likely to find jobs abroad.

Based on the above, i.e. "Labour Market Analyses and Projections in the Republic of Srpska in the period 2019 – 2022", the Union of Employers' Associations of the Republic of Srpska recognises the following:

LABOUR MARKET CHARACTERISTICS (PROBLEMS) IN THE REPUBLIC OF SRPSKA

- ✿ Aging workforce;
- ✿ Late entry of young people into the world of work;
- ✿ Very weak territorial and sectorial labour mobility;
- ✿ Outflow of labour force from real to public sector;
- ✿ Outflow of the most productive population towards the developed countries (brain skills drain);
- ✿ Low activity rate of working age population;
- ✿ High share of passive job seekers in the total number of unemployed;
- ✿ Misfit of the education system to the needs of the labour market
- ✿ (inadequate enrolment policy, curriculum maladaptation to global development and market conditions), etc.

CAUSES SHOULD BE SOUGHT IN:

- ✿ Poor demographic trends (declining birth rate, aging population, rural-urban mobility direction, population outflow to developed countries, etc.);
- ✿ The benefits of higher education;
- ✿ Attractiveness of unemployed person status;
- ✿ Attractiveness of employment in the public sector – the ratio of salaries in economy and non-economy;
- ✿ Decades of poor attitudes towards work and work habits;
- ✿ Bad business environment and lack of entrepreneurial spirit;
- ✿ Inflexible labour legislation;
- ✿ Slow adaptation of the whole society to the conditions of life and work in a market economy;
- ✿ The grey economy as a way of survival of the people and the state (distrust of citizens in the institutions of the state), etc.

GENERAL OBSERVATIONS

- ✿ **There are no qualitative indicators for monitoring the performance of the employment intermediary** or for monitoring the effects of the work of the Employment Service in the implementation of its key function - employment mediation;
- ✿ **There is no statistical-analytical assessment of supply and demand for labour** at the level of local communities and the Republic, on the basis of which the institutions of the Republic could approach strategic planning in the field of the labour market.
- ✿ **There are no quality indicators** on the basis of which monitoring of the implementation of individual measures defined in the Employment Action Plan and the RS Employment Strategy would be carried out;
- ✿ **Activities and performance indicators** need to define tasks and performance much more clearly in order to facilitate and better monitor the performance of institutions and persons who will work on implementation, as well as the efficiency of spending public funds;

PROPOSED MEASURES

- ✿ Make a comprehensive, independent and transparent analysis of implemented employment incentive programmes with clear indicators of public spending efficiency and job sustainability, and based on the findings of the analysis, as well as on the need to protect the domestic labour market, completely change the incentive policy in order to keep the workforce at the domestic labour market;
- ✿ Considering the negative trends related to significant decrease in labour supply, outflow of labour force towards EU countries, poor supply structure and other negative trends, it is necessary **to start developing the RS Employment Strategy 2020 - 2024** with clearly defined measures to mitigate negative trends and protect the labour market of the Republic of Srpska, and align it with the population policy of the Republic of Srpska;
- ✿ Considering the almost insignificant level of the number of beneficiaries of unemployment benefits (between 1300-1800 per month), with a further downward trend in the number of beneficiaries, as well as the inefficiency of spending funds collected for this purpose, **it is proposed by the UEARS that the amount for the unemployment contributions reduces from 0.8% to 0.3%, thereby reducing the cumulative contribution rate from 33% to 32.5%;**
- ✿ Given the questionability of the further functioning of unemployment insurance on the principles of worker solidarity (300 000 workers in solidarity with 1000 workers), it is necessary **to open a dialogue with the social partners** and other organisations **on alternative types of unemployment insurance** (banks, insurance companies – activation of the premium where a bank/an insurance company pays the home loan instalment during unemployment, etc.)
- ✿ Employment support projects should be predominantly (90%) **focused on the private and real sectors**, i.e. jobs that create a higher level of added value, taking into account the level of salaries, job sustainability, or the ability to retain an employee in the said workplace, thus increasing efficiency of the expenditure of public funds;

- ✿ Insist on the system of incentives for employment in the private sector on the principles of **equal rights and opportunities for all employers** / employers, by applying at the end of the year achieve the return of paid contributions and income tax for an increased number of employees compared to the previous year/by signing a contract with the Employment Office the employer obliges to retain the stated number of workers for two years from the date of entry of workers into work, whether or not potential employees were on the Employment Office's records;
- ✿ Given the significant negative trends in terms of falling labour supply as well as poor structure and labour mobility, the approach to implementing employment support programmes needs to be changed in order to better connect employers and the unemployed, as well as to prepare and re-qualify the workforce while promoting lifelong learning (current approach adapted to vulnerable population groups).
- ✿ Since an increase in entitlements during unemployment (amount of benefits and duration) would encourage longer records (now over 75% is on records longer than 1 year), as well as increase the possibility of abuse, through employment programmes and internal control, **it is necessary to prevent the occurrence of abuse through the establishment of an effective system of control and reporting to the competent institutions on the beneficiaries and trends related to the exercise of this right**;
- ✿ The strategy and action plans should ensure through the activities of the institutions that the target public (parents and students) **are informed in a timely manner** about trends in the labour market (within these activities, **an assessment of employment opportunities for specific occupations at a specific time should be made and distributed through modern communication channels to target groups**);
- ✿ The strategy and action plans should provide: **a better approach to collecting data on labour market trends**, a much better statistical and analytical approach to processing the collected data, as well as transparent informing of institutions, expert and other public about labour market trends;
- ✿ Considering the complexity of the problems related to negative trends in the labour market, it is necessary to ensure **synergy** of all institutions – Ministry of Labour, Ministry of Education and Culture, Employment Service, Institute for Adult Education, and organisations that can contribute to the achievement of strategic goals - UEARS; CCIRS, private employment agencies with the aim of implementing the Strategy and Plan as effectively as possible;
- ✿ Focus the work of the Employment Service on its core function – **mediation in employment**, with emphasis on indicators of monitoring the work of counsellors – mediators in employment, with adequate monitoring of their effectiveness and evaluation/remuneration for the achieved work results.

PUBLIC ADMINISTRATION

- ✿ Develop a plan for reducing the number of workers with the aim of increasing the efficiency of local administration, reducing the level of public spending, or preparing local communities for the process of digitization of procedures and work processes and the level of para-fiscal burdens;

- ✿ In 2020, in order to begin comprehensive digitization of the republic and local governments, start a **pilot project of digitization of at least two municipalities in the Republic of Srpska** with a deadline of the digitisation process by 2024 (digitisation of services, internal procedures, cadastre, ...);
- ✿ Ensure database compatibility at all levels of government in the Republic of Srpska;
- ✿ Start the process of “guillotine”, that is, adjusting regulations to the needs of digitising work processes at all levels of government;
- ✿ **Creating a social card** that would be useful for all budget transfers.
- ✿ **Unique register of all social benefits** at the Republic level.

PUBLIC COMPANIES

- ✿ All public enterprises in the Republic of Srpska should come up with a reorganisation plan in 2020 with a clearly defined reduction in the number of employees, a way of reducing liabilities and a clearly defined income that will be provided through a “domestic” business based on corporate principles;
- ✿ The RS Government, i.e. municipality or city together with the management and supervisory board of a public company, should submit a five-year strategy after the reorganisation plan has been submitted and publish it on the web site of the authorities and the public company. It is the responsibility of the government and the board to review the strategy annually. One of the obligatory parts of the strategy is the public company dividend policy;
- ✿ Introduce a general criterion for the success of public companies: positive working capital, which must be confirmed by an independent auditor.
- ✿ **Offer incentives to workers in the restructuring process;**
- ✿ It is necessary to introduce certification and regular three-year re-certification of members of supervisory boards and directors of public companies. The eliminatory requirements are a university degree, 5 years of work experience, 3 years in a managerial position from the profession, advantage is a positive board membership experience. In case of failure to meet the general criterion of success – increase of working capital during two consecutive business years, the Board and the Director are replaced. Remunerations of the Management and Supervisory Board members are segmented into fixed and variable parts. The variable part is directly related to the achievement of business results, and in particular the general criterion of success.
- ✿ **Introduce** a public and efficient system of hiring skilled, and not suitable personnel;
- ✿ **Enable** pay raises for quality and scarce public sector staff.
- ✿ **Conduct an independent audit of the performance of public enterprises in 2020 across all public enterprises;**

- ⚙ **Reform** of the management of public enterprises at all levels of government in such a way so as to ensure that the budget is regularly filled up annually by payment of a dividend, with regular payment of all obligations.
- ⚙ **Enhance** and expand the level of performance audits of public enterprises with the aim of increasing their economic efficiency.

HUMAN RESOURCES MANAGEMENT – THE LAW ON LABOUR

- ⚙ The Union of Employers' Associations of the Republic of Srpska submitted to the Ministry of Labour, War Veterans and Disabled People's Protection proposals for amendments to the Law on Labour (Official Gazette of the RS no. 01/16) on the basis of the proposals and suggestions of the members;

A photograph of a street market scene. In the foreground, a person wearing a grey beanie and sunglasses is partially visible on the left. Another person, wearing a dark cap and a light-colored jacket, is standing on the right. The ground is covered with various clothing items, including jackets and bags. In the background, there are trees, parked cars, and buildings. The text "4. SUPPRESSION OF THE INFORMAL ECONOMY" is overlaid on the image.

4. SUPPRESSION OF THE INFORMAL ECONOMY

Fighting the informal economy and unfair competition is the interest of employers in the Republic of Srpska. Therefore, the Union of Employers' Association of the Republic of Srpska wants to be an active partner to the Government of the Republic of Srpska and the social partners in order to agree on a common approach to addressing this problem, which is affecting employers, workers and the state at the same time.

Identifying the root causes of the informal economy is very important so that measures and interventions to address it are focused on the very source of the problem.

The UEARS emphasises the role of the RS Tax Administration and the RS Inspectorate as two key institutions in carrying out activities to suppress the informal economy.

Accordingly, it is necessary to:

REPUBLIC ADMINISTRATION FOR INSPECTION ACTIVITIES

- ✿ Increase **transparency and control of the work of inspection bodies** in order to eliminate the possibility of selective access in the selection and treatment of the companies subject to inspection - WORKING ON THE GROWTH OF INTEGRITY OF THE RS INSPECTORATE.
- ✿ **Integration of inspections of all levels of government of the Republic of Srpska** (local and republic) into the Inspectorate of the Republic of Srpska, so that there is no overlapping of competencies and uncoordinated access, with the aim of reducing the informal economy and facilitating business.
- ✿ More significant action by inspection bodies to prevent the spread of the informal market - an example is cigarettes.

TAX ADMINISTRATION OF THE REPUBLIC OF SRPSKA

- ✿ Amend the Law on Tax Procedure to correct (downward) the range in sanctions for minor tax violations (for example filing daily business reports, submitting day income, reclamation books...), while considering sanctions adjustments for serious tax violations (evasion of taxes - contributions, turnover, profits);
- ✿ Systematically work to strengthen the confidence of businesses and citizens through activities to increase the integrity of tax and control bodies;
- ✿ Develop support mechanisms to raise productivity and encourage investment in vocational training and training for workers.
- ✿ Continue to **carry out activities to promote positive examples** (White Paper) – promotional actions for the largest and most regular taxpayers, as well as actions related to the growth of citizens' tax discipline (COLLECTING ACCOUNTS - PRIZE GAMES)

- ✿ Continue activities related to **messy taxpayers – BLACK BOOK** (list published on RS Tax Administration website)
- ✿ Carry out activities **to promote the card payment method** - through the easier recording of traffic, the level of the informal economy is reduced (to provide lower fees for card payment in the Republic of Serbia);
- ✿ Provide public opinion on tax practices for all employers (transparent sharing of opinions).

A photograph of a large industrial facility, likely a refinery or chemical plant, at night. The scene is dominated by a tall, cylindrical distillation column on the right, illuminated by bright blue and white lights. A complex network of pipes, valves, and structural steel frames surrounds the column. In the background, another similar column is visible. The sky is dark blue. The image is framed by white geometric shapes: a large circle at the top left and a large circle at the bottom right, both partially cut off by the edges of the page.

5. PROPOSALS FOR IMPROVING THE BUSINESS ENVIRONMENT BY CHANGING THE REGULATIONS AT THE LEVEL OF BOSNIA AND HERZEGOVINA



LAW ON VALUE ADDED TAX

- ✿ Amend the Law on VAT to exempt from the payment of value added tax on hot meals (all three bases) and transportation, since these are costs of the employer from which no additional value is obtained;
- ✿ Extension of the deadline for payment of VAT from the 10th in a month to the end of the month;
- ✿ Shortening the VAT refund period to 30 days;
- ✿ Raising the VAT threshold for all taxpayers to KM 100 000.00 modelled on solutions in the environment;

LAW ON CUSTOMS POLICY

- ✿ Amend to allow customs duties not to be paid on new machinery and tools when imported from EU countries;

PUBLIC PROCUREMENT

- ✿ Continue and accelerate further activities to digitize the procurement process (e-procurement) with the aim of achieving full transparency of the process;
- ✿ Continue activities to increase the level of competencies of participants in public procurement procedures with particular emphasis on establishing continuous training of tenderers.

A woman wearing a white hairnet and a white t-shirt is smiling while working on a large industrial machine. The machine has a large metal frame and a blue component. In the background, there are shelves filled with wooden crates. A man in a white hairnet and t-shirt is also working on the machine, looking at the woman. The scene is set in a factory or industrial environment. The text "SECTORAL MEASURES" is overlaid on the image.

SECTORAL MEASURES

PROPOSED MEASURES

- ✿ Supporting and facilitating the digitization process - electronic signature, electronic invoice, delivery note;

TO MODERNIZE THE FISCAL SYSTEM, IN LINE WITH THE MODEL IN CROATIA

JUSTIFICATION

- ✿ The current model of fiscalisation in the RS is technologically far behind the solutions present in the region. It is a highly complex and unstable solution that is very difficult to manage functionally, from both the tax authority and the taxpayer point of view.

IMPLEMENT THE REGULATION / LAW / DECISION ON THE INTRODUCTION OF ECO TAX ON PLASTIC BAGS ON CASH REGISTERS

JUSTIFICATION

- ✿ Given that most countries in the region have regulated this area, we should follow the examples of good practice, as well as raise awareness of the entire society on the environment, reflecting the reduction of over-consumption/deposit of plastic bags, and revenues from eco tax environmental projects for environmental protection should be financed.

HARMONISE THE LAW ON ARCHIVES WITH THE REGION, TO ELIMINATE THE OBLIGATION TO KEEP A PAPER ARCHIVE FOR COMPANIES THAT HAVE A DIGITAL ARCHIVE PRESCRIBED

JUSTIFICATION

- ✿ Modernisation of obsolete law, reduction of paper consumption, easier use of archives for companies and institutions/inspectorate, higher efficiency of employees.
- ✿ As information technology and business practices are changing rapidly, legal solutions need to be flexible and open to new technological developments, based on solutions contained in international documents, regulations and standards of the European Union, and in particular on solutions in technologically advanced countries.

ABOLISH THE OBLIGATION FOR ALL PRIVATE COMPANIES TO DO RISK STUDIES, BUT ONLY FOR THOSE AT INCREASED RISK, AS IN CROATIA

JUSTIFICATION

- ✿ According to Article 3 paragraph 1 of the Law on Security Measures in the Operation of Cash and Other Values (Official Gazette of the RS, No. 33/2015) "The taxpayers within the meaning of this law are: banks, post offices, exchange offices, micro-credit organisations, lotteries, sports betting, casinos and similarly, legal and natural persons operating in cash and other values."

DEFINE BY LAW OR REGULATION THE SPACE FOR CONSUMPTION IN MARKETS

JUSTIFICATION

- ✿ **We propose** to add in Article 7 a new paragraph 5 within the Law on Trade (Official Gazette of the RS No.6/07, 52/11, 67/13 and 106/15) as follows:
(5) The merchant may have self-service showcases with prepared ready meals in his shop, as well as a space for consuming them.

AMENDMENT OF THE LAW ON ENFORCEMENT PROCEDURE - INTRODUCE THE INSTITUTION OF PUBLIC ENFORCEMENT AGENTS

JUSTIFICATION

- ✿ Amendments to the Law on Enforcement, similar to the legal solutions in the countries of the region, such as the law in Serbia, would regulate the area of enforcement, which is necessary for a better economic environment in the Republic of Srpska.
- ✿ With the existing legal solution, enforcement proceedings are time-consuming, it is difficult to gain insight into the debtor's property, while bailiffs have a restriction on the execution and inspection of the debtor's property, and there is no interest in resolving cases quickly.

FOREIGN EXCHANGE LAW – TO ENABLE AN EMPLOYER IN THE TERRITORY OF THE RS TO HAVE A CONTRACT WITH SEVERAL DIFFERENT BANKS TO PERFORM EXCHANGE TRANSACTIONS

JUSTIFICATION

- ✿ The Law on Foreign Exchange Operations (Official Gazette of the RS, No. 96/03, 123/06, 92/09, 20/14 and 20/18) also prescribes the manner of performing exchange operations. Pursuant to the aforementioned law, a Decision was adopted on the conditions and manner of performing exchange transactions (Official Gazette of RS, No. 7/04, 112/09 and 33/14), by the RS Ministry of Finance, which stipulates that an **authorised exchange office may enter into an agreement with only one bank.**

JUSTIFICATION

- ✿ **We propose** that Article 20, paragraph 1, item 1 be amended as follows:
In order to prevent the transmission of infectious diseases, persons working in the following jobs are placed under sanitary control:
1) in production, processing, *trade in unpackaged food*,

AGRICULTURE AND FOOD INDUSTRY

Objective: Systematically and effectively supported domestic primary agricultural production and the food industry in order to increase the competitiveness of the sector

RESTRICTIONS

- ✿ The incentive system is not efficient enough
- ✿ There is no separate social component of rural support from systemic support for farmers
- ✿ Support for rural development should integrate multiple areas (cooperatives, infrastructure, water supply, health care, etc.)
- ✿ Domestic agricultural production is not sufficiently linked to the domestic food industry
- ✿ The veterinary service is not efficient enough to provide systematic and quality support to the entire sector
- ✿ Insufficient technological development of agriculture
- ✿ Lack of laboratories, i.e. accredited laboratory methods

PROPOSAL OF KEY MEASURES

- ✿ Introduce an information system for the identification of land parcels as a basic precondition for monitoring the implementation of incentives per hectare of declared area
- ✿ Establish an animal identification system as a basis for planning higher quality incentives/incentives per cattle

- ✿ Establish a system for monitoring the results of agricultural holdings and, on the basis of these data, analyse the justification for supporting certain crops
- ✿ Increase incentives for capital investment in agriculture
- ✿ Link domestic primary production and the domestic food industry in such a way that the incentive is given to processors when purchasing domestic raw materials
- ✿ Define the second pillar of the agrarian budget for rural development
- ✿ Continue activities to develop the Law on incentives
- ✿ Improve the situation in the veterinary service
- ✿ Update the Action Plan for the implementation of strategic measures for the development of agriculture and rural areas
- ✿ Initiate measures to protect domestic production and promote foreign trade
- ✿ Establish systematic dialogue and cooperation between representatives of the economy, science and the Ministry
- ✿ Introduce a disincentive tax policy for the land that is not being cultivated
- ✿ Improve cooperation between farmers and educational institutions
- ✿ Resolve the issue of the certification laboratory.

WOOD PROCESSING INDUSTRY

Objective: Woodworking industry consisting of woodworkers with a high level of processing, export-oriented, modern technologies with high quality and well paid staff.

RESTRICTIONS

- ✿ The distribution of wood assortments in the field is not respected, which does not give final woodworkers certainty in supplying sufficient quantities of raw material, despite the existence of criteria on the basis of which the available raw materials should be distributed,
- ✿ Uncertainty in the dynamics of delivery of contracted quantities of raw material due to failure to comply with Government decisions on the ground
- ✿ Uncontrolled export of high value raw material

- ✿ Lack of quality staff (for example woodworking technician, graduate engineers – department of wood processing industry)
- ✿ Lack of export incentives
- ✿ Fighting unfair competition

PROPOSED MEASURES

BASIC MEASURES

- ✿ Strict adherence to contractual obligations when it comes to the supply of forest wood assortments (dynamics and quality) on the one hand and regular payment on the other. Sanctions for failure to comply with the contract with those responsible in the Public Company “Šume Republike Srpske” a.d. Sokolac and wood processors (subtracting quantities of forest wood assortments or terminating contracts).
- ✿ Insist on the initiative of the Government of the Republic of Srpska and the FBiH in terms of a systematic approach to banning the export of raw materials
- ✿ After establishing more efficient management in PC “Šume RS” which will result in better business results (profit), direct 50% of the company’s profits towards final wood processors with the aim of technological improvement of employers’ production capacities and increase of competitiveness of domestic companies in relation to the region and EU (modelled on Croatia);
- ✿ **Change in enrolment policy**
- ✿ **Promotion and scholarship of the following professions:** Woodworking Technician (High School of Students in Business) and Graduate Engineer in Wood Processing, Faculty of Forestry, Wood Processing Department

OTHER MEASURES

- ✿ Enhance inspection activities to reduce the informal economy (check the accuracy of the information provided by companies)
- ✿ Support cluster development

INFORMATION AND COMMUNICATION TECHNOLOGIES

Objective: IT sector as one of the key drivers of economic development of the Republic of Srpska (due to its contribution to technological development, exports and wages and overall competitiveness of the economy), competitive and recognisable with its own products outside BiH

RESTRICTIONS

LACK OF QUALITY STAFF

- ✿ The school system (primary, secondary and higher education) does not meet the needs of the modern market because:
- ✿ The programs are not sufficiently adapted to the needs of the economy
- ✿ Lack of practical teaching applicable in the economy
- ✿ The scholarship support system is not adequately geared towards key goals (for example the scholarship average may not have the same status in hard and deficit colleges)
- ✿ Higher education institutions in this area cannot retain high quality staff due to low salaries, since no component of the work of higher education institutions which involves working with the economy on a commercial basis has been developed
- ✿ Lack of systematic and strong link between the private and academic sectors
- ✿ Insufficiently segregated research work at faculties and study programmes intended to produce the adoption of applicable titles

LACK OF INVESTMENT

- ✿ There are not enough projects in this sector (especially those initiated by the state), especially through the construction of e-services that can bring significant savings to citizens, the state and the economy, i.e. there is a lack of a long-term plan for state investment in this area, with the construction of an integrated ICT infrastructure of the state administration
- ✿ Insufficient use of the preferential status of the domestic product.

SYSTEM SUPPORT TO THE SECTOR

- ✿ Insufficiently recognised importance of domestic ICT companies and their export potentials – status of production of software solutions (higher level of service equated to other products of much lower level of service).
- ✿ Insufficiently recognised importance of companies, and therefore support measures, which spend their profits in the Republic of Srpska, especially in development
- ✿ Not recognised the clustering potential of ICT companies.

PROPOSED MEASURES

BASIC MEASURES

- ✿ Initiate several key national IT projects (with the aim of building integrated ICT infrastructure at all levels of government in Srpska as a basis for digitalisation) in the performance of domestic companies, in order to produce a domestic product that can be competitive abroad, and at the same time to raise the level of domestic experts' knowledge through these projects
- ✿ Implementation of e-government infrastructure and services as quickly as possible.

SYSTEM SUPPORT TO THE SECTOR

- ✿ Establish an effective operational and technical body in charge of implementing e-government services that will be responsible directly to the Prime Minister, following the good practices of countries with high levels of e-government service development.
- ✿ Harmonize and define a stimulating tax policy in a way that stimulates the development of this sector (taking into account the rapid return on resources of this sector given the tendency of growth, the level of salaries and annual revenues). Special tax relieves or other forms of support for start-ups, tax relieves for R&D investments, abolish unnecessary burdens (for example environmental tax, forest tax, etc.)
- ✿ Define the criteria for selecting a bidder that will recognise the comparative advantages of local businesses (preferential status of domestic companies)
- ✿ Adequate coverage of the entire territory of the Republic of Srpska and citizens by the Internet
- ✿ Expanding optical internet and introducing 4G and 5G networks
- ✿ Attract and open development centres of well-known foreign IT companies
- ✿ Implementing interoperable software solutions in public companies as quickly as possible in order to optimise business operations

- ✿ Establish a system of regular communication between the academic community and the economy with the coordination of the Ministry of Science and Technology / Ministry in charge of technology, digitalisation and innovation - development of institutes and development centres
- ✿ Establishing an IT cluster and entrusting certain segments of the digitisation project to the cluster
- ✿ To enable retraining of other professions for ICT specialists, which will enable the effective application of ICT technologies in their original professions
- ✿ Revise and adjust to the needs of the economy programs at ETFs and related colleges
- ✿ Strengthening the professional IT staff of the faculties themselves, as they become the bottleneck of development (strengthening the educational staff vertically, bringing visiting professors to critical disciplines that are becoming a global trend and are poorly studied here)
- ✿ Implementation of smart city concept in cities and municipalities to provide improved services to citizens and save on local budgets
- ✿ Establish a two-year study programme for those who will be directly needed by the market (non-academic study), while at the same time developing quality study programmes for other types of business needs (academic study)
- ✿ Stimulate the export of this branch given its contribution to the overall development of the Republic of Srpska
- ✿ Solve technical barriers to foreign market entry of this sector
- ✿ Provide systematic support to the sector for foreign market entry in the longer term

TOURISM

Objective: To put extraordinary natural potential into the function of the tourist offer and to harmonise it with the modern requirements of the world market

THE BRANCH HAS EXCELLENT POTENTIAL

- ✿ natural resources (thermo-mineral springs, national parks, Olympic mountain, canyons, and rivers, hunting and fishing potentials ...)
- ✿ cheap and quality health services as a potential for health tourism in the Republic of Srpska and at the same time restrictive conditions for rehabilitation in the environment
- ✿ proximity to emission markets (European market with special focus on diaspora potential)

- ✿ other offer (gastronomy, cultural and historical heritage, with special emphasis on religious tourism)
- ✿ insufficient tourism valorisation of potential for the purpose of creating attractive tourism products

RESTRICTIONS

SYSTEM

- ✿ Non-compliant of strategic directions of development of different areas for the purpose of setting priorities, in order to define and harmonise measures and activities of different sectors (especially those concerning the protection of natural resources and, accordingly, the potential for tourism development).
- ✿ Insufficient number of integrated tourist facilities, which is a requirement of modern tourists (this applies both to the internal offer, but also to the offer with the countries of the region where the regional connectivity of tourist destinations is insisted)
- ✿ Spatial planning measures in tourist attractive areas do not follow this branch (which affects the overall tourist impression of demanding foreign tourists who show interest and come to Srpska)
- ✿ There is insufficient support from the local level, which is recognized as one of the key actors in this sector (stronger commitment of local communities for tourism development and tourism offer in their municipalities/cities)
- ✿ Insufficient funds for quality, integrated and branded contemporary promotion of tourism of the Republic of Srpska abroad
- ✿ Development of receptive tourism in the initial stages
- ✿ The issue of the geographic origin of the product has not been resolved
- ✿ Some segments of the legal framework are not sufficiently harmonised (hunting, registration and monitoring of associations).

PERSONNEL

- ✿ In some areas with potential for tourism development, secondary education does not meet the needs of the economy
- ✿ Secondary and higher education in this field should be further harmonised with contemporary requirements (occupational standard implies that modern tourists require modern quality of service, this applies to all professions in this sector ... waiters, chefs, tour guides, and destination managers in terms of managerial skills)
- ✿ Lack of quality practical classes
- ✿ Lack of manpower due to seasonal work abroad

- ✿ Lack of specialized staff in the field of tourism logistics (for example maintenance of cable cars and ski lifts)

INFRASTRUCTURE

- ✿ Despite significant investments, there is still insufficient infrastructure for demanding international tourists (airports, highways, but also infrastructure in local areas that do not require extremely large investments)

FINANCE

- ✿ Use of residence tax. The amounts allocated to local communities are often not used with visible effects.

COMMERCIAL REAL ESTATE INVESTMENT

- ✿ Potential investment offer (for domestic and foreign investors) exists, but it has not been finalised in a way that is project-defined and elaborated.

PROPOSED MEASURES

BASIC MEASURES

- ✿ **Improve transport infrastructure (especially road and air transport). In addition to large infrastructure projects, local infrastructure projects in those areas where there is significant tourism potential should be prioritised**
- ✿ **Complete the content of tourism superstructure in all destinations that have tourism potential.**
- ✿ **Finalize targeting of key tourism areas in individual regions and define support measures. Align this with strategic directions of development of other sectors (for example energy)**
- ✿ **Define key investment tourism projects and encumber those responsible for their preparation and implementation (clearly defined all elements of the offer) with the ultimate goal of the offer, both to domestic and foreign investors. APPROACH THIS THROUGH A PROGRAMME in order to promote potential investments in tourism products both domestically and internationally.**

Jahorina

To analyse the existing Master Plan and consider either revising it or enacting a new one, with the aim of attracting investors to build a new part of the Jahorina ski resort in Zone 1 and Zone 2.

In the meantime, initiate activities proposed in the existing plan that can be implemented, primarily those related to the extension of the season.

National parks with an emphasis on DRINA and SUTJESKA

Attracting investors to catering facilities for accommodation and tourist infrastructure in concession-based parks, for example, giving concession for the Sutjeska Hotel. In this context, consider the possibility of entrepreneurs being dealers.

Thermal and mineral waters (spa tourism)

Clearly define potential projects, with clean ownership relationships with clear offers to investors.

Other potential projects

(Hotels with convention halls in individual cities, camps in certain areas; help finding partners to those businessmen who started the investment but can't finish it)

- ✿ Define a mechanism to ensure that local communities develop the capacity to monitor and fully support the implementation of investment projects in the tourism sector from the beginning to the end
- ✿ Consider the current system of using the residence fee in order to provide funds for more serious promotion
- ✿ Design and implement a strong promotional campaign for the Republic of Srpska
- ✿ Intensify activities to define the geographical origin of the product in order to better promote and brand the Republic of Srpska
- ✿ Intensify activities on electronic records of tourist traffic in the Republic of Srpska

Provide financial support to the sector through:

- ✿ Amendments to the Law on Corporate Income Tax to make capital investment in tourism the same status as capital investment in manufacturing
- ✿ Consider credit lines in tourism with a longer grace period, since it takes a longer period of time to return the investment in tourism
- ✿ Encourage the development of receptive tourism – consider models in the region, and then define and apply your own model

- ✿ Develop measures to improve and preserve local tourism staff;
- ✿ Develop the potential of eco and adventure tourism some of the measures:
- ✿ Enable the removal of trophies from Srpska (possible in the region)
- ✿ Collect potential areas where it is possible to develop fishing tourism (for example Drina and concessions in a specific area)
- ✿ Strengthen the role of inspections (especially in the field of ecology and the informal economy). Proposal: within the Inspectorate to systematise the position of tourist inspector who would be specialized in the field of tourism and complementary branches
- ✿ Work to increase the level of protection of sites to reach EU standards (i.e. at least 16% of the territory is under a certain level of protection).
- ✿ Complete the process of simplifying the possibility of buying domestic products for tourism purposes

METAL AND ELECTRICAL INDUSTRY

Objective: To increase the competitiveness of domestic producers and their export performance

RESTRICTIONS

- ✿ Low level of competitiveness due to insufficient investment in technological development and education of management and employees (in various fields, such as promotion and finding new markets)
- ✿ Lack of systematic measures to stimulate exports, introduce new technologies and innovations
- ✿ Insufficient cooperation of business entities regarding creation of the final product
- ✿ Lack of our own products and brands
- ✿ Lack of quality staff and its outflow
- ✿ Primary education does not create a good basis for secondary education
- ✿ Secondary education does not fully meet the needs of the economy in the directions, programme, staff and lack of practical training
- ✿ High schools under-equipped
- ✿ Retraining programs are not always in the education system but are project based and ad hoc in nature

- ✿ Insufficient orientation of high schools towards contemporary trends in terms of self-financing opportunities
- ✿ Insufficient connection between higher education institutions and the economy
- ✿ The scholarship system does not produce results, although considerable funds are invested in it

PROPOSED MEASURES

Measures in the general section also apply to this sector, unless specifically stated here.

BASIC MEASURES

- ✿ **Creating systematic measures to stimulate exports, introduce new technologies and innovation**
- ✿ **Creating concrete programmes for promotion and appearance on the foreign market**

SECONDARY EDUCATION

- ✿ **Reduce the number of directions in secondary schools and reduce them to two directions only** (mechanical technician and metalworker in the case of secondary mechanical engineering, similarly and in high school), and afterwards upgrade either through company practice or specialist training
- ✿ Improve the quality of education in secondary schools by connecting higher education institutions and high schools, i.e. **oblige high school teachers to update their knowledge every two years, to take exams / training at the Faculty of Mechanical and Electrical Engineering for the subjects they teach**
- ✿ **Return retraining projects and other education support projects to the formal education system so that the effects are systemic and of higher quality.**
- ✿ **Design and implement an adult retraining program, which will be conducted in high schools in the evenings** (this would be a systemic approach, with the possibility of additional funding for secondary schools at the same time)
- ✿ Define programs of practice in cooperation with businessmen (so that practical teaching in the economy is well-designed, well supported by businessmen and results-oriented), while eliminating deficiencies in the legal system that make practical teaching difficult.

HIGH EDUCATION

- ✿ Establish a stronger link between industry and higher education institutions – establish an economic support centre (R&D centre) at mechanical and/or electrical faculties

TEXTILES, LEATHER AND FOOTWEAR

Objective: To increase efficiency and competitiveness of the sector through technological development, development of competitive industry base and development of own products, brands

RESTRICTIONS

- ✿ Low level of competitiveness due to insufficient investments in technological development and education of management and employees (in various fields, such as promotion and finding new markets)
- ✿ Lack of systematic measures to encourage the export of a domestic brand, the introduction of new technologies and innovations
- ✿ Lack of our own products and brands
- ✿ Lack of base industry (almost all raw materials for the sector are imported – leather, glue, thread ... etc.)
- ✿ Insufficient cooperation of business entities regarding creation of the final product
- ✿ Lack of staff
- ✿ The education system does not currently have staff that can train workers for the needs of the sector (old teachers work as retired teachers but are not able to obtain certification on this basis)
- ✿ Lack of practical training in companies
- ✿ Insufficient staff interest in working in this sector
- ✿ Frequent absences from work
- ✿ Poor secondary school equipment is a disincentive for new students
- ✿ Small wages in the sector

PROPOSED MEASURES

BASIC MEASURES

- ✿ Measures in the general section also apply to this sector, unless specifically stated here.
- ✿ Creating systematic measures to encourage the export of domestic products, the introduction of new technologies and innovations

- ✿ Raise salaries for employees in the sector
- ✿ Support the development of a specific category of our own product that is judged to be competitive, and then support it in promoting it abroad
- ✿ Development of the base industry – identify areas where we have potential (for now it is certain that it is leather and possibly other areas for the footwear industry), define a programme and seek local or foreign investors, with possible support programs
- ✿ High School Equipping Project with Occupational Promotion
- ✿ **Practical classes in schools**
- ✿ **Define occupational deficits on an annual basis by redefining the scholarship system (targeted scholarship, with the obligation to return the scholarship through work or financially)**
- ✿ **Creating concrete programmes for promotion and appearance on the foreign market**
- ✿ **Domestic businessmen should be prioritised in public procurement**
- ✿ **Strengthen programmes to raise the awareness of the domestic consumers to buy our products**
- ✿ **Develop a plan for the implementation of all aligned measures (both joint and sectorial) with clear terms and responsibilities and report quarterly to a high-level political and expert level coordination body (for example Economic and Economic Council).**

DOCUMENTS USED IN THE PREPARATION OF THE UEARS PROPOSAL OF MEASURES

- ✿ RS Government Work Programme for 2019;
- ✿ Republic of Srpska Economic Development Guidelines 2019 - 2023 (2018);
- ✿ UN - Sustainable Development Goals BiH 2030 (2015);
- ✿ Analysis and projections of the RS labour market for the period 2019 - 2023 (2019);
- ✿ Labour taxation and the informal economy (UEARS, 2016);
- ✿ Proposal for a population policy measures of the Republic of Srpska (Centre for Demographic Research 2019)
- ✿ IMF Working Paper - State-owned Enterprises in BiH - Performance Evaluation and Surveillance (2019)
- ✿ Joint socio-economic reforms for the period 2019 - 2022 (2019)





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