



BOSNIA AND HERZEGOVINA TOURISM SECTOR DIAGNOSTIC: Challenges and Opportunities for Sector Excellence

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Acronyms

ADA	Austrian Development Agency	MIGA	Multilateral Investment Guarantee Agency
ATTA	Adventure Travel Trade Association	MOFTER	Ministry of Foreign Trade and Economic Relations
BD	Brcko District	MSMEs	Micro, Small, and Medium Enterprises
B&B	Bed and Breakfast	NEM	Non-equity Model of Investment
BiH	Bosnia and Herzegovina	NP Una	Una National Park
CEA	Classification of Economic Activity	OECD	Organisation for Economic Co-operation and Development
CNTB	Croatian National Tourism Board	PPP	Public-Private Partnership
CROSTO	Croatian Sustainable Tourism Observatory	REDAH	Regional Development Agency for Herzegovina
DCF	Donor Coordination Forum	RMO	Regional Management Organization
DM	Destination Management	RS	Republika Srpska
DMO	Destination Management Organization	SCI	Site of Community Importance
EC	European Commission	SDGs	Sustainable Development Goals
ECST	European Charter for Sustainable Tourism	SMEs	Small and Medium Enterprises
ETIS	European Tourism Indicator System	SPA	Special Protection Area
EU	European Union	STB	Slovenia Tourism Board
FBiH	Federation of Bosnia and Herzegovina	TTCI	Travel and Tourism Competitiveness Index
FDI	Foreign Direct Investment	UHR	Association of Hotels and Catering Industry
FIT	Free Independent Traveler	UNDP	United Nations Development Programme
GCC	Gulf Cooperation Council	UNESCO	United Nations Educational, Scientific, and Cultural Organization
GDP	Gross Domestic Product	UNWTO	United Nations World Tourism Organization
GHG	Greenhouse Gas	USAID	US Agency for International Development
ICT	Information and Communication Technology	UTA BiH	Association of Tourist Agencies
IFC	International Finance Corporation	VAT	Value Added Tax
INSTO	International Network of Sustainable Tourism Observatories		
IPA	Instruments for Pre-accession Assistance		
JICA	Japan International Cooperation Agency		
MICE	Meetings, Incentives, Conferences, and Events		

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Executive Summary

Tourism is an important services sector for Bosnia and Herzegovina (BiH) - and could be even more so. Tourism represented 5.5 percent of total gross domestic product (GDP) in 2018, an increase from 4.1 percent in 2014. In 2019, tourism represented 50.3 percent of the overall account of services and the export of travel services contributed KM 2.055 billion (approximately US\$1.3 billion) in the same year. Between 2014 and 2019, the income generated from international travelers, considered a services export activity, increased by 54.8 percent.

Yet, BiH has a limited track record for foreign direct investment (FDI) in tourism. Despite the sector's potential, tourism's share in overall FDI stock is low at 1.02 percent. Moreover, since 2015, FDI levels in tourism have been dropping.

COVID-19 has hit the global tourism sector hard. Specifically, the impact of the pandemic is clearly seen from BiH's balance of payments. The export of travel services dropped by 65 percent during the first six months of 2020 compared to the same period in 2019. The impact is even more evident when comparing Q2 of 2020 with Q2 of 2019 when export of travel services declined from KM 590 million to KM 87.2 million (approximately US\$53 million), a drop of 85.2 percent.

Over the last 25 years before COVID-19, BiH experienced rapid growth in tourist arrivals. The number of annual visitors grew from 115,000 in 1997 to over 1.2 million in 2019, a more than tenfold increase.

Source: Agency for Statistics of Bosnia and Herzegovina, www.bhas.gov.ba.



Courtesy of British Ambassador to BiH Matt Field

Even with this growth, the sector faces a number of specific constraints:

- **Nonexistent and conflicting regulatory environment.** Businesses face a series of licensing and regulatory bottlenecks which make establishing and operating a tourism business unattractive.
- **Lack of clear policy direction.** Absence of an institution at the state level that cohesively regulates tourism activity, coordinates tourism industry operators and stakeholders, and manages a national strategy for tourism development.
- **Lack of integrated destination planning.** The current, highly fragmented institutional framework points to a large gap in planning and implementation that constrains the sector's development and competitiveness.
- **Lack of cooperation and coordination among stakeholders.** BiH suffers from limited cooperation and coordination among tourism stakeholders in both the public and private sectors at all levels (Federation of Bosnia and Herzegovina [FBiH], cantons, Republika Srpska [RS], and so on).
- **Lack of data on demand and supply.** Poor quality of data on sector supply and demand hinders informed policy development and effective decision-making that can move the sector forward to benefit the population overall.
- **Lack of cohesiveness of tourism product.** BiH's tourism products are predominantly developed to fit bus tour itineraries and structured movements of large groups. This is typically a low-value segment generating minimal local benefits.
- **Lack of innovation.** The uncertain and unpredictable business environment contributes to a lack of innovations and related investment. This is seen specifically in the low level of digitalization that can facilitate delivery of new and different products/services.
- **Infrastructure constraints.** Even though BiH has a favorable geographical position, it does not have adequate or quality infrastructure. This limits movement within the country to only a few iconic sites such as Mostar and Međugorje.
- **Workforce availability and quality.** Representatives of the RS Ministry of Trade and Tourism have stressed that there is a lack of highly qualified or certified personnel in the tourism industry which cripples services development and delivery.

Given the region's dynamic marketplace and changing demand patterns, what does BiH need to have a resilient and competitive tourism sector?

In today's highly competitive tourism world, business as usual – or getting back to previous visitation pinnacles – is not good enough. Globally, the sector is experiencing great change as disruptive technologies enable expanded access to data, diverse products, and new demand trends. In this context, this is not the time for BiH to be satisfied with simply getting back to the pre-COVID situation. These times require a commitment to supporting the sector to achieve key goals – such as improved sharing of benefits, environmental protection, resilience, and sustainability – achieved through a renewed focus and targeted actions.

This review enables determination of next steps through assessment of the sector and identification of constraints and a way forward.

TABLE E.1

Short- and Medium-term Strategies for a More Competitive Tourism Sector in BiH

Strategy	Rationale
Short-term strategies	
(a) Assistance through reducing fiscal and parafiscal levies	Fundamental to establishing a streamlined business environment able to attract entrepreneurs and innovators.
(b) Subsidies to guarantee the minimum wage to employees during the pandemic	Loss of trained and experienced labor force can set back the sector's advances to date.
(c) A moratorium on all payments until the end of 2021	Small and medium enterprises (SMEs) are the engine of BiH's tourism. Keeping them in business will enable a faster recovery overall.
(d) Adequate financial state assistance	The COVID-19 crisis requires mobilization of public and private support efforts.
(e) Relieve subscription fees for closed hotels	This supports ability to reopen sooner.
(f) Safe travel badge	Assuring travelers that safety, security, and health protocols are in place builds consumer confidence and willingness to travel.
(g) Adjustment of criteria and specifications on the maximum people allowed	Following COVID-19 crowd control and visitation management is even more important for travelers. This ensures protection of invaluable natural and cultural assets.
(h) Preparation of a post-COVID recovery destination marketing strategy	The changed marketplace demands new and targeted messaging delivered through implementation of a cohesive strategy.



Strategy	Rationale
Medium-term strategies	
(a) Develop a clear and unifying tourism strategy	Countries with vibrant and productive tourism sectors start with - and implement - a strategic vision and plan.
(b) Build human resource capacity through skills development	There is a large and growing deficit of skilled tourism workers across BiH.
(c) Integrate the natural and cultural heritage as fundamental part of the tourism product	Even though BiH has a wide range of cultural and natural resources, there is an opportunity to turn these resources into tourism offerings.
(d) Strengthen tourism information systems and metrics	To support public and private sector initiatives to improve the competitiveness of the country's tourism sector, it is essential that higher-quality and more comprehensive data are used as the basis for making informed decisions.
(e) Strengthen tourism's legal, regulatory, and fiscal environment	BiH's tourism policies and regulatory framework are not conducive to private sector development.
(f) Improve connectivity and tourism-related infrastructure	BiH needs to enhance its connectivity as it is significantly constraining the overall competitiveness.
(g) Support the development of quality products and services	There is a need for consistent international service levels and a tourism product offering that is diversified and attractive to target segments in adventure, culture, and religious tourism, among others.
(h) Promote and encourage entrepreneurial innovation	An important strategy is to design and implement tourism product development strategies that meet market expectations and are suited to the local context.
(i) Improve access to finance for registered tourism micro, small, and medium enterprises (MSMEs)	Improved access to finance can support the development of new and innovative tourism offerings as well as upgrade existing tourism products.
(j) Reposition FDI promotion and outreach	Reposition FDI to attract investors that are more socially and environmentally conscious as well as those that focus on innovative technologies.
(k) Build the image, position, and brand of BiH tourism	Effective positioning and branding of BiH in the domestic, regional, and international marketplace is a building block to competitiveness and creating a globally recognized sector.
(l) Enhance the inter-institutional collaboration	The complex governance structure creates an additional and unnecessary impediment for tourism growth, especially hampering the innovation in tourism that would be possible by data access and availability, introduction of digital technologies, and participation in regional and global associations.
(m) Support the development of destination management mechanisms	Coordination and collaboration enabled through these organizations can contribute to a consistent and competitive product.

Moving the sector forward requires clarity of vision, adequate resources, and a comprehensive effort by all stakeholders. There continues to be a pressing need for comprehensive, inclusive planning and systematic implementation to achieve a higher level of competitiveness. This analysis synthesizes

the pre-COVID situation and provides short- and medium-term strategies. It provides a basis for stakeholders to come together and consider specific options to organize, collaborate, and focus efforts to achieve change.

1

Introduction

1.1 Background and Purpose

Tourism is an important sector for the economy of Bosnia and Herzegovina (BiH) and provides jobs and opportunities for small and medium enterprises (SMEs) but is currently not at its full potential. The number of arrivals to BiH is low compared to other countries in the region and many resources are still untapped or not fully market ready. The COVID-19 pandemic has severely hit the tourism sector and has reshaped, and will reshape, the tourism sector globally. This not only allows for but also mandates significant change to the sector, and tourism should emerge as a more sustainable, economically productive, and broad-based activity that benefits people throughout the country.

The purpose of this review of the tourism sector is to provide an overview of the sector pre-COVID-19 as well as recommend ways to move forward. It explores the supply and demand, assesses the public and private sector environment, and identifies opportunities as well as critical issues. The review provides guidance on short-term strategies that can support private sector stakeholders with their most pressing needs during and after their recovery of the COVID-19 pandemic. It also provides recommendations to build a more competitive and resilient sector in the medium term.

The review analyzed the available data on the tourism sector and is based on extensive consultation with private and public sector stakeholders.



1.2 Bosnia and Herzegovina

BiH is a heart-shaped country in Southeast Europe bordering Serbia, Montenegro, and Croatia. Although it is mostly landlocked, BiH also includes 21 km of the Adriatic coast. Its geographic position in the Balkans significantly marked the country's history; being at the crossroads of civilization - Paleolithic, Neolithic, Illyrian, Celtic, South Slavic, Ottoman, Austro-Hungarian, and Yugoslav - and complemented by natural resources, the country has a unique profile.

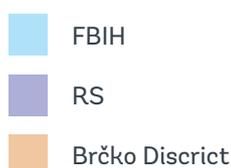
As an upper-middle-income country, BiH has a population of 3.5 million and US\$5,732 gross domestic product (GDP) per capita. Since 1995, BiH has been recovering from the war damages and transitioning to a market economy. As a potential European Union (EU) candidate country, it is embarking on a new economic model shifting the engine of growth and job creation to the private sector and reducing the public sector footprint at the same time.

1.3 Bosnia and Herzegovina's Institutional Structure

BiH has a complex institutional structure with relatively weak state-level institutions and two entities which have a high degree of autonomy. The 1995 Dayton Peace Agreement set up the political division of the country into two entities: the Federation of Bosnia and Herzegovina (FBiH), which is further decentralized into 10 cantons, and Republika Srpska (RS), with central functions such as international policy and defense the responsibility of

the state level. In addition, the Brčko District (BD) was established as a self-governing administrative unit in 1999. This institutional framework has allowed each entity to undertake important measures in tourism sometimes in parallel but generally independently. Tourism policy reforms that will benefit the country's competitiveness can advance only if all respective authorities support and implement them.

FIGURE 1:
Bosnia and Herzegovina



Source: Agency for Statistics of Bosnia and Herzegovina, www.bhas.gov.ba.

¹ World Bank Group 2018a: "The human and economic cost of the conflict in Bosnia and Herzegovina (BH) between 1992 and 1995 was enormous. Conflict in BH emerged soon after the republic became independent during the dissolution of the former Socialist Federal Republic of Yugoslavia (SFRY). It is estimated that more than 100,000 people were killed in BH and 2 million were displaced or became refugees - over half the pre-war population.¹ The economy all but collapsed with a decline in output estimated at 80 percent (World Bank 1996). Employment plummeted and physical infrastructure was decimated, severely impacting social services provision."

1.4 Why and How Tourism Is Different

What exactly is tourism and why does it matter in the quest for sustainable local development?

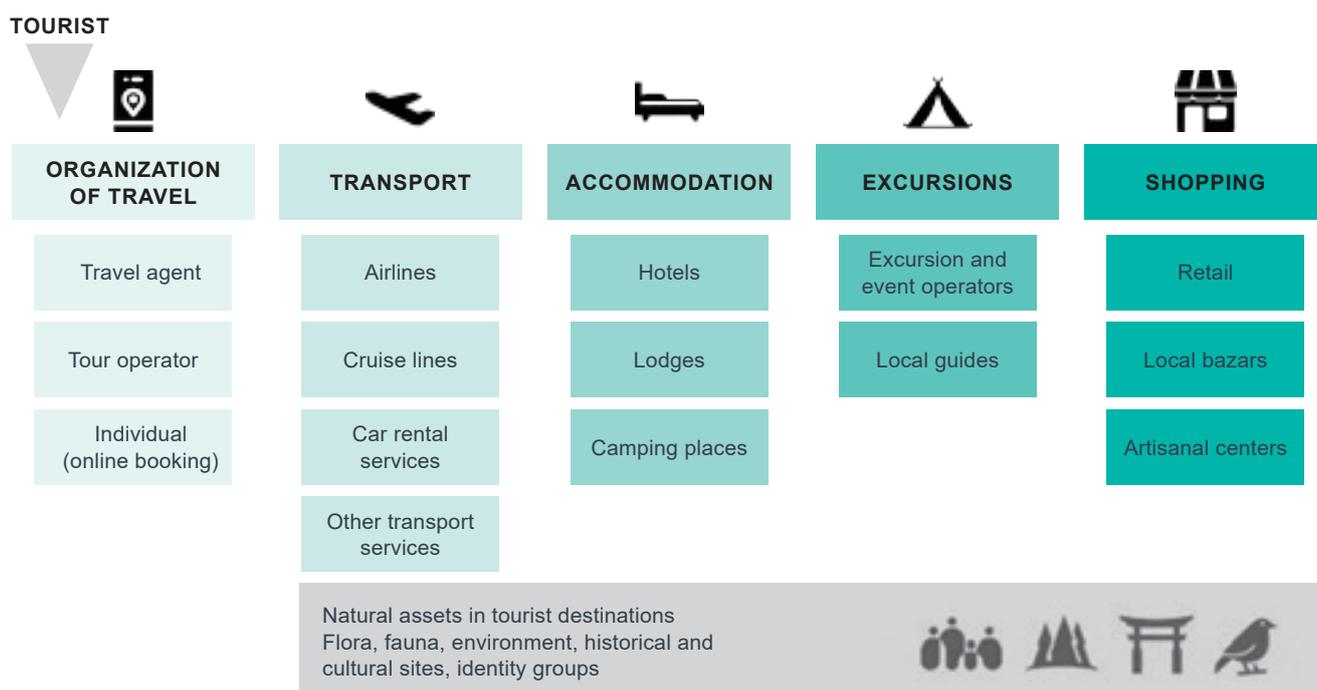
We all are familiar with travel and tourism - having experienced business, leisure, and other forms of travel - yet understanding the economic, social, and environmental opportunities and challenges of tourism is critical for destinations looking to tap its many benefits.

Like other economic activities, tourism gives to and takes from communities and travelers. When properly planned and managed, sustainable tourism can contribute to improved livelihoods, economic growth, inclusion, cultural heritage, and natural resource protection and promote international engagement. The tourism sector is an important source of international exchange and employment, with high potential to generate positive economic spillovers into other economic sectors. When it is poorly planned or overly utilized, tourism can negatively affect cities, parks, and historic monuments and put severe pressure on local infrastructure, resident communities, and their resources. While tourism is a fragmented bundle of services that is embraced by large and small, developed and emerging economies

throughout the world, capturing desired impacts - especially at a local level - requires understanding the tourism ecosystem and how each component offers opportunities for public and private sector collaboration.

Tourism is a complex blend of direct and indirect activities forming a vast ecosystem of markets and varied demand segments. Understanding the tourism ecosystem requires the careful effort of combining, collecting, understanding, and analyzing key sector indicators. As the tourism sector comprises several subsectors, a diagnostic must consider a wide range of suppliers: attractions, accommodation, food and beverage, transport (for example, aviation, cruise, rail, car rental, and taxi), travel services (for example, retail travel agents, tour operators, and tours guides), recreation, meetings, and other subsectors (see **Figure 2**) - thereby making it more complex than many other sector analyses. Tourism demand comprises a variety of segments that can create numerous economic, environment, and social opportunities. The sector involves many stakeholders - on the supply and demand sides - with diverse perspectives.

FIGURE 2: Tourism Ecosystem and Its Components



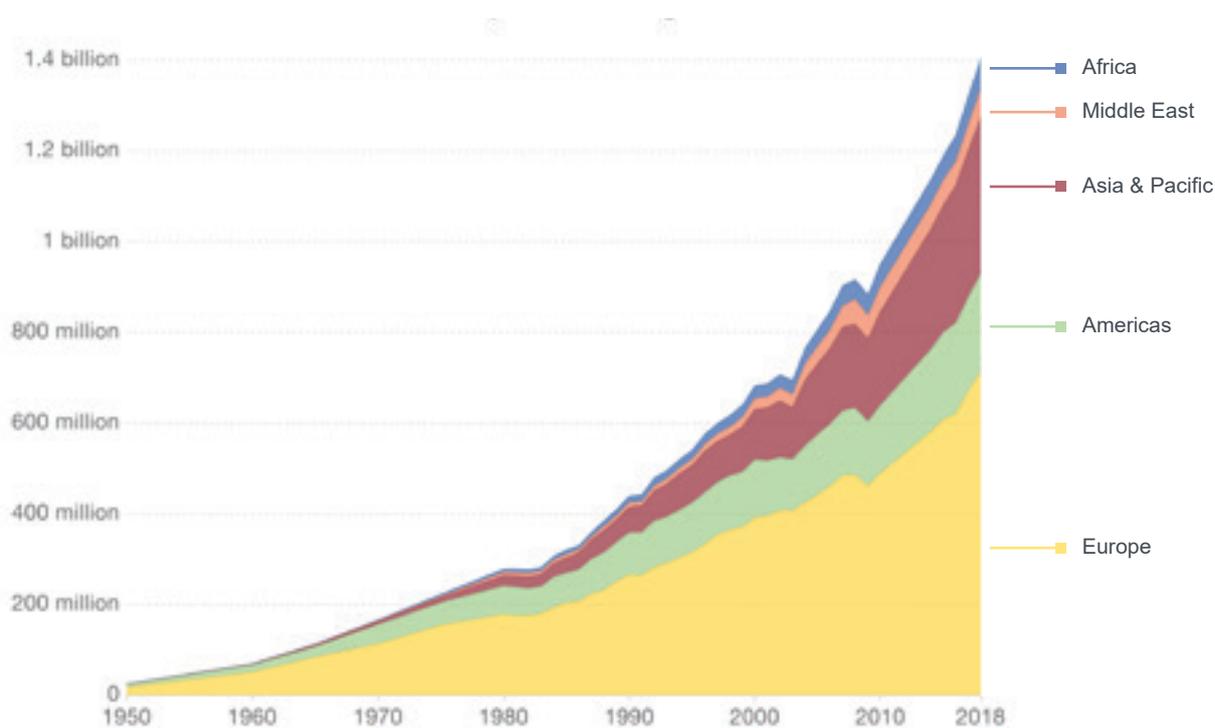
Source: World Bank Group 2019.

1.5 Global Tourism

Over the past three decades, until 2020, travel and tourism sector revenues nearly tripled globally with increases in every region. Before COVID-19, the sector generated more than 10 percent of global GDP. In 2019, 61 countries derived more than 10 percent of their GDP from travel and tourism. The growth of disposable incomes and increased access to

destinations globally have contributed to the sector growing both in real terms and as a share of GDP consistently for developing and developed countries. Travel and tourism's total contribution to GDP in 2019 was US\$8.9 trillion (or 10.3 percent of the total GDP in 2019 and growing as a share of total GDP).

FIGURE 3: International Tourism Arrivals, 1950–2018



Source: United Nations World Tourism Organization (UNWTO).

Before COVID-19, tourism employment was also a powerhouse for many economies. In 2019, travel and tourism provided 330 million jobs worldwide, or one in ten jobs. This number of jobs is more than financial services, health, banking, automotive manufacturing, and mining sectors combined. The tourism sector is typically more productive than many other sectors such

as agriculture, retail, and construction and provides more inclusive employment opportunities for both skilled and non-skilled labor - especially for women - with the possibility to learn new transferrable skills (such as technical, entrepreneurial, interpersonal, and language skills).

2

Demand and Supply Assessment

2.1 Economic Impact of Tourism

In the five-year period up to 2019, the tourism sector's share of GDP rose. Sector data published by UNWTO, as determined with data from the Agency for Statistics of Bosnia and Herzegovina, show that tourism represented 5.5 percent of total GDP in 2018, an increase from 4.1 percent in 2014. Data from the World Travel & Tourism Council (WTTC) indicates that in 2019, the total contribution of tourism (direct, indirect and induced combined) was 9.3% of the total economy.

TABLE 1

Tourism Economic Impact Indicators, BiH, 2014–2019

	2014	2015	2016	2017	2018	2019	% change 2014–2019	% change 2018–2019
International tourism receipts (US\$, millions)	536	678	778	923	1,053	1,200	123.9	12.9
Inbound tourism as % of GDP	4.1	4.9	5.2	5.4	5.5	n.a.	-	-
Inbound tourism expenditures as % of exports of services	45.4	47.3	48.8	48.9	48.9	n.a.	-	-
Inbound tourism expenditures as % of exports of goods and services	12.0	13.8	14.2	13.3	12.7	12.7	16.7	10.2
Inbound tourism expenditures over current account (%)	7.7	9.3	9.9	9.5	9.3	n.a.	-	-

Source: UNWTO.

Tourism in BiH is primarily driven by micro, small, and medium enterprises (MSMEs). Only up to 5 percent are medium enterprises, each with more than 50 employees, while approximately 85 percent are micro, with an average of 3 employees.

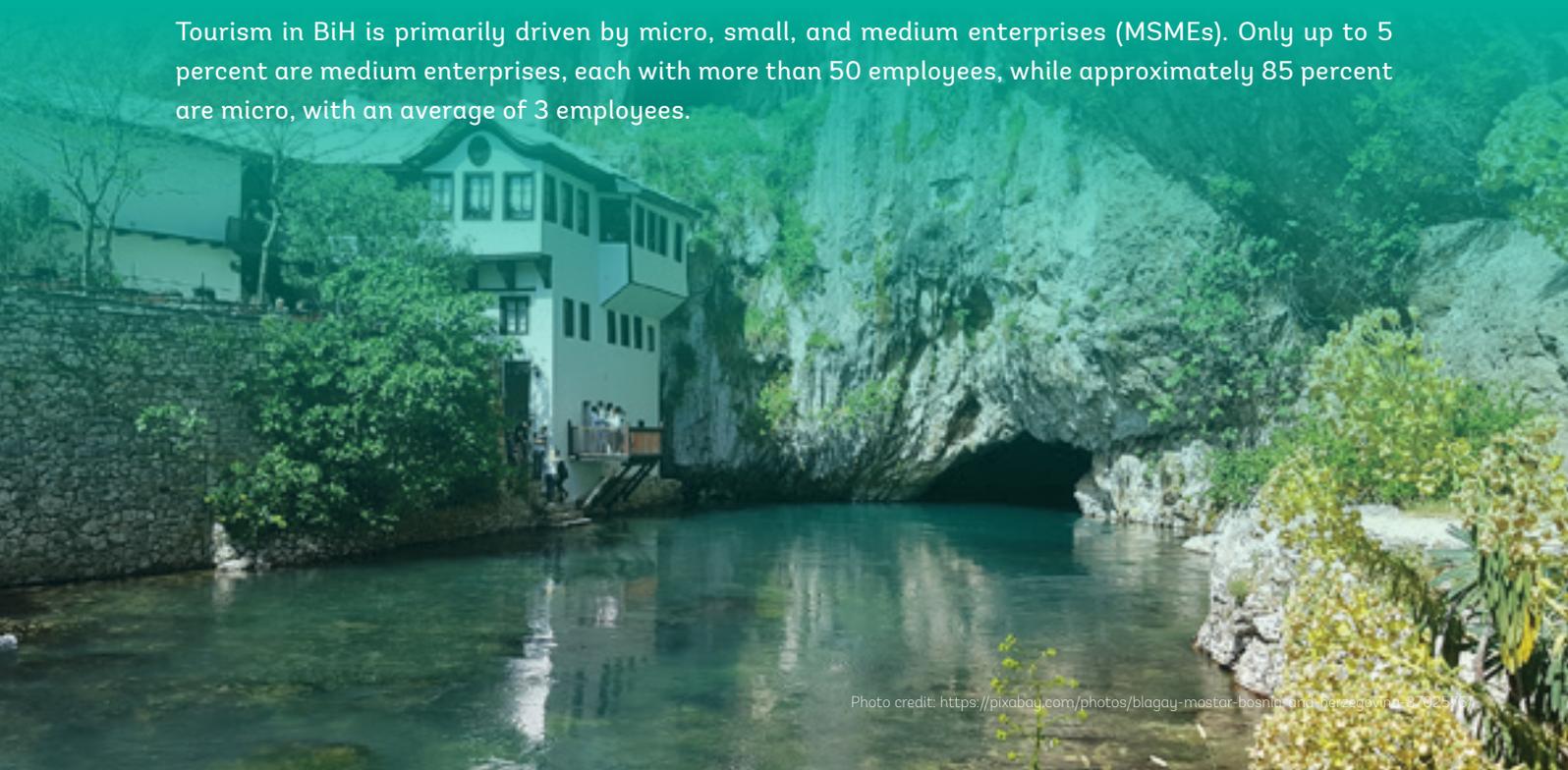


TABLE 2:

Size of Tourism Firms, BiH, 2017–2019

	KD BiH 2010 (EU NACE Rev.2) Sections of activity (I) ACCOMMODATION AND FOOD SERVICE ACTIVITIES	Number of enterprises	Number of entrepreneurs	Number of persons employed	Turnover/ thousand KM	Value added at factor cost/ thousand KM	Personnel costs/ thousand KM
2019	Total	936	9,462	37,846	1,616,418	637,618	293,883
	Small (0-49)	890	9,462	33,635	1,401,669	532,035	237,004
	Medium (50-249)	46	0	4,211	14,749	105,583	56,879
	Large (250 and more)						
2018	Total	893	9,685	35,977	1,411,174	501,981	267,502
	Small (0-49)	853	9,684	32,229	1,224,761	414,262	218,748
	Medium (50-249)	40		3,748	186,413	87,719	48,754
	Large (250 and more)						
2017	Total	868	10,231	35,733	1,236,720	422,740	246,701
	Small (0-49)	829	10,230	32,171	1,065,635	338,577	203,238
	Medium (50-249)	39		3,562	171,085	84,163	43,473
	Large (250 and more)						

Source: Agency for Statistics of Bosnia and Herzegovina, www.bhas.gov.ba.

Before COVID, tourism became an important services sector for BiH. In 2019, tourism represented 50.3 percent of the overall account of services, and the export of travel services contributed KM 2.055 billion

(approximately US\$1.3 billion) according to the Central Bank. Between 2014 and 2019, the income generated from international travelers, considered a services export activity, increased by 54.8 percent.

FIGURE 4: Export of Travel Services, BiH, 2015–2019

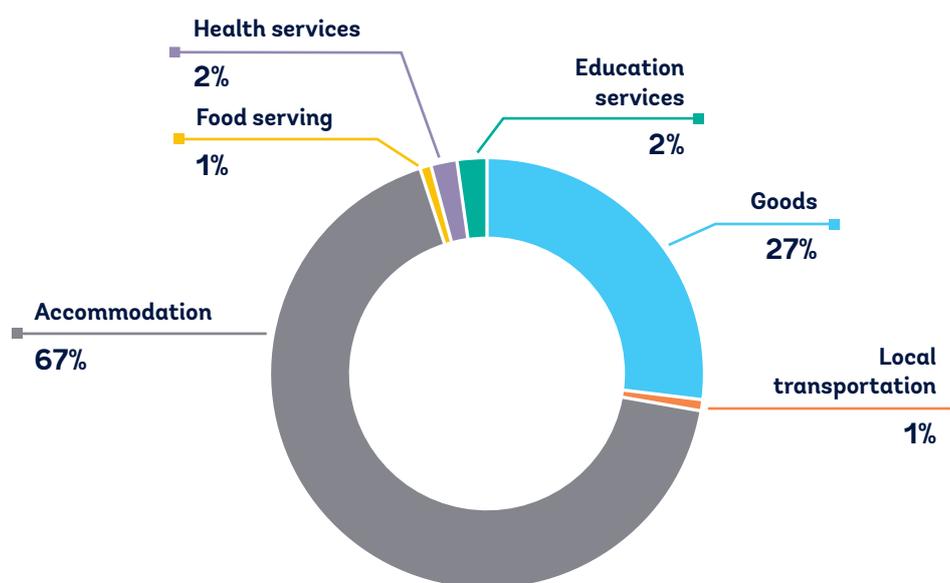


Source: Central Bank of Bosnia and Herzegovina.

The accommodation sector generated 67 percent of travel export services. The Central Bank's balance of payments shows that in 2019, 67 percent of the total KM 2,055 million was spent on accommodation

services and 27 percent on goods purchased by foreigners traveling for business and personal reasons. Health and education services combined represented 4 percent of total travel export services.

FIGURE 5: Distribution of Travel Export Services, BiH, 2019



Source: Central Bank of Bosnia and Herzegovina.

The number of jobs is growing at a slower rate than receipts from international tourism. Employment data show that the number of jobs in the tourism sector is growing at a slower rate than the growth of the international tourism receipts during the same time.

This divergence could be due to several factors. One possibility is that part-time positions have converted to full-time employment, and another possibility is that the sector was previously less productive.

TABLE 3

Employment Data, BiH, 2014–2018

Number of jobs	2014	2015	2016	2017	2018	% change 2014–2018
Accommodation services	5,400	5,300	5,500	4,800	5,200	-3.7
Food and beverage serving activities	18,100	18,600	20,000	19,800	21,000	16.0
Travel agencies and other reservation services activities	700	700	800	600	600	-16.7
Total	24,200	24,600	26,300	25,200	26,800	10.7

Source: UNWTO.

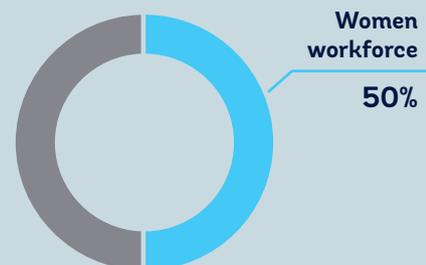


Persons in paid employment according to CEA (Classification of Economic Activity) and by gender and month, BiH		2017	2018	2019	2020
Jan	Total		40,252	42,734	44,796
	Women		18,337	20,636	22,597
Feb	Total		40,260	42,949	44,050
	Women		18,445	20,744	22,246
Mar	Total		40,029	42,791	42,357
	Women		18,584	20,832	21,191
Apr	Total		40,718	43,154	36,083
	Women		18,959	21,299	18,021
May	Total		41,371	43,448	37,234
	Women		19,370	21,557	18,527
Jun	Total		41,177	41,512	36,722
	Women		19,637	20,498	18,017
Jul	Total		41,712	42,406	37,530
	Women		19,941	20,981	18,304
Aug	Total		41,785		37,118
	Women		20,001		18,030
Sep	Total		41,175	41,706	36,598
	Women		19,901	20,573	17,858
Oct	Total		41,073	41,470	36,384
	Women		19,671	20,734	17,768
Nov	Total	38,155	40,239	42,716	
	Women	17,500	19,446	21,502	
Dec	Total	38,418	41,088	43,058	
	Women	17,385	19,618	21,639	

TABLE 4

Employment Data in Tourism Sector, by Gender and Month, BiH, 2017–2020

Half of the tourism workforce in BiH are women. Data from the Agency for Statistics of Bosnia and Herzegovina show that in 2019, 43,058 people worked in the tourism sector. Of these, 50 percent were women. By October 2020, the total number of employed people in the sector had dropped to 36,384, a decline of 12.3 percent compared to the same month in 2019.

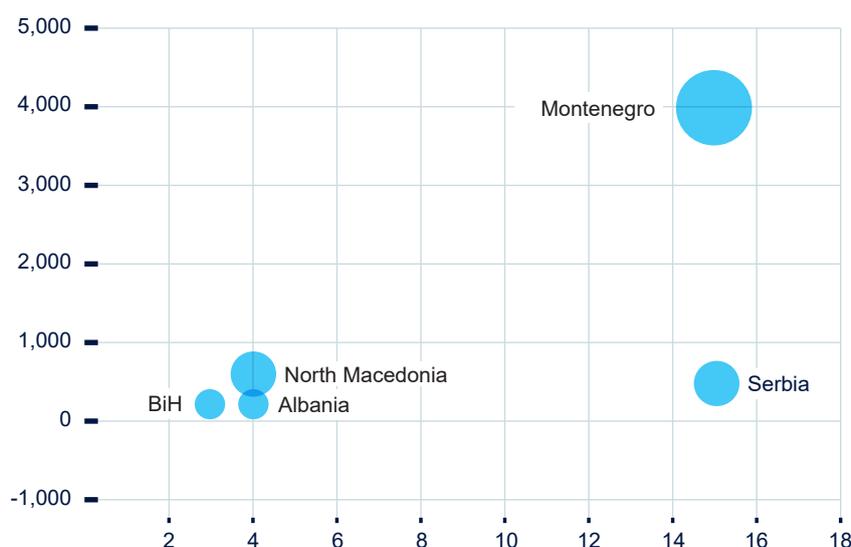


Source: Agency for Statistics of Bosnia and Herzegovina.

BiH has a limited track record for foreign direct investment (FDI) in tourism. Despite the sector’s potential, tourism’s share in the overall FDI stock is low at 1.02 percent. Moreover, since 2015, it has been dropping. This follows the general FDI trend, as the country receives the least FDI (as a percentage of GDP) of its peers. BiH is struggling to attract

greenfield tourism investment. However, non-equity models of investment (NEMs) became an important aspect of the investment attraction approach. This released tourism growth potential through channeling the necessity for improving standards, technology, and building skills to ensure additional capital and quality jobs.

FIGURE 6: FDI Tourism Projects in the Western Balkans (2003–2019)



Source: fDIMarkets database on FDI tourism projects in Western Balkans, including Albania, BiH, Montenegro, North Macedonia, and Serbia from 2003 to 2019.

Existing FDI and NEMs, including management contracts and franchise agreements, have already set the standard for tourism market transformation. There is more than KM 50 million (approximately US\$37 million) investment through FDIs in hotels, primarily from Gulf Cooperation Council (GCC) countries, as well as up to KM 220 million (approximately US\$150 million) in NEMs (that is, franchises of Novotel, Sofitel, Swissotel, and Marriott). Furthermore, there are examples of FDIs from the early 2000s, that changed ownership to local investors contributing to the creation of local hotel chains, including Europe Group with five hotels in Sarajevo and Mrkulić Company with two hotels and a thermal spa resort.

COVID-19 has hit the global tourism sector hard - and BiH’s sector has not been spared. Specifically, the impact of the pandemic is clearly demonstrated in BiH’s balance of payments. The export of travel services dropped by 65 percent during the first six months of 2020 compared to the same period in 2019. The impact is even more evident when comparing Q2 of 2020 with Q2 of 2019 when export of travel services declined from KM 590 million to KM 87.2 million (approximately US\$53 million), a drop of 85.2 percent.

BOX 1 ► COVID-19 Regulations in BiH

As of September 2020, all foreign nationals can enter BiH, provided they have a negative test for SARS-COV-2 virus not older than 48 hours. This excludes citizens of neighboring countries (Montenegro, Serbia, and Croatia). Furthermore, as of November 2020, authorities also introduced a daily curfew from 11 p.m. till 5 a.m. Gatherings are limited to a maximum of 30 people, both inside and outside, and it is mandatory to wear a mask indoors and outdoors, excluding children under the age of six and people who have breathing problems

due to chronic diseases or who cannot remove the mask without the help of another person (for example, persons with intellectual or physical disabilities; persons with hearing loss; athletes at matches, at training, and sports activities; cyclists; electric scooter and motorcycle riders). It is recommended that business operations as well as school and university classes are conducted as much as possible in online mode. All measures are reviewed on a weekly basis.

Source: BiH government.

FIGURE 7: Export of Travel Services, BiH, January–June, 2014–2020



Source: Central Bank of Bosnia and Herzegovina.
Note: H1 = January–June.

COVID-19 has also hit employment in the tourism sector disproportionately hard. Globally, the accommodation and food services are expected to

be one of the most affected sectors² by COVID-19 and this is expected to be the case in BiH as well.

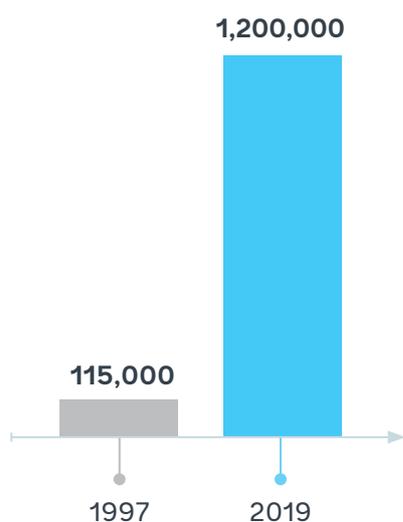
²World Bank 2020a.



2.2 Demand Analysis

BiH has faced rapid growth in tourist arrivals over the last 25 years. The number of annual visitors has grown from 115,000 in 1997 to over 1.2 million in 2019, a more than tenfold increase. Growth has been steady from year to year since 2002 with a decline only in 2009 due to the global financial crisis. The slow growth in 2014 can be partly attributed to violent protests in February of that year when government buildings were set on fire in Sarajevo, Tuzla, and Zenica and 200 people were injured. Since 2015, the growth rate before COVID-19 has been in double digits and outpaced regional and global growth trends.

Year-on-year growth of international arrivals in BiH is outpacing the overall Southern/Mediterranean Europe region.³ Between 2003 and 2019, international arrivals in BiH increased by 643 percent while the arrivals in the Southern/Mediterranean region increased by 131 percent. Arrivals in the wider region show a similar pattern to BiH's in terms of variation from year to year but are less erratic than BiH's.



The number of visitors growth

TABLE 5

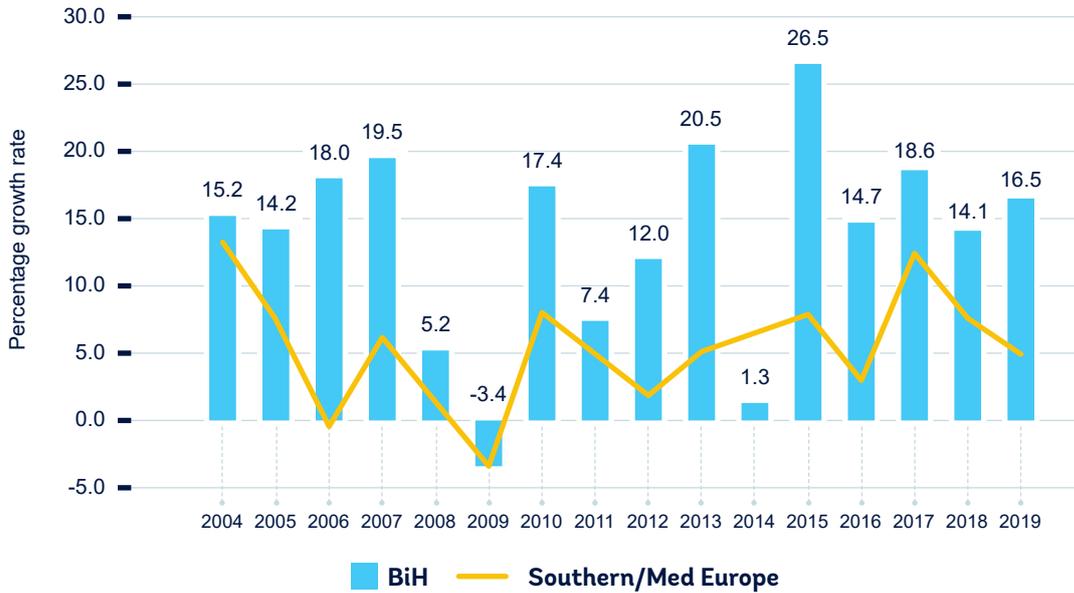
Arrivals of Nonresident Tourists in All Types of Accommodation Establishments, BiH, 1997–2019

Year	Number of Tourists	Index (1997 = 100)	% Year-on-Year Growth
1997	115,000	100	-
1998	148,000	129	2.9
1999	147,000	128	-0.7
2000	171,000	149	16.3
2001	139,000	121	-18.7
2002	160,000	139	15.1
2003	165,000	143	3.1
2004	190,000	165	15.2
2005	217,000	189	14.2
2006	256,000	223	18.0
2007	306,000	266	19.5
2008	322,000	280	5.2
2009	311,000	270	-3.4
2010	365,000	317	17.4
2011	392,000	341	7.4
2012	439,000	382	12.0
2013	529,000	460	20.5
2014	536,000	466	1.3
2015	678,000	590	26.5
2016	778,000	677	14.7
2017	923,000	803	18.6
2018	1,053,000	916	14.1
2019	1,198,059	1,042	13.8

Source: Institute of Statistics of Federation Bosnia and Herzegovina and Republika Srpska Institute of Statistics.

³As per UNWTO, the Southern/Mediterranean Europe region includes Albania, Andorra, BiH, Croatia, Cyprus, Greece, Israel, Italy, Malta, Montenegro, North Macedonia, Portugal, San Marino, Serbia, Slovenia, Spain, and Turkey.

FIGURE 8: Growth Rate of International Arrivals in BiH Compared to the Overall Southern/Mediterranean Europe Region, 1997–2019



Source: UNWTO.

In 2019, international arrivals represented almost 80 percent of all those staying in paid accommodation in FBiH. Growth in international arrivals significantly outpaced that of domestic arrivals in hotels and other paid accommodation - 135 percent growth between 2014 and 2019 versus 57 percent for domestic arrivals during the same period.

In RS, international arrivals play a less significant role. In 2019, international arrivals represented 55 percent of all arrivals in paid accommodation. Overall growth in arrivals in RS was 53.8 percent between 2014 and 2019. This growth in international arrivals outpaced that of domestic arrivals significantly.

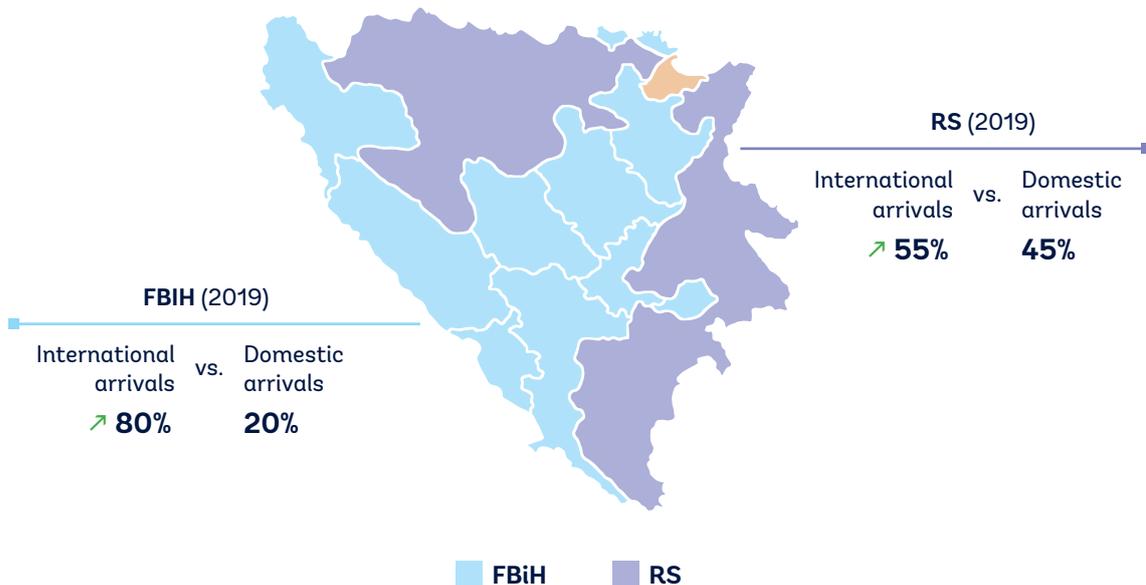


TABLE 6

Domestic and International Arrivals in Paid Accommodation in FBiH and RS, 2014–2019

	2014	2015	2016	2017	2018	2019	% Change 2014–2019	% of Total 2019
FBiH								
Domestic arrivals at paid accommodation	163,000	186,000	199,000	210,000	228,000	256,000	57.1	20.9
International arrivals at paid accommodation	413,000	537,000	613,000	739,000	843,000	971,000	135.1	79.1
Total arrivals at paid accommodation	576,000	723,000	812,000	949,000	1,071,000	1,227,000	113.0	100.0
RS								
Domestic arrivals at paid accommodation	142,000	159,000	166,000	168,000	179,000	181,000	27.5	45.3
International arrivals at paid accommodation	118,000	136,000	157,000	176,000	202,000	219,000	85.6	54.8
Total arrivals at paid accommodation	260,000	295,000	323,000	344,000	381,000	400,000	53.8	100.0

Source: Institute of Statistics of Federation Bosnia and Herzegovina and Republika Srpska Institute of Statistics.

In RS, length of stay of domestic arrivals is increasing. In RS, the share of domestic nights in 2019 is slightly higher than the share of arrivals for that market. This indicates that the domestic travelers on average stay longer than international travelers. One of the reasons for this is that stays at government-operated health spas are included in the statistics.

While in FBiH almost 80 percent of overnights are generated by international arrivals, in RS this market represents just over 50 percent of all overnight stays.



TABLE 7

Domestic and International Nights in Paid Accommodation in FBiH and RS, 2014–2019

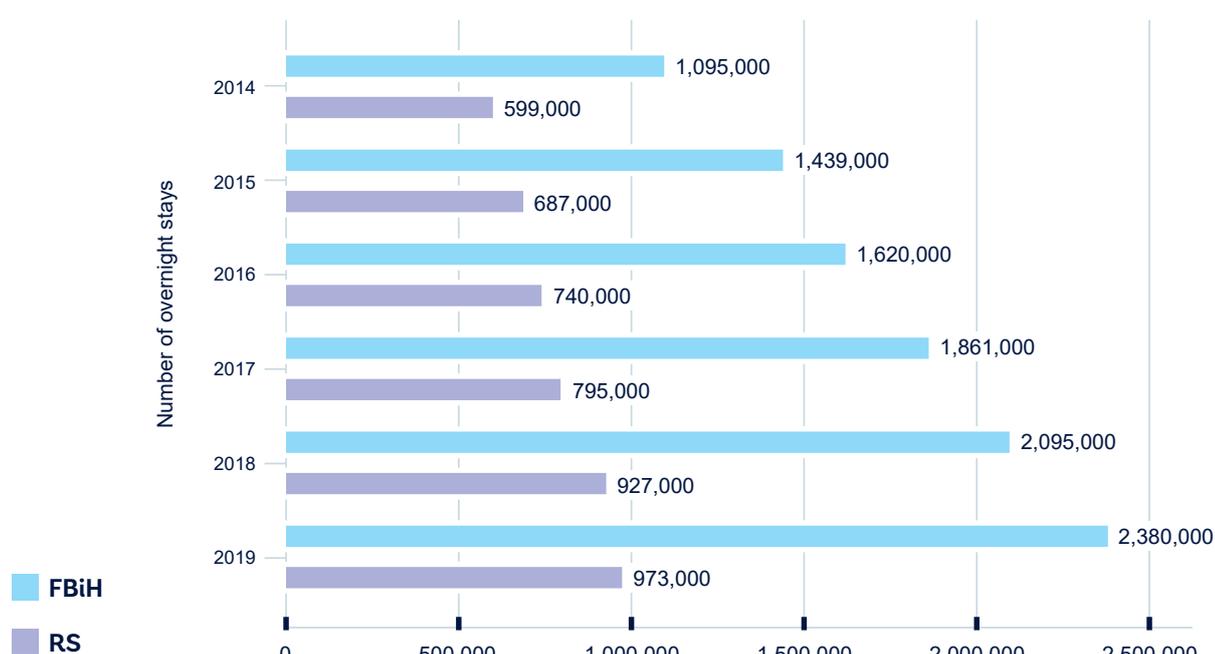
	2014	2015	2016	2017	2018	2019	% Change 2014–2019	% of Total 2019
FBiH								
Domestic nights at paid accommodation	292,000	342,000	346,000	364,000	413,000	479,000	64.0	20.1
International nights at paid accommodation	803,000	1,097,000	1,274,000	1,497,000	1,682,000	1,901,000	136.7	79.9
Total nights at paid accommodation	1,095,000	1,439,000	1,620,000	1,861,000	2,095,000	2,380,000	117.4	100.0
RS								
Domestic nights at paid accommodation	323,000	367,000	379,000	391,000	456,000	467,000	44.6	48.0
International nights at paid accommodation	276,000	320,000	361,000	404,000	471,000	506,000	83.3	52.0
Total nights at paid accommodation	599,000	687,000	740,000	795,000	927,000	973,000	62.4	100.0

Source: Institute of Statistics of Federation Bosnia and Herzegovina and Republika Srpska Institute of Statistics.

In FBiH, there are considerably more overnight stays generated than in RS. The data in Tables 6 and 7 also show the discrepancy in the number of tourist arrivals and tourist nights between FBiH and RS. FBiH generates approximately 76 percent of all tourist arrivals and 69 percent of nights, while RS

generates 24 percent and 31 percent, respectively. The data of arrivals and overnight stays, as reported by the accommodation establishments, provide a somewhat limited profile since it does not reflect the existence of a noted 'gray economy' comprising nonregistered operations.

FIGURE 9: Number of Overnight Stays (International and Domestic), FBiH and RS, 2014–2019



Source: Institute of Statistics of Federation Bosnia and Herzegovina and Republika Srpska Institute of Statistics.

The market share of arrivals from Europe is dropping. The data on international arrivals by regional source market show that the share of European arrivals dropped from 82.3 percent in 2014 to 69.6 percent in 2018 and that arrivals from the European region

showed the lowest increase in growth during that period. The Middle East and the East Asia and Pacific regions showed significant growth and a combined share of the market increased from 13.2 percent in 2014 to 25.4 percent in 2018.

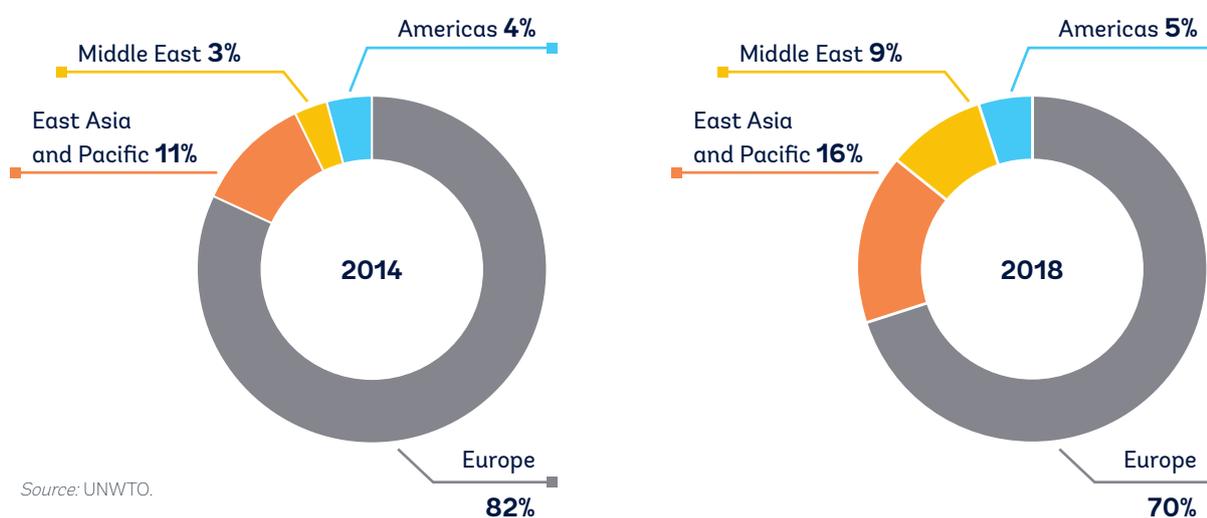
TABLE 8

International Arrivals in BiH, by Region, 2014–2018

Region	2014	2015	2016	2017	2018	% change 2014–2018	% of total 2018
Europe	441	536	566	648	733	66.2	69.8
East Asia and Pacific	58	89	96	135	169	191.4	16.1
Middle East	13	21	80	94	98	653.8	9.3
Americas	22	29	33	42	47	113.6	4.5
Other	2	3	4	4	6	200.0	0.3
Total	536	678	779	923	1,053	96.5	100.0

Source: UNWTO.

FIGURE 10: International Arrivals in BiH, by Region, 2014 and 2018



Source: UNWTO.

The top 12 source markets for BiH consist of a mix of countries from different regions without a clear dominant market. However, neighboring Croatia is the number one generator of international arrivals at hotels and other accommodation outlets across the country, showing steady growth since 2014.

Other neighboring countries, such as Serbia and Slovenia, show a similar growth pattern. Emerging source markets such as China, Saudi Arabia, the United Arab Emirates, and the Republic of Korea are relatively small but show strong growth.

TABLE 9

Arrivals of Nonresident Tourists at All Types of Accommodation Establishments, BiH, by Country of Residence, 2014–2018

Rank	Country	2014	2015	2016	2017	2018	AAGR	% of Total 2018
1	Croatia	73,441	84,058	86,257	96,986	116,823	12.3	11.1
2	Serbia	57,264	66,473	69,326	77,867	88,797	11.6	8.4
3	Turkey	47,273	70,655	83,333	90,749	85,416	15.9	8.1
4	Slovenia	39,523	45,635	50,590	55,527	65,002	13.2	6.2
5	China	6,549	9,948	13,305	31,780	58,235	72.7	5.5
6	Germany	22,492	25,516	29,088	34,612	50,402	22.4	4.8
7	Korea, Rep.	25,654	29,973	41,857	52,056	45,388	15.3	4.3
8	Italy	40,169	50,346	42,207	43,718	44,979	2.9	4.3
9	Poland	23,585	31,681	31,635	39,811	39,551	13.8	3.8
10	United Arab Emirates	-	-	33,924	33,896	35,255	-	3.3
11	Saudi Arabia	4,807	9,302	18,362	24,402	30,930	59.3	2.9
12	United States	13,678	18,361	21,040	25,926	28,187	19.8	2.7
	Other	181,919	236,323	257,207	315,891	363,933	18.9	35.0
	Total	536,354	678,271	778,131	923,221	1,052,898	18.4	100.0

Source: UNWTO.

Note: AAGR = Average annual growth rate.

The number of overnight arrivals by country identifies countries with longer or shorter than average length of stay. The ranking of the top four countries in terms of generating nights of stays at paid accommodation is similar to the ranking of international arrivals. The United Arab Emirates ranks

10 in terms of arrivals but ranks 5 in terms of nights of stay. This indicates a relative long length of stay from this market. The opposite is the case with Korea, which ranks 7 in terms of number of arrivals and 14 in terms of number of nights of stay, reflecting the relatively short length of stay.

TABLE 10

Number of Nights of Stay of Nonresident Tourists in all Types of Accommodation Establishments, by Country of Residence, BiH, 2014–2018

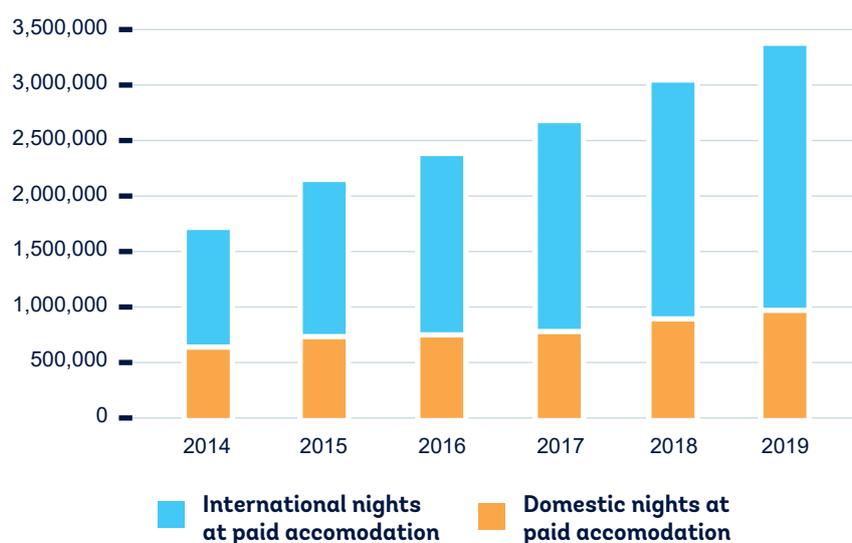
Rank	Country	2014	2015	2016	2017	2018	% Change 2018–2014	Market Share 2018
1	Croatia	163,824	187,786	195,927	226,168	270,292	65.0	12.5
2	Serbia	117,484	138,009	138,047	155,143	178,549	52.0	8.3
3	Turkey	82,218	121,564	132,775	139,837	131,989	60.5	6.1
4	Slovenia	66,980	85,821	97,984	101,843	123,131	83.8	5.7
5	United Arab Emirates	-	-	99,094	101,026	108,662	-	5.0
6	Germany	47,659	53,113	65,992	75,928	107,258	125.1	5.0
7	Italy	88,114	122,319	106,868	108,668	106,552	20.9	4.9
8	Poland	45,816	71,706	67,951	92,485	94,532	106.3	4.4
9	Saudi Arabia	11,494	21,946	44,826	61,484	77,443	573.8	3.6
10	China	9,573	12,799	16,629	37,195	66,703	596.8	3.1
11	France	26,168	49,119	39,805	49,466	61,188	133.8	2.8
12	United States	31,001	38,364	45,966	56,968	60,409	94.9	2.8
	Other	424,309	572,334	635,216	757,087	839,884	97.9	36.0
	Total	1,088,472	1,425,761	1,647,275	1,913,832	2,165,404	98.9	100.0

Source: UNWTO.

The domestic market is relatively small but shows steady growth. According to the Agency for Statistics of Bosnia and Herzegovina, the population totaled 3.531 million, and according to the World Bank, the GDP per capita is US\$6,073 with about 17 percent of the population living below the poverty line. This likely limits the current potential of a large domestic market segment. Across the country, domestic arrivals

generated 28.2 percent of all overnight stays in 2019. Domestic nights increased by 53.6 percent between 2014 and 2019, while international arrivals increased by 123.1 percent during the same period. Nevertheless, the growth in domestic overnight stays is important as it can provide much-needed impact during challenging times such as the COVID-19 pandemic.

FIGURE 11: Domestic and International Nights at Paid Accommodation, BiH, 2014–2019



Source: Institute of Statistics of Federation Bosnia and Herzegovina and Republika Srpska Institute of Statistics.

Average length of stay in RS is longer than in FBiH.

Data on the average length of stay of arrivals in all types of paid accommodation show that the average length of stay in RS is slightly longer than for FBiH for both domestic and international arrivals. There

was little change in the length of stay between 2014 and 2019 across markets for both areas. In FBiH, the average length of stay in 2018 was longest in Neum (2.4 nights) followed by Sarajevo (2 nights) and Mostar (1.3 nights).

TABLE 11

Average Length of Stay, FBiH and RS, 2014–2019

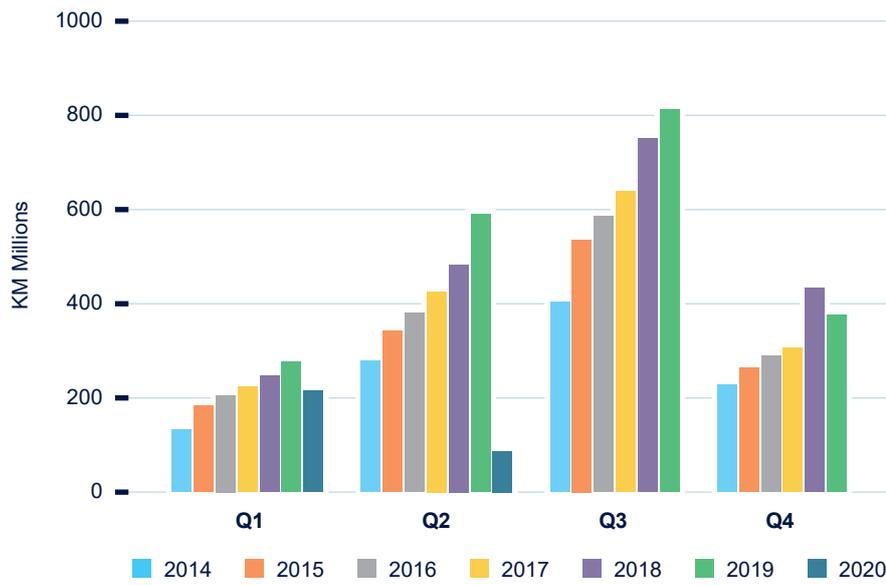
	2015	2016	2017	2018	2019	% Change 2014–2019
FBiH						
Domestic	1.8	1.8	1.7	1.7	1.8	0.0
International	1.9	2.0	2.1	2.0	2.0	5.3
RS						
Domestic	2.3	2.3	2.3	2.3	2.5	8.7
International	2.3	2.4	2.3	2.3	2.3	0.0

Source: Institute of Statistics of Federation Bosnia and Herzegovina and Republika Srpska Institute of Statistic.

Arrivals during the summer months generate a large share of international tourism receipts in BiH. Data obtained from the Central Bank’s balance of payments show the seasonality in the income from incoming international travelers by quarter.

In 2019, 40 percent of the export of travel services was collected during July, August, and September. In 2014, this share was 38.7 percent indicating that the seasonality slightly increased between 2014 and 2019.

FIGURE 12: Export of Travel Services by Quarter, BiH, 2014–2020



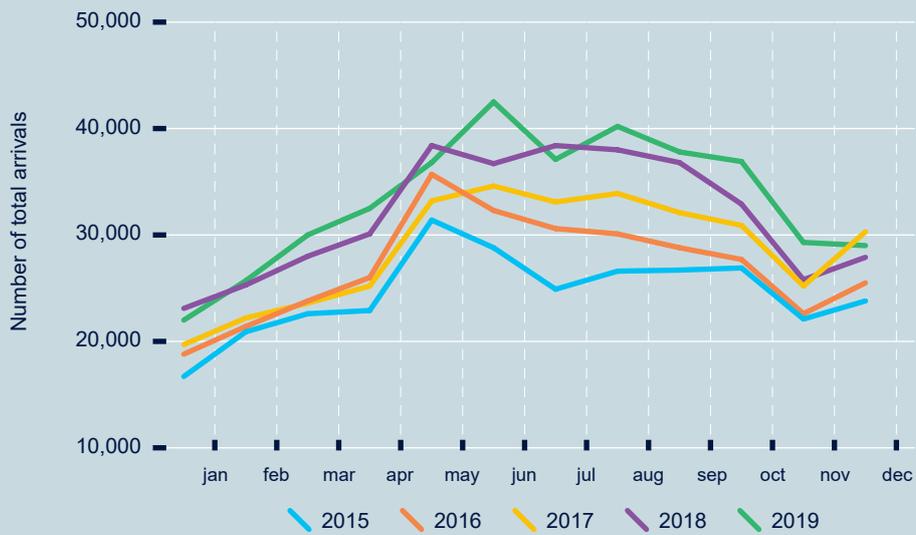
Source: Central Bank of Bosnia and Herzegovina.

Seasonality in RS is less pronounced. Statistics on the number of total arrivals in RS show a slightly different pattern than overall in BiH. In 2019, June marked the highest number of arrivals followed by August. June, July, and August together accounted for 30 percent of all arrivals in that year.



Photo credit: <https://pixabay.com/id/photos/bosnia-sungai-vrbas-dalam-2900413/>

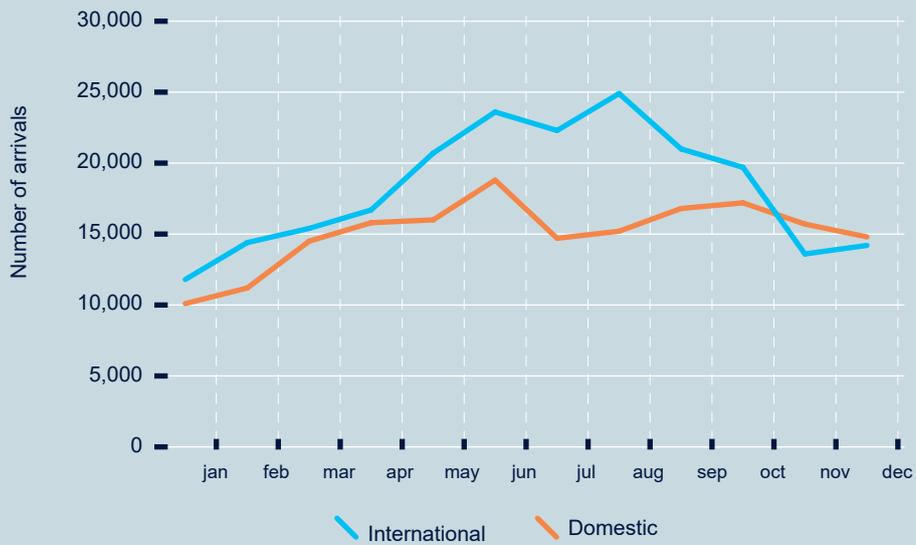
FIGURE 13: Arrivals by Month, RS, 2015–2019



Source: Republika Srpska Institute of Statistics.

Monthly arrival data for RS in 2019 indicate that international arrivals show a more pronounced seasonality pattern than domestic arrivals. Data highlight that while the peak for international arrivals is in August, the peak for domestic arrivals is in June.

FIGURE 14: Arrivals by Month, RS, Domestic and International Arrivals, 2019



Source: Republika Srpska Institute of Statistics.

Note: Data on arrivals by month for FBiH are not available.

2.3 Tourism Supply

FBiH holds 76 percent of total accommodation bed inventory in the country. In 2019, FBiH had 76.2 percent of all available beds (34,433) for visitor accommodation in the country while RS had the remaining 23.8 percent (or 10,740 beds). The number of accommodation beds in FBiH has almost doubled since 2014 while beds in RS showed a slower increase.

As these numbers only include beds in registered accommodation properties, they are a conservative estimate of actual overall capacity. There have been local efforts to register more businesses by offering free website registration and adding properties on interactive maps, but this has not yet had the desired result of widespread adoption.

TABLE 12

Number of Available Beds in Registered Accommodation, FBiH and RS, 2014–2019

	2014	2015	2016	2017	2018	2019	% Share of Total 2019	% Change 2014–2019
FBiH	18,472	19,769	28,048	30,707	32,765	34,433	76.2	86.4
RS	9,706	9,801	9,654	10,397	10,775	10,740	23.8	10.7
Total	28,178	29,570	37,702	41,104	43,540	45,173	100	60.3

Source: Institute of Statistics of Federation Bosnia and Herzegovina and Republika Srpska Institute of Statistic.

Hotels are the preferred form of accommodation. The majority of tourists prefer to stay in hotels in FBiH (93 percent) and RS (95 percent), and this has not changed much since 2014. While holiday parks and

health-focused accommodations are proportionally more popular among domestic travelers, foreigners are proportionally more likely to stay at camping sites or trailer parks as well as hotels.

TABLE 13

Number of Domestic and International Arrivals by Type of Accommodation, FBiH and RS, 2014–2019

Year	FBiH				RS			
	Hotels	Holiday and Short Stay	Camping	Health Activities	Hotels	Holiday and Short Stay	Camping and Trailer Parks	Health Focused
2014	543,000	20,000	7,000	6,000	250,000	3,000	3,000	4,000
2015	676,000	30,000	6,000	11,000	282,012	4,955	4,147	3,667
2016	753,000	36,000	7,000	16,000	310,153	4,364	4,948	4,443
2017	883,000	41,000	8,000	17,000	329,688	5,536	4,646	4,789
2018	991,000	51,000	11,000	18,000	364,125	5,580	4,096	8,001
2019	-	-	-	-	379,116	5,293	6,856	9,003
Share of total (%)	93	5	1	2	95	1	2	2

Source: Institute of Statistics of Federation Bosnia and Herzegovina and Republika Srpska Institute of Statistic.

Length of stay varies in FBiH and RS. In FBiH, the number of overnight stays by type of accommodation parallels arrivals, indicating there is no significant difference in length of stay in the different types of accommodation. In RS, however, the overnight stays show a slightly different pattern than arrivals. People staying at health-focused accommodation (such as

spas) generate 2 percent of arrivals but 9 percent of overnight stays, which indicates longer stays at those properties. Travelers staying in hotels in RS stay for a relatively short time. The holiday and short stay category includes bed and breakfasts (B&Bs) as well as peer-to-peer accommodation.

TABLE 14

Number of Domestic and Foreign Overnight Stays (in thousands) by Types of Accommodation, FBiH and RS, 2014–2019

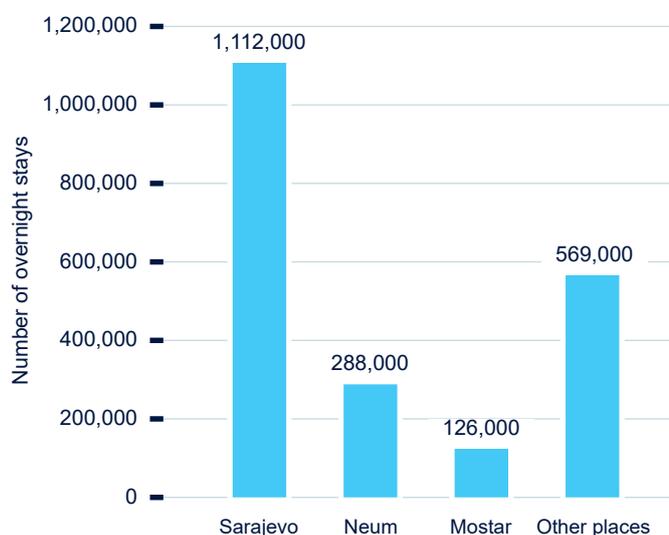
Year	FBiH				RS			
	Hotels	Holiday and Short Stay	Camping	Health Activities	Hotels	Holiday and Short Stay	Camping	Health Activities
2014	1,033	41	11	10	547	8	3	40
2015	1,347	62	11	19	634	11	5	37
2016	1,496	76	15	33	681	10	6	44
2017	1,719	92	17	33	729	11	5	50
2018	1,923	113	20	39	826	12	5	84
2019	2,231	122	21	6 ^a	861	11	8	92
Share of total 2019 (%)	94	5	1	0.3	89	1	1	9

Source: Source: Institute of Statistics of Federation Bosnia and Herzegovina and Republika Srpska Institute of Statistic.

Note: a. This figure is partial; still under review with the Institute of Statistics of Federation Bosnia and Herzegovina.

In FBiH, over 70 percent of tourism activity is concentrated in three cities. The number of overnight stays in FBiH is highest in Sarajevo (53 percent) followed by visitation to the cities of Neum (14 percent) and Mostar (6 percent).

FIGURE 15: Overnight Stays, by Location, FBiH, 2018

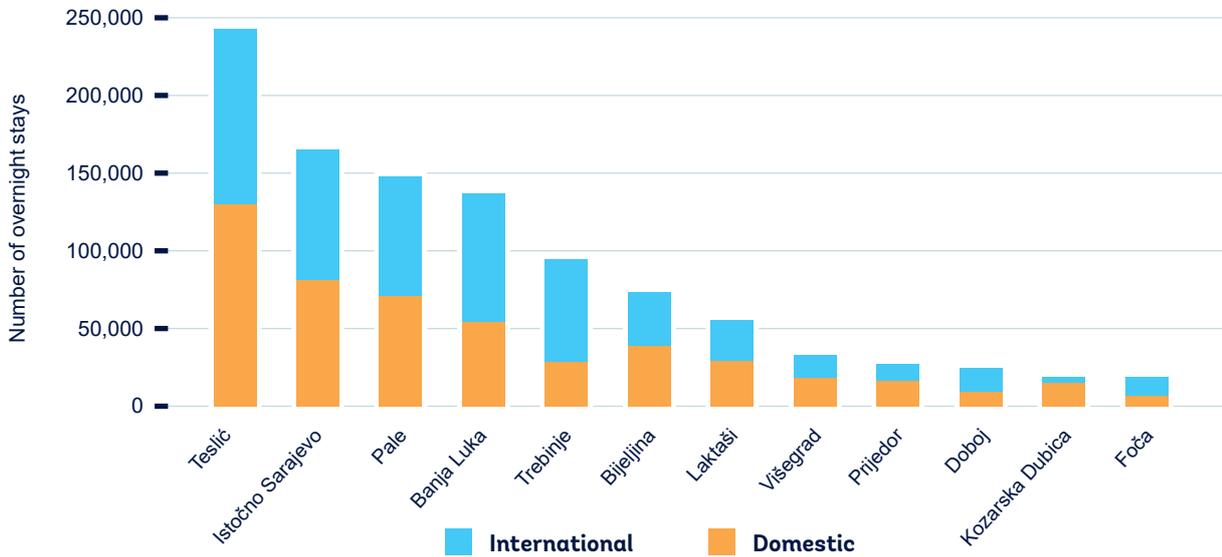


Source: Institute for Statistics of Federation Bosnia.

In RS, tourism activity is less concentrated. Figure 16 shows the top 12 destinations in RS in terms of generating overnight stays in registered accommodation facilities. In contrast to FBiH, tourism

activity is more dispersed in RS. Most destinations have a similar share of domestic and international overnight stays.

FIGURE 16: Overnight Stays in Registered Accommodation, Top 12 Destinations in RS, 2019



Source: Republika Srpska Institute of Statistic.

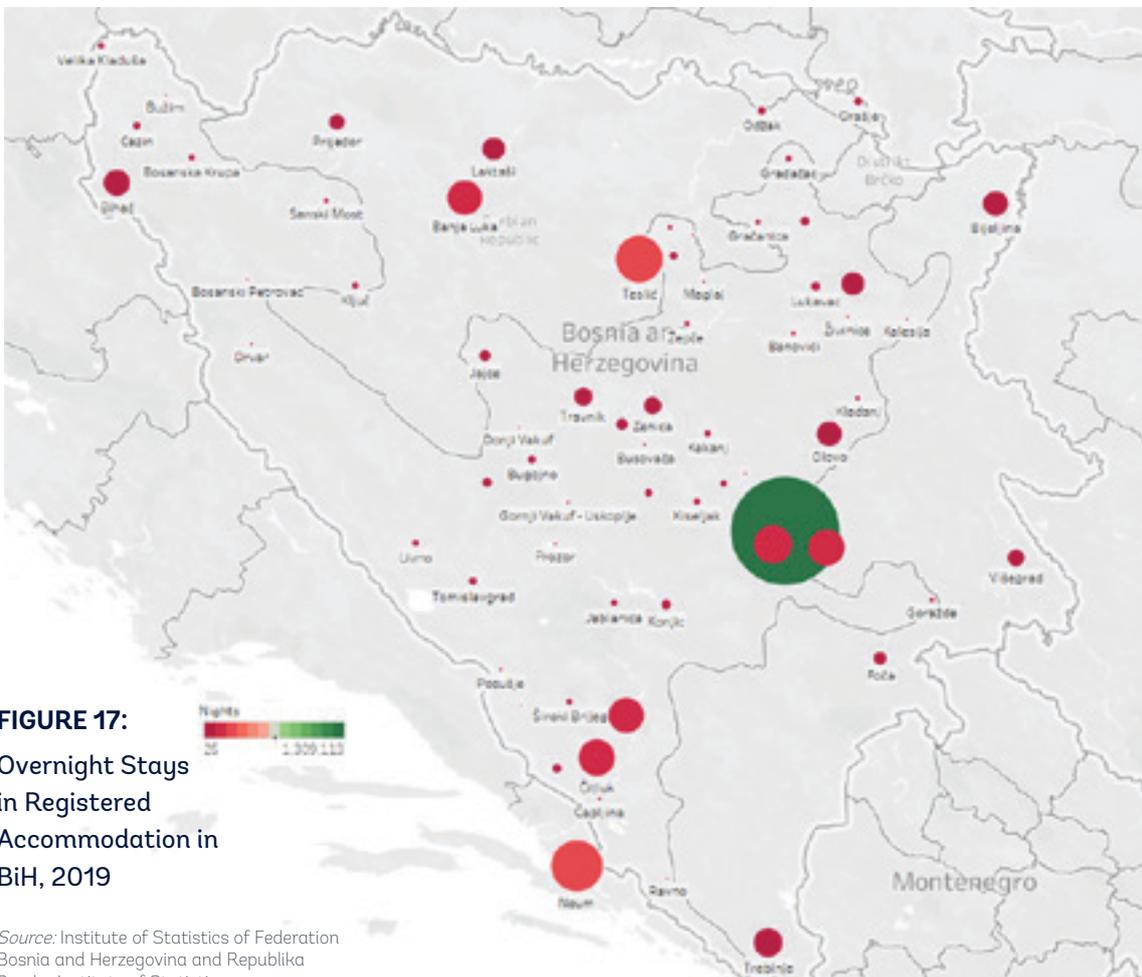


FIGURE 17:
Overnight Stays in Registered Accommodation in BiH, 2019

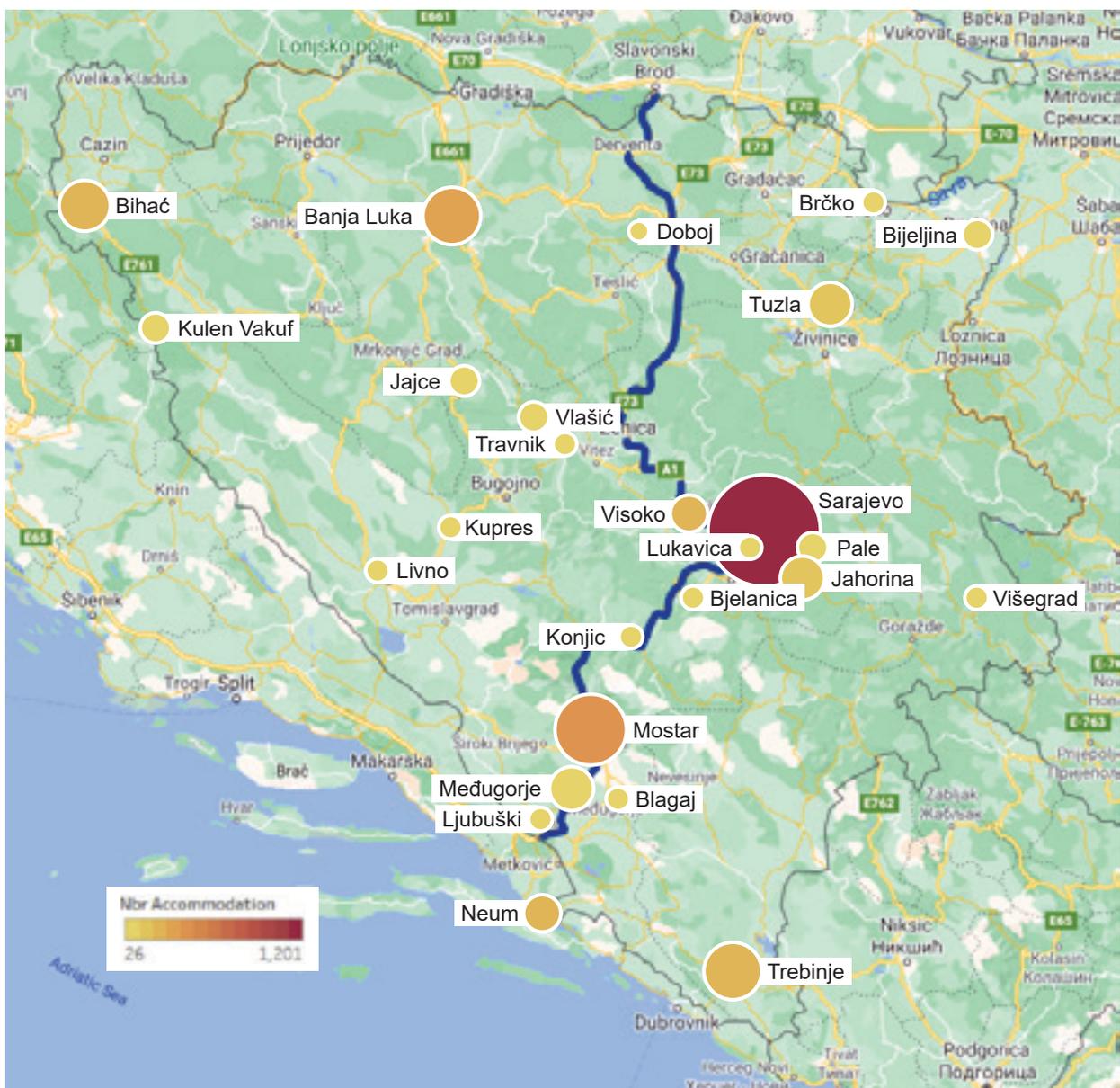
Source: Institute of Statistics of Federation Bosnia and Herzegovina and Republika Srpska Institute of Statistic.

Sarajevo represents 25 percent of all BiH properties listed on Booking.com. To understand the supply beyond what is officially registered, listings and data from the accommodation distribution platform Booking.com were used to gauge the total available offerings. An analysis of Booking.com data shows that in 2019, 4,699 properties in BiH were listed on the site: 2,786 apartments, 485 guest houses, 407 hotels, 363 holiday homes, 236 villas, 115 B&Bs, 109 motels, 85 hostels, 23 campsites, 14 resorts, 6 farms stays, and others.

Figure 18 presents the number of all types of properties on Booking.com by location. Properties in Sarajevo represent 25.6 percent of all properties listed on Booking.com and the four destinations—Sarajevo, Mostar, Banja Luka, and Trebinje—together constitute approximately 48 percent of all properties listed.

When looking at hotels only, Sarajevo, Međugorje, Mostar, and Banja Luka combined make up 49.4 percent of all hotels listed in BiH. Although not every lodging offering is listed on Booking.com, the data suggest a higher concentration of lodging offerings in these key destinations.

FIGURE 18: Number of Accommodation Facilities Listed on Booking.com, by Location, BiH, 2019



Source: Booking.com.

3

Key Products and Markets

3.1 Key Products

BiH possesses a wide range of cultural and natural offerings in varying levels of development. Developed, underdeveloped, and undeveloped sites combined provide the tourism sector with an important platform for further growth. The country has growing visibility as a desirable tourism destination and was ranked by Lonely Planet in 2019 as the fourth best destination to visit in Europe.

Neither FBiH or RS has recently undertaken large-scale visitor surveys, and data on visitation as well as other visitor behavior around the country are limited and inconsistent. This limits the understanding of the visitor patterns as well as visitor satisfaction.

The main cultural resources are developed, but there are additional opportunities for cultural tourism. A combination of Eastern and Western culture has influenced not just the architecture but also the music and cuisine. The bridge 'Stari Most' in Mostar, a United Nations Educational, Scientific and Cultural Organization (UNESCO) World Heritage Site, is one of the most famous sites in the country as is the historical center of Sarajevo. So-called 'dark tourism' plays an important role in the country with sites such as the museum Galerija 11/07/95, the Museum of Crimes against Humanity and Genocide 1992–1995, and the Tunnel of Hope in Sarajevo, all depicting the atrocities of the Bosnian War in the 1990s. There are currently few tourism products that capture intangible culture such as traditional food and lifestyle.





The country has an abundance of nature, but few sites offer market-ready tourism products.

Unlike its direct neighbors Croatia and Montenegro, BiH's coastline is not the main tourism product. The 22 km of seaside and the coastal city of Neum are popular among the domestic market but attract few international arrivals. Kravice Waterfalls, which is on the route from Mostar to Dubrovnik, is one of the most well-known and visited nature sites. There are some opportunities for tourists to engage in hard and soft adventure tourism, including Sutjeska National Park, Kozara National Park, Blidinje area, and the Una River. This, however, is still small scale. During the spring, summer, and autumn, there are options to bike, hike, canoeing, kayaking or fishing, rafting, swimming, and rock climbing. Winter is reserved for ice skating, skiing, snowboarding, and sledding in the mountains. Winter tourism continues to partly benefit from the infrastructure and the reputation dating from the 1984 Winter Olympics that took place around Sarajevo reflecting the necessity for further development.

Religious tourism attracts a large number of visitors.

Sarajevo is known as the 'European Jerusalem' due to its

religious diversity. Međugorje, Blagaj Tekke, Ajvatovica, Monasteries Tvrdoš, and Žitomislići are some of the main religious sites. The small town of Međugorje is commonly referred as the 'Bosnian Lourdes'. It is one of the most important religious sites for Catholics in Europe and beyond since the reported apparitions of the Virgin started in the 1980s. However, the site is still not an official Vatican-approved Catholic shrine although the ban on officially organized pilgrimages was lifted by the Pope in May 2019. The town has a range of lodging offerings and a popular street with a concentration of religious souvenir and artifacts shops. Reportedly, the town has about 18,000 beds in hotels and other lodging establishments, many of which cater to the low-budget organized bus tours. Reportedly, the average lodging facility can handle 50–100 visitors. An additional estimated 2,000 beds are available in private accommodation.

Festivals are important attractions for visitors and locals.

The main festivals that attract domestic and international visitors are the Sarajevo Film Festival, the International Theatre Festival MESS, Jazz Fest Sarajevo, the International Winter Festival Sarajevo, and the OK Fest Tjentište.

3.2 Key Markets

Beyond looking at demographic data, overall market activity can be further segmented to **better understand consumer profiles and product demand**. Product demand segmentation can help the wide range of stakeholders understand which tourists are visiting the country's destinations and attractions and their travel behavior to 'as well as their travel behavior such as activity preferences and spending patterns.

In BiH, these segments are varied and demonstrate **disparate behaviors which need to be considered in policy formulation and implementation**. This analysis identified **11 market segments**, varying in size. Empirical determination of each segment's size, average spend, and employment impacts is beyond the scope of this study and neither FBiH nor RS collects data on purpose of expenditures by market segment. However, brief descriptions based on research, observations, and input from local and international stakeholders are presented in the following paragraphs. These segments highlight the main reason for traveling but are not discrete. Visitors' behaviors and activities often overlap across multiple segments. For example, European short-break tourists can also be adventure or religious tourists.

According to renowned marketing expert Kotler, "a market segment is a group of customers who share common characteristics such as demographic and/or psychographic characteristics, consumption preferences and behavioral patterns." Segmentation is an important step in planning for a destination because it tells us who is coming to the destination, why they are coming, and what they want to do there. Authorities, the private sector and other actors are then empowered (with data) to better plan and accommodate specific tastes, preferences and patterns, rather than trying to please everybody. It is used as a way to focus resources and get the best 'return' or value for the destination.

Source: Kotler, Bowen, and Makens 2014

Domestic leisure visitors

These are citizens of BiH including expatriates who travel within the country for a day or longer. Travel is often concentrated around school holidays, official holidays, or long weekends. The main purpose is visiting friends and family, relaxation at the beach, participation in winter sports, being in the outdoors, or attending festivals.

One-day excursion tourists

A day tour to BiH is popular for tourists staying in Dubrovnik or Split in Croatia. The majority of these guided bus tours combine Mostar with a visit to Kravice Waterfalls and Sarajevo. Some tours also include the villages of Počitelj and Međugorje, a globally recognized religious destination.

GCC⁴ country tourists

The cooler summers and the shared religion have attracted a growing number of visitors from GCC countries such as the United Arab Emirates and Saudi Arabia, who spend summers away from their own hot climate. Visitors from these countries not only stay in hotels but also have bought second homes in BiH, including rural guesthouses and B&Bs.

European short-break tourists

These are travelers who arrive from different European countries for short city breaks. They usually arrive on low-cost airlines and spend a long weekend exploring Sarajevo and nearby regions. The main motivator for this group is the combination of curiosity in visiting the 'off-the-beaten-path' BiH, low cost (low prices for food and lodging), and easy, inexpensive access through low-cost airlines. They mostly visit popular sites on their own or with a local guide.

⁴The GCC is a political and economic alliance of six Middle Eastern countries—Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Bahrain, and Oman.

Classic Balkan tourists

These travelers, who are part of groups traveling by bus around the Balkans, typically visit three or four countries in the region and usually stay two nights in BiH. These travelers tend to spend a night in Sarajevo and one in Mostar and adhere to classic tour models with standard guiding and limited physical or outdoor activity. They come from Europe as well as from Asian countries such as China and Malaysia.

Organized active tourists

These are travelers who are part of an organized tour group (frequently smaller in size ranging from 5 to 14 people but can reach up to as many as 30 people) traveling with a specialty operator around BiH. Almost all these tours combine BiH with neighboring countries such as Croatia, Montenegro, and Serbia. Examples of tour operators focused on this segment are G Adventures and Intrepid Travel (see Box 2). These tours usually involve traveling by minibus or bus and may combine road transportation with train and boat travel as well as hiking and/or biking. The length of the total tour varies between 7 and 14 days, of which usually 2–3 nights are spent in BiH. The main destinations within BiH are Sarajevo and Mostar. The focus is mostly on history and culture with tours centered around 'dark tourism' sites such as the Sarajevo Tunnel.

Independent international travelers with niche interests

These are travelers from a variety of source markets (Europe and the United States/Canada) who travel to and within BiH to engage in active outdoor exploration (hiking and biking) combined with cultural and culinary experiences. The age bracket for this group of travelers is quite wide (such as from mid-20s and 30s to mid-60s). They tend to be independent in the planning of their stay in BiH and usually travel by themselves, in couples or small groups (up to four to five people). They often combine a visit to BiH with one or more other countries in the region.

BOX 2 ▶ Intrepid Travel

The Australian tour operator Intrepid includes BiH in several of its itineraries, always combined with other countries in the region. Its 15-day Balkan Adventure Tour includes BiH, Croatia, Hungary, Montenegro, and Serbia (see the map). The tour includes three nights in Sarajevo and offers a day trip to Mostar, a guided tour of Sarajevo, and a cooking class. Intrepid's 10-day Budapest and the Balkans Tour also includes two days in BiH and includes stays in Sarajevo and Mostar.



Source: www.IntrepidTravel.com.

Hard and soft adventure travelers

These are travelers who are passionate about hard adventure activities such as rock climbing, long-distance hiking, or soft adventures such as walking and biking. They might seek to combine their core activities with culinary and cultural experiences. The Ćiro bike trail, a 140 km long bicycle route from Ivanica to Mostar, is an example of a tourism product that attracts hard adventure travelers as is the long-distance hiking trail Via Dinarica.

Visiting friends and relatives

Those visiting friends and relatives (VFR) in BiH represent a relatively large segment of the market. While official numbers are not available, the Diaspora is estimated at about 2 million people and noted for significant levels of visitation, especially during summer and around New Year's. Besides those coming from Europe, the BiH diaspora has also expanded to the United States, Canada, and Australia. The recent introduction of low-cost airlines as well as a rise in emigration has contributed to an increase in the VFR market. This market segment is believed to make limited use of paid accommodation offerings given the opportunity to stay with relatives or at their own property.

Domestic MICE⁵

These are people who travel for training, meetings, seminars, or conferences that are organized at a location off-site of their usual workplace. These trips are sometimes combined with activities promoting team building, excursions, or relaxation. The length of domestic MICE programs can vary between one and several days. Much of this type of travel takes place during October, November, January, February, and March.

Religious pilgrims

Given the country's multi-religious character, there are religious sites⁶ countrywide attracting pilgrims from all over the world. Anecdotal information indicates that the town of Međugorje alone has attracted an estimated 40 million domestic and international visitors since the 1980s. Visitors stay for a varied length of time, many traveling by tour bus in organized groups. Visitation is highly concentrated around Youth Fest in August, a week-long celebration, and other religious holidays, but it also includes longer stays for the most serious religious followers.

3.3 Drivers of Future Demand

The following regional and global tourism trends are expected to affect demand in BiH over the next five years. While the numbers in the following paragraphs are before COVID-19, it is anticipated that these will continue to grow after the recovery.

Nature-based tourism

As incomes rise and urban populations increase, the desire to spend time in protected natural areas and other natural sites grows.⁷ Nature-based tourism is estimated to account for 20 percent of international travel or about 240 million trips a year.⁸ A World Wide Fund for Nature (WWF) study found that terrestrial protected areas receive 8 billion visits a year, 80 percent of which are in Europe and North America and generate US\$600 billion in direct visitor expenditures per year.⁹ BiH has an abundance of nature, especially mountains, but few tourism products that are market ready.

Wellness travel¹⁰

Health and well-being travel, such as to health and yoga retreats, is increasingly becoming a primary motivator for travel or an integral part of an overall holiday experience. The high-value wellness segment is a global phenomenon and the industry grew by 6.4 percent annually from 2015 to 2017, according to the Global Wellness Institute. Wellness tourism is an estimated US\$563 billion global market and 6.5 percent (691 million) of all domestic and global trips accounting for 15.6 percent of all domestic and international tourism expenditures.¹¹ Wellness tourists are generally considered to be 'high-yield', educated, and wealthy, spending 130 percent more than average tourists.¹² Tourism products around wellness travel in BiH are currently limited to health spas that do not target leisure tourists or are internationally competitive.

⁵ MICE = Meetings, incentives, conferences, and events.

⁶ Međugorje, Ostrožac Monastery, Sarajevo Hagaddah, Buna, Ajvatovica, and so on.

⁷ Wildlife watching tourism involves watching or encountering wildlife and is nonconsumptive, meaning not hunting or fishing. It can include safari, gorilla tracking, bird watching, whale watching, and so on (UNWTO 2014)

⁸ Conservation International, Rainforest Alliance, and United Nations Environment Programme 2015.

⁹ Balmford et al. 2015.

¹⁰ Wellness tourism refers to travel in pursuit of enhancing or maintaining one's well-being, such as trips to yoga or lifestyle retreats, destination spas, health resorts, parks and nature sanctuaries, wellness cruises, and so on.

¹¹ Global Wellness Institute 2017.

¹² Global Wellness Institute 2015.

Adventure tourism

The global adventure tourism market is one of the fastest growing markets, valued at US\$586.3 billion in 2018 and is projected to reach US\$1,626.7 billion in 2026. Adventure tourism is defined as a trip that includes the following three elements: physical activity, natural environment, and cultural immersion. Adventure travel has been recognized as a strong growth sector in international tourism. The lifestyles of urban dwellers have created a desire to explore and participate in 'adventure'. Adventure tourism is resilient, and adventure travelers show interest in different kinds of destinations such as those that have previously suffered significant commercial tourism setbacks due to natural or political events. According to the Adventure Travel Trends snapshot published by the Adventure Travel Trade Association (ATTA) in 2018, the estimated percentage of trip cost remaining in the local region is 66 percent. Adventure travel attracts high-value travelers who are willing to pay a premium for exciting and authentic experiences and sustainable practices. BiH is well-poised to compete in this market, but besides the bike and hike trails that have recently been developed with donor support, the adventure market has not been fully developed beyond the winter sport resorts around Sarajevo.

Events and festivals

The demand for festivals has increased sharply over the last years, especially among millennials who are looking for different types of cultural experiences. The number of international music festivals and their attendance, especially in Europe, have experienced significant growth over the past decade. In 2016, the European festival market size amounted to roughly EUR 2.3 billion. Market size was forecast to increase further over the coming years and was expected to reach EUR 4.1 billion by 2020.¹³ Festivals can vary in size—and impact—ranging from a small community organized fair to a multi-day international music festival. Events attracting local and neighboring communities are often among the first to raise awareness among locals of the opportunities from tourism. BiH has several internationally recognized festivals, but these are not sufficiently leveraged to link with other tourism products to extend the length of stay for this market.



¹³ Statista 2020.

BOX 3 ► COVID-19-Related Travel Trends

The COVID-19 pandemic has disrupted the travel environment, and this has and will continue to have an impact on traveler behavior, preferences, and patterns. Some of the trends that are expected to continue post-COVID are as follows:

- Demand for short-haul travel, within own country or to countries that are in driving distance. Sudden changes in international travel restrictions and airport closings have made travelers reluctant to travel abroad. Domestic tourism can be a key driver of recovery but will in many destinations still be below pre-COVID levels. Ongoing restrictions on movement within countries and altered demand patterns and behaviors determine overall demand.
- Travelling by rail or car rather than airplane. People will prefer to travel by car as this can provide them with increased flexibility as well as greater control over their environment.
- New preferences for low-tourist-density destinations such as coastal, regional, and rural areas rather than cities. Tourists have preferred to visit more remote and rural destinations and natural areas. This has opened opportunities in places where tourism had not previously been well developed.
- Increased interest in walking, cycling, and other outdoor activities rather than in enclosed spaces. People prefer outdoor activities away from big cities and in regions with a safer image in terms of COVID-19 circulation.
- Contactless traveler processing has become the norm. To maintain health standards and no-contact policy, most tourist attractions can now be visited only if tickets have been booked online in advance. More than 45 percent of tourist attractions around the world have mandated purchase of online tickets to avoid queues. Before the pandemic, more than 85 percent of all experiences were sold offline at the counter or through a concierge/travel agency. It is foreseen that the pandemic may push for an earlier adoption of 100 percent digital ticket access.
- Cities and long-haul destinations that are dependent on international markets are most exposed and long-term demand trends cannot yet be determined. The tourism offer in cities tends to be based on indoor cultural and heritage attractions and events involving large numbers of people. Early estimates from Tourism Economics forecast the recovery of domestic city tourism in 2021, but recovery of international city tourism will take two years or more. What impact the pandemic will have on overall consumer demand and travel behavior in the longer term is not yet clear but is likely to be influenced by the duration and evolution of the crisis.

Source: OECD 2020.

Gastronomy

Recent lifestyle trends are associated with a strong focus on healthy eating and living. Food has always been an important element of the travel experience, but in recent years its prominence has reached new levels reflecting favored lifestyles. This is partly due to trends focusing on healthy eating and living. These include new appreciation for natural and fresh ingredients and home-cooked food as well as the rise in popularity of celebrity chefs and food media. BiH has a rich culinary culture, but there are currently few tourism offerings that focus on food.

Halal tourism

BiH is one of only six European countries in which more than half of the population identifies as Muslim. A joint study by Mastercard and Crescent Rating estimated that in 2017, there were 131 million Muslim visitor arrivals globally—up from 121 million in 2016. They projected this to grow to 156 million visitors by 2020 representing 10 percent of global travelers. The study projected that total travel expenditures would reach US\$300 billion by 2026.¹⁴ One of the most important factors for this market is good-quality local halal food. BiH already attracts visitors from the Gulf countries that are attracted by the halal offerings, but there are opportunities for further growth.

Experiential travel

In recent years, the experiential design of tourism products and offerings became a notable trend. This has increased the demand for trips and attractions that engage travelers through their senses, emotions, and active involvement. The contemporary traveler is increasingly looking to feel, taste, touch, do, and learn rather than be in a passive 'just looking' role, leading to the need for new designs of visitor experience around attractions and service facilities. Tours which involve actual experiences such as cooking and making local handicrafts, and activities around preserving nature are increasingly popular for a wide range of markets. Some of the sites that attract people interested in the recent war engage visitors, but most tourism products in BiH could benefit from greater focus on experience-based offerings.

Third-age or retiree travel

While the rise of millennial travelers as a globally significant segment is undeniable, the 'third-age' generation continues to be a profitable and growing segment for destinations around the world. According to Eurostat, 18.5 percent of the 2014 population across EU member states falls in the age group of 65 or older.¹⁵ The share of the elderly has been increasing at steady rates in advanced economies such as the EU-28 (especially Germany, Austria, Italy, and others) as well as in the North America (10 percent) and Asia (7 percent).¹⁶ With increased longevity and access to better health care, older segments of the population are increasingly active as travelers.

Elderly travelers are not among the top spenders, but their sheer volume makes them a notable segment to consider for many destinations. While their spending potential is not unlimited, this group is unrestricted in terms of time, which provides opportunities for specific product offering and service design. The choice of destination for this demographic varies greatly depending on a multitude of factors such as country of origin, previous travel experience or 'travel career', education, and other demographics. However, across all destination choices, retiree travelers are most concerned about safety, climate, and ability to communicate in a language they understand. In terms of preferred activities, they are most interested in food and culinary offerings, learning something new, and exploring different cultures.¹⁷ There are no data available on the current ability of BiH to attract this market.

¹⁴ Mastercard and Crescent Rating 2019.

¹⁵ Eurostat. http://ec.europa.eu/eurostat/statistics-explained/index.php/Population_structure_and_ageing.

¹⁶ Resonance 2016.

¹⁷ CBI 2018.

4

Competitive Analysis

4.1 Benchmarking of Tourism Demand and Supply

To understand the performance of BiH in tourism, key indicators of four other countries (Croatia, Georgia, North Macedonia, and Slovenia) in the region are compared. Croatia, North Macedonia, and Slovenia are all, just like BiH, formerly part of

the Federal Republic of Yugoslavia. Georgia is not in the immediate region but is of similar size and has been successful in growing its tourism sector over the last decade. The five countries are compared across the key tourism indicators in Table 15.

TABLE 15

Key Tourism Indicators across Benchmark Countries, 2019

Data for 2019	BiH	Croatia	Georgia	North Macedonia	Slovenia
Population (millions)	3.5	4.1	3.9	2.1	2.1
Size (km ²)	51,197	56,542	69,700	26,713	20,675
International arrivals (millions)	1.2	17.4	5.08	0.76	4.7
International tourism receipts (US\$, billions)	1.2	11.8	3.27	0.40	3.08
Share of tourism in total exports (%)	14	35	42	4	6
Direct contribution to employment (number of jobs)	27,100	187,200	192,600	14,000	33,100
Percentage of total employment	9.6	25.1	27.7	6.8	10.3
Average receipt per international tourist arrival (US\$)	980 ^a	680	640	520	660
Domestic tourist spending ^b (US\$, billions)	0.6	1.5	1.0	0.3	1.6
World Economic Forum (WEF) Tourism Competitiveness Rank (2019)	105	27	68	101	36

Sources: UNWTO, WEF, World Bank, and World Travel and Tourism Council (WTTC).

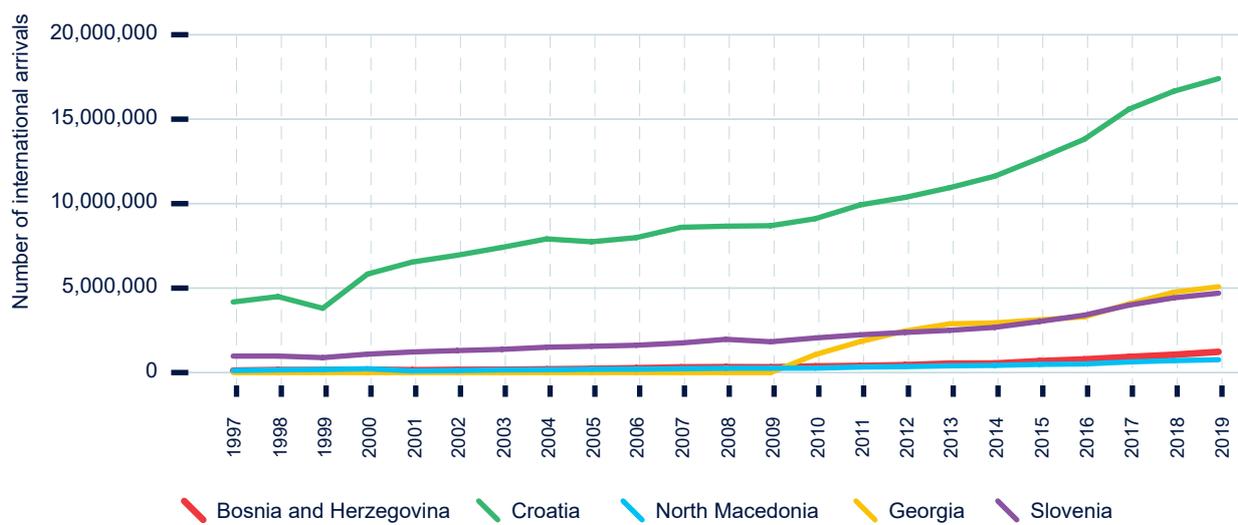
Note: a. The average receipt per international arrival is calculated by dividing the international tourism receipts by the number of international arrivals. BiH only counts international arrivals as people who stay in registered accommodation and excludes people who stay in non-registered accommodation. This could explain the relatively high average receipt per international arrival in BiH.

b. Domestic tourism spending: spending within a country by country residents for both business and leisure trips.

BiH has the second lowest number of international tourists in this group of benchmark countries. While all five countries started from a similar base in 1997, the growth of tourism arrivals in Croatia has far outpaced that of the comparative countries (see Box 4 for a summary of policies that increased the competitiveness of Croatia). The number of

international arrivals in Slovenia and Georgia started to increase at an accelerated rate in 2010 and has since experienced consistent growth rates. BiH has more international arrivals than North Macedonia but, in comparison, is underperforming given the size and population of the country.

FIGURE 19: Arrivals from Nonresident Tourists, across Benchmark Countries, 1997–2019



Source: UNWTO.

4.2 Performance Benchmarking

While no two national tourism sectors are identical, further comparison with other countries provides insights into the strengths, constraints, and opportunities for BiH. For this purpose, key comparators in the region include Croatia, Georgia, North Macedonia, and Slovenia. While varied in size, offering, and tourism development priorities, benchmarking of their competitiveness beyond economic indicators provides evidence for potential development steps for BiH.

Before COVID, BiH scored lowest on tourism competitiveness against the benchmark countries.

The 2019 WEF Travel and Tourism Competitiveness Index (TTCI) is the most widely used tool to measure tourism competitiveness. It scores countries on criteria under 14 different pillars and the countries are ranked based on their scores. Of the 140 countries included in the index in 2019, BiH ranked 105, jumping up 8

positions since 2017 due to improvements in cultural heritage and the number of operating airlines. Although ranked relatively low overall in the bottom third of all countries, BiH is performing relatively well on health and hygiene including the number of hospital beds by population and the limited incidence of illnesses such as HIV, malaria, and so on. The country is also considered price competitive, ranking 70 out of the 140 countries though dropping from the 110th place of 136 countries in 2017. BiH is noted to have the subregion's worst business environment (134th) and overall infrastructure (97th). Overall, BiH is still below all the benchmark countries: Croatia (27), Georgia (68), North Macedonia (101), and Slovenia (36).

Table 16 shows the scores from 1 to 7 (1 being lowest and 7 highest) for each of the 14 pillars in the WEF TTCI.

TABLE 16

BiH's Tourism Competitiveness Compared to Benchmark Countries, 2019

Pillar	BiH	Croatia	Georgia	North Macedonia	Slovenia
Business environment	3.4	3.8	5.2	4.3	4.3
Safety and security	5.4	5.9	6.0	5.2	6.1
Health and hygiene	5.6	6.3	6.0	6.0	6.2
Human resources and labor market	4.1	4.1	4.7	4.1	4.9
Information and communication technology (ICT) readiness	4.5	5.2	4.9	4.7	5.5
Prioritization of travel and tourism	4.1	4.9	5.2	3.7	5.1
International openness	2.4	4.2	3.4	2.3	3.7
Price competitiveness	5.5	5.0	5.7	5.8	5.1
Environmental sustainability	4.3	5.1	4.2	3.6	5.4
Air transport infrastructure	2.0	3.6	2.5	2.4	2.6
Ground and port infrastructure	2.4	3.9	3.2	2.6	4.8
Tourist service infrastructure	3.9	6.5	4.9	3.9	5.4
Natural resources	1.9	4.4	2.4	2.2	4.1
Cultural resources and business travel	1.5	2.8	1.5	1.4	1.7
Total score/rank	3.3/105	4.5/27	3.9/68	3.4/101	4.3/36

Source: WEF 2019.

Note: Highlighted boxes indicate the highest score of all four countries on the pillar.

BiH is also the lowest performer among all other countries in the region. All but one country in the Balkans and Eastern Europe¹⁸ improved its travel and tourism competitiveness since the last edition of the index in 2017. Serbia's ranking (95 to 83) was the most improved in the subregion—and across the Europe and Eurasia region in general—owing to significant enhancements to its enabling environment (62 to 56), travel and tourism policy and enabling

conditions (112 to 91), and air (86 to 76) and ground infrastructure (94 to 85). Poland (ranking 42) is the subregion's largest travel and tourism economy and its second-most competitive. The country has benefited from a stronger performance on natural (72 to 55) and cultural (36 to 28) resources, with its scores on the latter category being the best in the Balkans and Eastern Europe.

¹⁸ Source: WEF Travel and Tourism Competitiveness Report 2019. Balkans and Eastern Europe category includes Slovenia, Poland, Bulgaria, Hungary, Romania, the Slovak Republic, Montenegro, Serbia, Albania, North Macedonia, BiH, and Moldova.

BOX 4 ▶ Strengthening Competitiveness of the Tourism Sector: Lesson learned from Croatia

Croatia, with its natural beauty and favorable geographical position, has certainly been an important tourist destination ever since the development of international tourism. The WEF's 2019 TCI Report shows that Croatian tourism industry competitiveness has improved and it is currently ranked 27 out of 140 countries compared to 32 among 136 countries in 2017. The country made significant progress and scored well on tourist service infrastructure, environmental stability, prioritization of travel and tourism, natural resources, and health and hygiene. Even though Croatia relies on the 'sun and sea' tourism model and it is seasonally skewed toward the summer months, improvement has been noticed since 2013 when the 2020 Tourism Development Strategy has been adopted. Key changes in tourism policies and programs are summarized in the following paragraphs.

Legislation

During the last two years, Croatia has worked hard to foster tourism sector growth. The Organisation for Economic Co-operation and Development (OECD) stressed that much of the tourism and hospitality-related legislation has been modified. The aim of the modifications was either to improve the management of tourism or to align existing legislation to EU directives. The new laws enabled establishment of two funds, one for tourist boards in less developed areas and the other to create clusters of tourist boards. Another major change is the devolution of tourism taxation to the regional level, which gives County Assemblies the responsibility to set tax rates in their respective areas.

Innovation and digitalization

The current Tourism Development Strategy 2020 has put focus on the improvement of tourism products, innovation, smart specialization, and sustainability. Croatia also made a huge step forward with the digitalization of the tourism administration system. Similar to BiH's complex system of legislation, regulations and other requirements mandate tourism service providers in Croatia to connect with multiple parts of government to run their businesses. To make the system more efficient and decrease the burden on tourism operators, the country engaged in the e-Tourism Project focused on the development of eight linked

public sector e-services in tourism. This streamlining and integration expected to improve communications between government and tourism stakeholders, increase the efficiency of the public tourism administration, and reduce the time and cost of handling requests increasing the transparency of the public administration of tourism.

Monitoring

Croatia is applying the European Tourism Indicator System (ETIS) developed by the European Commission (EC). The main aim of this system is to encourage destinations to adopt a more advanced approach to tourism planning. Based on ETIS and UNWTO guidelines, Croatia has developed the Croatian Sustainable Tourism Observatory (CROSTO) as part of the International Network of Sustainable Tourism Observatories (INSTO), to support the vision set by Croatia for the future of its tourism sector. Through regular and timely monitoring, the observatory helps raise awareness of the possible positive and negative impacts of tourism development in the region. One of the major aims for CROSTO is to help decision-making bodies to create better policies and propose adequate measures for the future sector development.

Product diversification

Another focus of the tourism strategy is investment in the creation of new tourism products to overcome seasonality issue and to achieve market diversification. The Tourism Development Fund facilitates the development of public infrastructure and public visitor attractions to improve the overall quality of tourism products. During the past three years, numerous projects have been funded with the aim of the improvement of beaches and lakesides, cycling infrastructure, and interpretation and visitor centers. Cycle tourism has been identified as a national priority with a network of cycle routes for tourists and locals being developed around the country. The trend of cycle tourism was also recognized as a contribution to the health of local population.

Source: OECD Report Tourism Trends and Policies 2020, EC Report Croatia's Tourism Industry: Beyond the Sun and Sea 2018, and WEF Travel and Tourism Competitiveness Report 2019.

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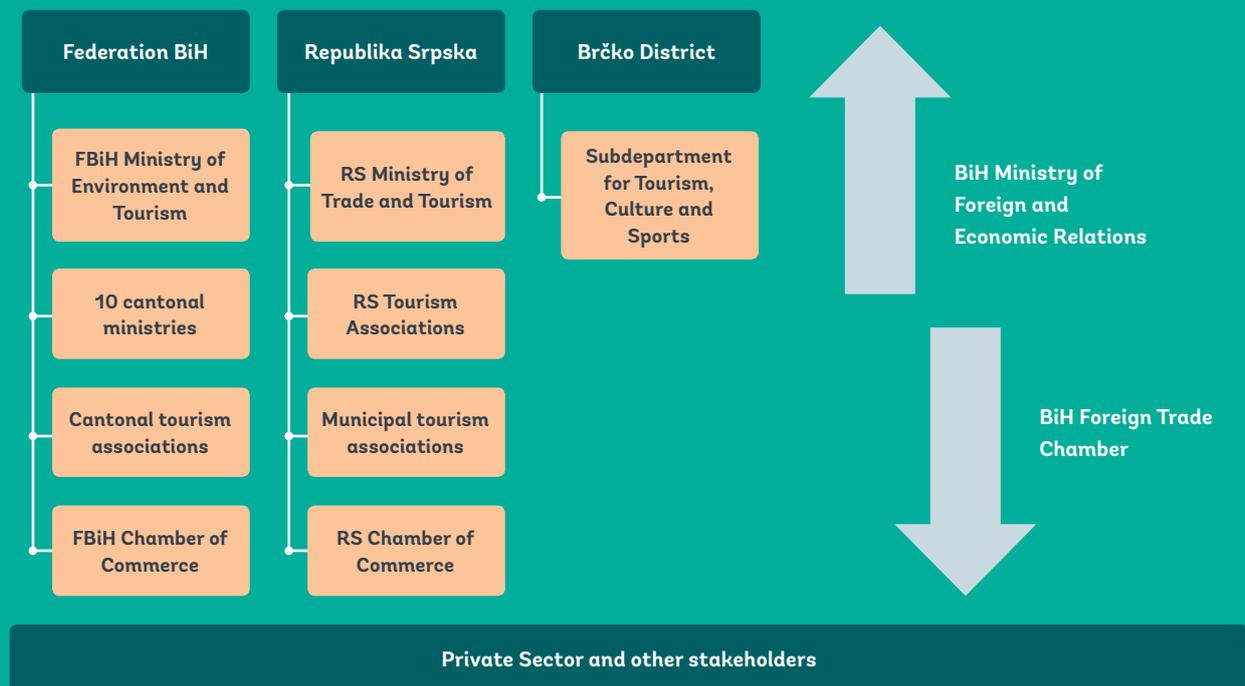
Tourism Ecosystem Assessment

5.1 Institutional Assessment

BiH's complex administrative structure affects the development of tourism and tourism-related policies. According to the Constitution of Bosnia and Herzegovina (Article III.1), jurisdiction over the tourism sector is at the entity level, that is, at the level of FBiH, RS, and the BD. However, under the Constitution (Article III.4), the state has the role of coordinator between the entities in the areas which are outside the direct competence of the state, unless the entities consider that the coordination is necessary in each individual case. Therefore, the role of the sector and department for the tourism within BiH Ministry of Foreign Trade and Economic Relations (MOFTER) is imperceptible making a minor contribution to overall tourism development. Both entities, however, have ministries responsible for tourism: FBiH Ministry of Environment and Tourism and RS Ministry of Trade and Tourism.

While the FBiH ministry oversees the development of strategies and policies in the field of tourism and hospitality in FBiH, this competence is additionally layered by the role of cantons. The ministry has broad competencies, not only in monitoring tourist flows and trends in local and international markets but also in categorization and classification of accommodation facilities. It also aims to define the guidance for the long-term development of tourism within the economic system. However, FBiH is still struggling to streamline processes vertically. Namely, 10 cantons as a subnational level of authority also have partial responsibility in the tourism sector.

FIGURE 20: Key Stakeholder and Policy Makers



In RS, the ministry is divided into two departments and the entity is working with a current tourism strategy.¹⁹ The RS Ministry of Trade and Tourism consists of two technical departments: (a) Department for Tourism and (b) Department for Hospitality. Key activities of the ministry, among others, are

- Preparation of legal acts in the field of tourism and catering,
- Monitoring and analysis of competitiveness of tourism capacities,
- Implementation of incentive measures in the tourism sector,
- Implementation of the Tourism Development Strategy,
- Supervision of the work of the tourist organization of RS,
- Categorization and classification of accommodation facilities and assignment of quality labels, and
- Data collection and analysis.

The BD oversees its own tourism development. The subdepartment for Tourism, Culture, and Sport of the BD oversees activities related to participating in legislative drafting; proposing systemic measures for tourism, hunting, and hospitality; monitoring the situation and trends in tourism, hunting, and catering development; and developing cultural and sports programs.

Following the complex administrative structure, the tourism legislative environment in BiH is muddled.

There is no law on tourism at the state level; entities have their own legislation that is slightly differing. In 2014, the FBiH Law on Tourism Associations was subject to a Constitutional Court ruling due to provisions on certain parafiscal fees,²⁰ creating a vacuum on the legislative side for more than five years. Presently, the ministry is awaiting the final

adoption of the reformed laws on tourism and hospitality aiming to reconcile both competencies, entities' and cantonal, respectively. Also, 8 out of 10 cantons in FBiH adopted their own laws on tourism that are mostly in line with proposed FBiH legislation.

Overall, given administrative fragmentation, there is no streamlined and synchronized approach to tourism development, strategic planning, and marketing activities countrywide. Aligned with the overall competence, the state-level ministry established a working group (WG) gathering representatives of all mentioned institutions and aiming to coordinate the tourism matters. Still, this WG acts only as an advisory body and has no jurisdiction or ability to execute conclusions or recommendations agreed by its members.

Although tourism development strategies are legally provided, there is no coherent strategic framework in place. The FBiH Strategy for Tourism Development, which was created for 2010–2018, was not officially approved. It has now expired, and a new strategy has not been developed. RS has a Tourism Development Strategy for 2010–2020 and has currently started developing a new strategy for 2021–2026. Furthermore, most of the cantons and local communities do not have sectoral strategies for tourism, but tourism is a part of general development strategies. Intensification of tourism-related activities in local communities has fueled their need for a strategic approach to development. Some areas have developed master plans for specific areas (national parks, protected areas, and so on) although this is not comprehensive.²¹

The WEF rates the tourism sector prioritization by the BiH government as low. This is an important indicator of commitment to tourism by governments. BiH ranks 131 out of 140 countries on the TTCI in terms of government prioritization of the travel and tourism industry and 129 out of 140 on the government's expenditures on the sector.

¹⁹ RS Tourism strategy expired in 2020. Ministry is working on a new 2021-2027 strategy.

²⁰ Based on the outdated Law on Tourism Associations in FBiH, every company in FBiH had to pay tourism fee in the amount of 0.05 percent of its annual turnover. This was ruled as a parafiscal fee, as there was no direct argument for the purpose of this payment.

²¹ Over the past few years there is a phenomenon on developing local tourism strategies in, among others, Visoko, Stari Grad Sarajevo, Maglaj, Jablanica, Trebinje, Teslić, Olovo, and Travnik.

Public sector tourism associations in BiH are, according to existing laws, to act as destination management organizations (DMOs) at local and regional levels. The current practice is that the public sector tourism associations focus mostly on promotional activities and less on other destination management (DM) activities. In FBiH, there is no active tourist association on the entity level, but there are tourist associations on the cantonal level. These operate at different levels of efficiency and are limited in terms of financial and human resources. There are no tourism associations on the municipal level. In contrast, for RS, besides the RS Tourism Organization, there are also local public tourism organizations at the city or municipal level. These are responsible for promotion and development of tourism on the local

level. There is an umbrella tourist association in RS (Turistička organizacija Republike Srpske) representing the municipal tourism associations.

Development of tourism is mostly a result of private sector initiatives or projects supported by international donors rather than a result of consistent support of the public sector. The tourism sector in BiH has benefitted from projects to increase the competitiveness of the tourism product through infrastructure improvement, private sector grants and capacity building. Both the EU and US Agency for International Development (USAID) have extensive project funds allocated for tourism development in the country. See the Annex 2 for a more detailed overview of tourism-related donor projects.

TABLE 17

Ongoing and Planned Donor-funded Tourism Projects in BiH

Funding Agency	Start Date	End Date	Description	Fund
Regional Cooperation Council (EU funded) https://www.rcc.int/priority_areas/40/tourism-development-and-promotion	2018	2021	The project will help six Western Balkans economies diversify and consolidate their cultural and adventure tourism products, build and promote a joint regional tourism routes	The project will award up to 30 small grants worth about EUR 50.000 each for a total of EUR 5 million
EU	2019	2021	Amusing Museums - aMUSEumING	EUR 333,575
EU	2013	2016	Improvement of tourism and traffic signage	
EU	2016	2019	Building up countryside tourism destinations around Sarajevo	EUR 184,832
USAID	2018	2021	Via Dinarica	EUR 608,800
United Nations Development Programme (UNDP) and the Government of Italy	2018	2021	Via Dinarica II	EUR 2,109.795
USAID Developing Sustainable Tourism in BiH project	2020	2023	Tourism competitiveness	US\$20 million
EU4Business https://eu4business.ba/en/interactive-map/	2019		Total of 8 tourism development projects (see Box 5)	The total value of the projects amounts to EUR 2,067,000, including the applicants' investments.
Government of Italy	Planned		'ARS AEVI' Final Architectural Project Design of the New Contemporary Art Museum of Sarajevo	
Government of Italy	Planned		NaturBosnia: Protected Areas and Sustainable Development in BiH	EUR 1.5 million

Several donor-funded initiatives focus on the development of niche tourism. Alterural is a nonprofit association dedicated to the promotion and professionalization of rural tourism in BiH. The association for the support and development of sports tourism, Avantur, focuses on outdoor nature

recreation. The Association of Citizens Bosnopolis was founded in 2019 with the aim of promoting the tourist potential of BiH and creating greater environmental awareness among citizens. The association focuses on lesser-known destinations in BiH.²²

5.2 Private Sector Assessment

Tourism has a complex and wide value chain where the different players in the ecosystem are connected and dependent on each other. If any of the elements that are part of the tourists' experiences are missing or below the required quality, the competitiveness of the overall tourism product is negatively affected.

The environment for doing business, including tourism, is not favorable. According to WEF TTCI 2019, BiH is ranked 134 out of 140 countries regarding business environment, which is in line with the Doing Business Report findings of the World Bank.

Regretfully, BiH ties with North Macedonia for the least competitive tourist service infrastructure globally. BiH ranked 117 out of 140 countries on the quality of tourism infrastructure in 2019 (an improvement from 2017 when the country ranked 125 out of 138). BiH ranked 126 out of 140 on the 'natural and cultural resources sub index' which captures the principal reasons to travel to the country. This subindex is based on the number of UNESCO natural world heritage sites present, the number of known species, and the share of protected area as part of the country's total terrestrial area. Interestingly, in contrast, BiH ranks well on the number of hotel rooms and the presence of car rental agencies.

The accommodation sector in BiH is characterized by a large number of smaller accommodations, most of which are informal. There are few statistics on hotel size and category, and there are just a few large hotels in the country. This is unusual as accommodation statistics are fundamental to attracting investment as well as informing sector policy in most countries. Besides the formally registered accommodation

establishments, a large part of the inventory is in small, unregistered guesthouses and other private accommodations that are not classified. BiH has the second highest rate of hidden employment of the six Western Balkan countries, and this rate increased significantly between 2016 and 2019. Despite removing some of the fiscal and administrative burdens, the complex administrative and political framework is considered one of the main factors hindering the pathway to curb informality.²³

There is no unified approach to accommodation classification. Hotel classification falls under the law of hospitality and accommodation. Grading is from 1 star to 5 stars with 5 stars the highest possible category. In RS, classification falls under the responsibility of the Ministry of Tourism. In FBiH, classification of 1 to 3 star accommodation is the mandate of the cantons while accommodations with 4 and 5 stars are classified and controlled by the FBiH Ministry of Environment and Tourism.

While the majority of the room inventory is non- or locally branded, the country has a growing number of internationally branded hotels. These include: a Courtyard by Marriott, an Accor MGallery, a Novotel, a Marriott Residence Inn, a Swissotel, a Rotana all-suite, and an Ibis Styles hotel. All are located in Sarajevo. There is also a Courtyard by Marriott in Banja Luka. The 182-room Marriott Mostar is under construction and is expected to open in October 2021 which will be the largest hotel in Mostar. The existence of hotel chains is considered a positive factor, not only in terms of branding of destinations but also in terms of standardization and best practices.

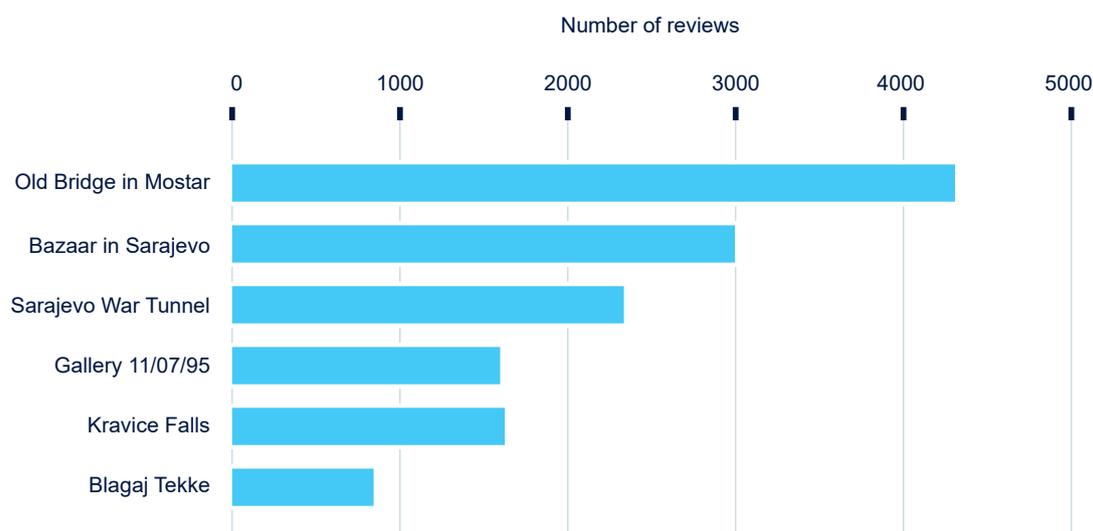
²² <http://uta.ba/cms/>

²³ SELDI 2020.

International visitation is concentrated on just a few attractions. A large part of the international visitors come in organized groups for a one-day excursion or for two or three days during a Balkan Tour. This is reflected in the number of TripAdvisor reviews for attractions in BiH. The Old Bridge in

Mostar is the top attraction in terms of number of TripAdvisor reviews. Kravice Waterfalls and Blagaj are often combined with an excursion to Mostar. The other top visitor sites according to the number of reviews are in Sarajevo where sites related to the Siege of Sarajevo and the Bosnian War are popular.

FIGURE 21: Main Attractions by Number of TripAdvisor Reviews, 2020



Source: TripAdvisor.

BOX 5 ▶ The Ćiro Trail

The 200 km bike path follows the route of the defunct Austro-Hungarian railways line through the Dinarica Alps from Mostar to Dubrovnik in Croatia and was opened in 2017. The trail connects the Old Bridge in Mostar (UNESCO), the Old Town of Počitelj, the Orthodox Church in Žitomislići, the Nature Park Hutovo Blato, the Roman ruins of Mogorjelo, the Vjetrenica Cave (UNESCO Tentative List), the Orthodox Monastery Zavala, Popovo karst field, and the Old Town of Dubrovnik (UNESCO).

The project included infrastructure improvements, marketing, and training in community-based tourism. Total project costs were EUR 370,000, of which EUR 300,000 was financed by the EU through the IPA²⁴ 2007–2013 Cross-Border

Programme for Croatia and Bosnia and Herzegovina. The project was implemented by the Regional Development Agency for Herzegovina (REDAH), the town of Čapljina, municipalities of Stolac and Ravno, and tourism agency Kula Turist from Počitelj.

The EU has approved the following two projects under Ćiro II which will start in Q1 of 2021 and will again be implemented by REDAH:

Improvement of local infrastructure of bike path in the municipality Ravno (FBiH)

Cross-border cooperation between BiH, Croatia, and Montenegro related to connecting bike paths in the continental areas with the coast.

Source: www.ciro.herzegovinabike.ba/gb/sample-page/ciro-i/

²⁴ IPA = Instruments for Pre-accession Assistance.



Donor-funded projects have increased the competitiveness of the nature and adventure tourism product. Examples of donor-funded projects are the Ćiro Trail (see Box 5) and the Via Dinarica Trail. The Via Dinarica, which is supported by USAID and the Italian government through a grant to UNDP, connects Slovenia to Albania through a hiking trail. During Phase I (2014–2017) of the project, more than 800 km of the trail in BiH was marked and MSMEs located near the trail received grants and capacity building to set up accommodation and other tourism services. During Phase II (2018–2021), the project is focusing on assisting local communities along the main Via Dinarica in-country trails, marking additional trails, and supporting small business around the trails. The project will also continue to promote and market the trail.

Much of the group tourism offering is prepackaged by international tour operators. Most of the one-day excursions from Croatia are arranged by Croatian tour operators. They include transportation, attractions, and often lunch as well. Local companies are dependent on the demand created by the tour operators and often have to work with low margins. The so-called Balkan Tours are in most instances arranged by international tour operators, which leaves the local service providers with low margins and little opportunity to upsell to the visitors.

Independent travelers have difficulties creating their own packages. While there are cultural and natural offerings available, it is difficult for independent travelers to connect tourism products and experiences and efficiently create their own itineraries or packages, especially outside the main tourism hubs. It is difficult for independent travelers to access information, and few providers work together to achieve improved products, innovations, or a higher quality of service that can compete with other destinations' offerings in the region.

Private sector associations in BiH are fragmented lacking a coordinated and targeted approach to the overall objective of expanding the country's tourism potential. There are associations established at the state level, including an Association of Tourist Agencies (UTA) BiH²⁵ or Association of Hotels and Catering Industry (UHR) BiH²⁶ that are also members of respective regional or international associations, such as the Union of Touristic Agency Association in Southeast Europe or the Balkan Alliance of Hotel Associations. Although the associations are sustainable and funded by voluntary membership, they are still hampered by the political environment and absence of appropriate public-private dialogue platforms. Moreover, other associations have been established, creating dissonance horizontally as well as vertically. Either they embody given subsectors (rural tourism,²⁷ adventure tourism,²⁸ and similar) or gather businesses at the given level of authority (such as at the level of municipality/town and canton) without ensuring alignment. Chambers of commerce (state and entity levels) have also established their branch associations/departments²⁹ for tourism aiming to provide a platform for dialogue with the public sector and better opportunities for promotion and outreach.

Tourism's intensive infrastructure base—especially in hotel accommodation—requires continuous capital investments to provide competitive products. When comparing tourism capital investment levels in the benchmark countries, BiH outperforms North Macedonia and Georgia. According to data from the WTTC, capital investment in the tourism sector in BiH increased from US\$166 million in 2009 to US\$246 million in 2019. However, in contrast with Croatia where capital investment in the tourism sector reached US\$1.4 billion in 2019 and Slovenia with US\$957 million, tourism investment in BiH is still low.

²⁵ <http://uta.ba/cms/>

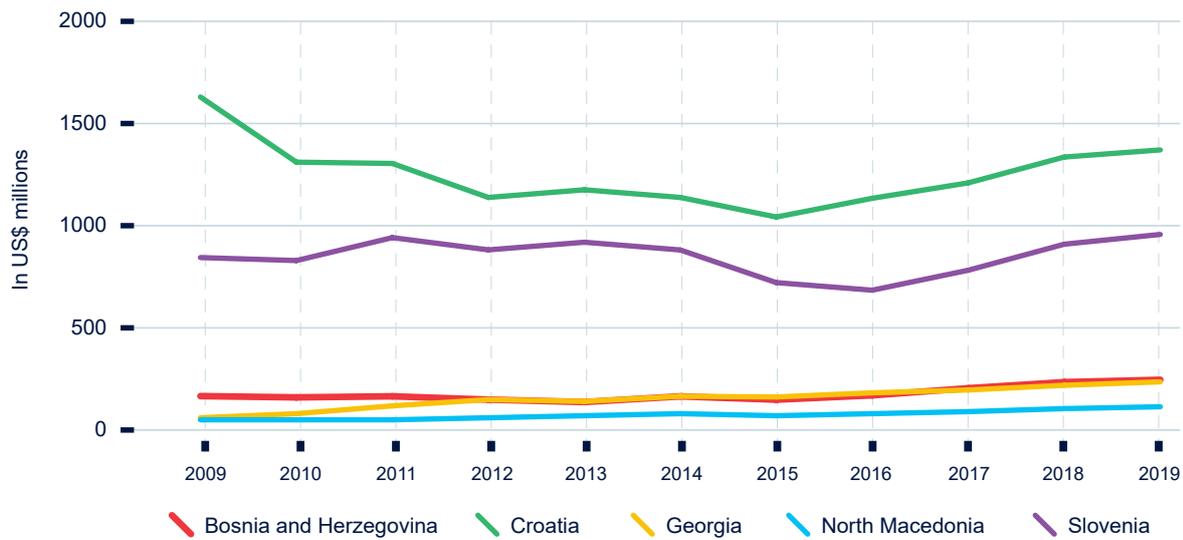
²⁶ <http://www.uhr-bih.ba/?cat=40>

²⁷ <http://alterural.ba/en/home/>

²⁸ <https://www.adventurebih.com/contact/>, <http://www.udruzenje-avantur.com/>

²⁹ <http://www.komorabih.ba/asocijacija-turizma/>, <http://www.kfbih.com/udruzenje-za-turizam>, <https://komorars.ba/udruzenja/trgovina/>

FIGURE 22: Capital Investment in the Tourism Sector across Benchmark Countries, 2009–2019



Source: WTTC.

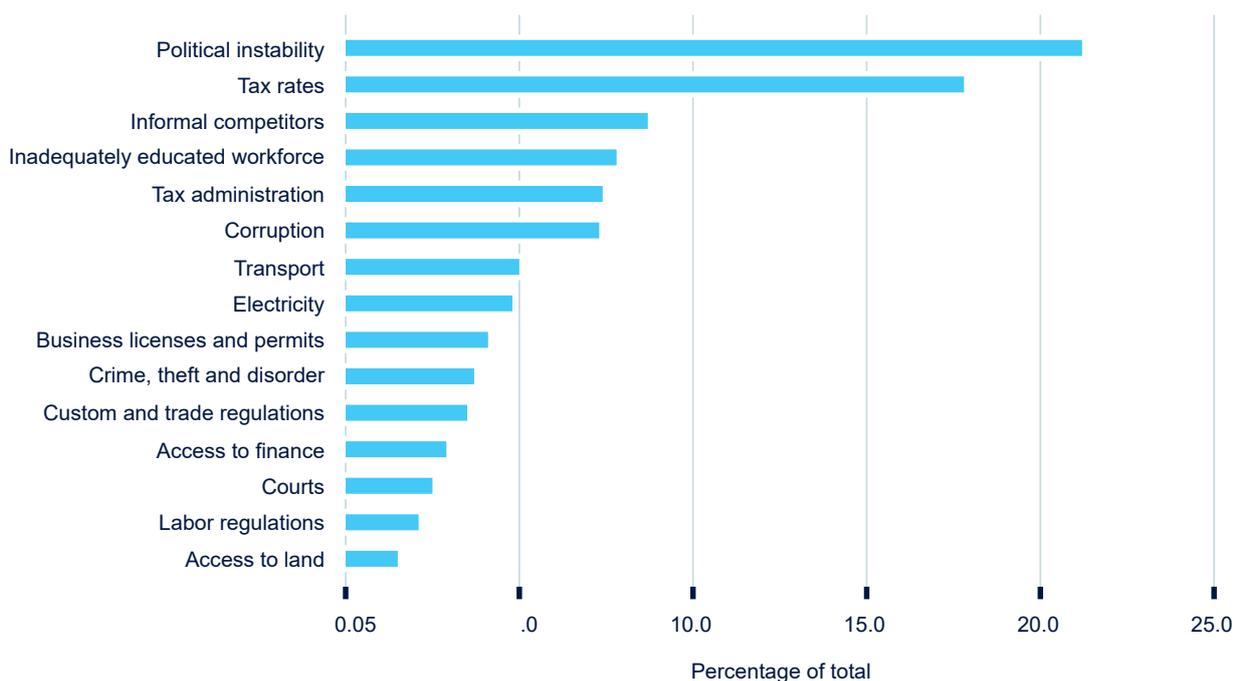
5.3 Enabling Environment

The business enabling environment is constrained by multiple factors that hamper the productivity and viability of firms. Figure 23 shows that political instability in the nation is considered, by surveyed business enterprises across the economy, to be the number one business constraint. High tax rates, the practices of the informal sector, and the lack of a

well-educated workforce are also highly ranked as constraints for firms.

Private sector stakeholders have indicated that high tax rates (especially value added tax [VAT]), the large informal sector, and strict labor regulations are hampering the tourism sector.

FIGURE 23: Business Environment Constraints, % of Firms, 2019



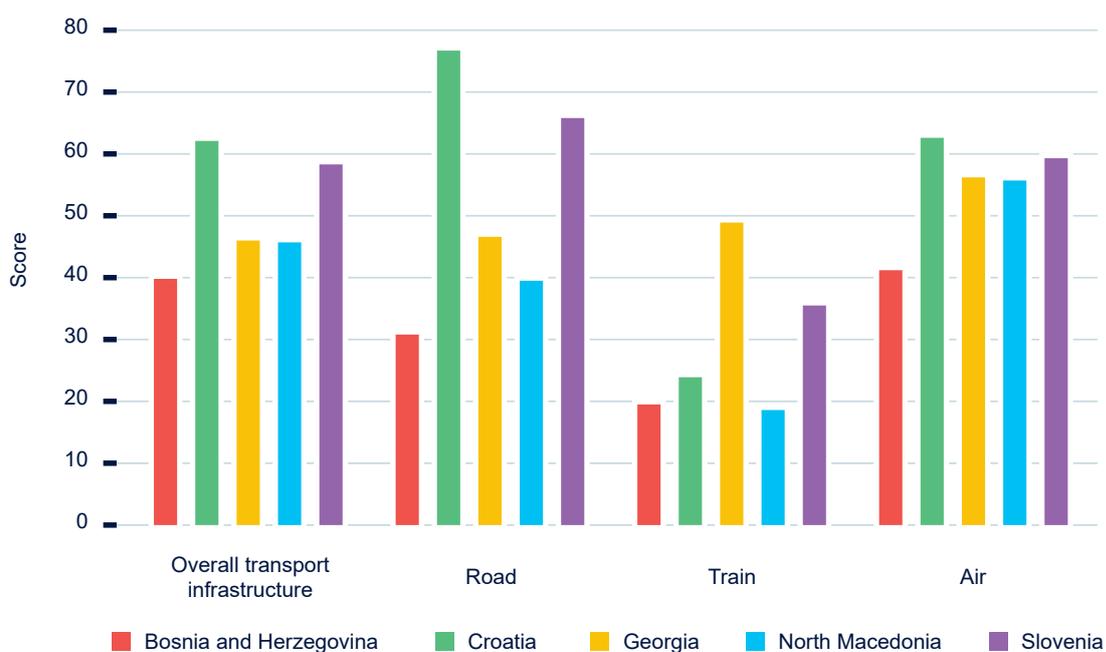
Source: World Bank Enterprise Survey.

5.3.1 Transportation Infrastructure

BiH's transportation infrastructure is poor compared to the benchmark countries. Ease and availability of transportation are integral to tourism competitiveness.

In this aspect, BiH is constrained with poor scores on road, train, and air infrastructure indicators in comparison with regional competitors.

FIGURE 24: Transportation Infrastructure, Compared to Benchmark Countries, 2019



Source: WEF, Global Competitiveness Indicators.

Air access is not optimal. Generally, a primary factor in destination viability is ease of access. Despite an increase in the number of operating airlines, according to the TTCI, BiH still only ranks 110 out of 140 countries on the competitiveness of its air transport infrastructure. The country ranks 130/140 on the quality of the air transport infrastructure, 127/140 on the available international seat kilometers, and 117/140 on the number of aircraft departures per 1,000 population. A competitive air transportation infrastructure system is key to providing access and attracting international markets.

The main airports, while dated, are working to upgrade their infrastructure and services. BiH has four international airports, of which Sarajevo International Airport is the main gateway hosting 60 percent of all air passenger traffic in 2019. The airport handled over 1.1 million passengers in 2019, an

increase of 10 percent compared to 2018. Construction of the new terminal, which was scheduled to open in November 2020, has been delayed due to COVID-19 and the related drop in airport revenues follows the global trend (see Box 6). Tuzla International Airport, located in the northeast part of the country, handled almost 600,000 passengers in 2019, a minor 1.5 percent increase from 2018. However, this still represented 31 percent of all air passenger traffic in the country. It is a hub for the low-cost carrier Wizz Airlines. In March 2020, Tuzla International Airport announced that it would invest EUR 1.2 million in upgrading the airport. The international airports in Banja Luka and Mostar combined represented only 9 percent of passenger traffic in 2019. Despite these efforts to upgrade, there is a concern that the improvements will not be adequate to provide ease and comfort of access to or within the country.

BOX 6 ► Impact of COVID-19 on the Global Airport Sector

COVID-19 has had an immediate, dramatic impact on airport traffic and revenue. The rapid spread of the virus and the containment measures implemented in response—such as government recommendations to avoid travel and airport closures—led to a 23 percent drop in global air traffic in February 2020 and 53 percent in March. This was equivalent to a 620 million passenger reduction in Q1 of 2020. April was a particularly difficult month as passenger traffic volumes declined by 90 percent across the globe.

As airlines cut capacity, the aeronautical revenues airports receive from airlines, such as landing

charges for aircraft and security charges, fall. As people stop flying, non-aeronautical revenue, derived from airports' parking facilities, restaurants, or duty-free, also plummets. Total airport revenues fell by 35 percent worldwide in Q1 of 2020 (equivalent to US\$14 billion) and by 90 percent in Q2 of 2020 (equivalent to US\$39 billion). Projected estimates for 2020, as a whole, paint an even grimmer picture, with a 50 percent drop in total passenger traffic (to 4.6 billion) and an average drop of nearly 57 percent (63 percent in Europe) in airport revenues (to US\$97.4 billion), compared to pre-COVID-19 forecasts.

Source: IFC 2020.

Quality of the ground infrastructure in BiH is the lowest of the benchmark countries. BiH ranks 117 out of 140 countries on the quality of its road infrastructure and 114 out of 140 on the efficiency of its ground transpiration. In 2019, BiH only had 179 km of usable motorway (107 km in FBiH and 72 km in RS). The main issue is the poor road quality, due to underinvestment, inadequate maintenance, and poor project selection and implementation and low road density (34 km per 100 km² of land area, versus 41 in WB6³⁰ and 111 in EU).³¹

The Pan-European Corridor VC project will, when it is finished, be a part of the Trans-European ground corridors network. It will connect the central part of the Adriatic Sea coast and Budapest, Hungary, and will run 336 km in BiH from north to south. The corridor will increase traffic capacity and reduce the traffic volumes on the existing regional road network. It is expected to reduce travel time to key destinations including Sarajevo, Mostar, and Neum.³²

However, the poor quality of the country's road network overall is limiting tourism development. Inefficient road infrastructure makes the country a less competitive tourism destination since it is more difficult to move around the country for organized groups as well as for free independent travelers (FITs). This will prevent dispersion of visitors and reduce the ability of the sector to support inclusive growth.

Rail transportation is currently not suitable for tourism and is a missed opportunity to disperse tourists to less visited, 'off-the-beaten-path' locations desired by many tourists. Most of the railway infrastructure has been damaged and is still in disrepair. The service is slow, and the frequency is low. There are currently few tourists who use rail transportation to travel within BiH, and it is not a form of transportation utilized much by tour operators. The bus network is extensive and internal buses connect BiH with Croatia, Serbia, and Montenegro.

³⁰ Western Balkans countries, including Albania, BiH, Kosovo, North Macedonia, Montenegro, and Serbia.

³¹ Eurostat database, 2020. <https://ec.europa.eu/eurostat/data/database>.

³² JPAC 2018.



5.3.2 Skills and Workforce Development

The sector is handicapped by a shortage of qualified staff due to the high migration level of workers and demographic trends. Unlike other countries in the region, which reported employment gains since 2012, BiH lost about 11,000 jobs up to 2019; at the same time, the number of the unemployed fell by 167,000 (from 28 percent to 25.7 percent of the labor force), pointing to strong outward migration.³³ Educated and qualified employees are attracted by higher salaries, higher quality of life, and the overall situation in other countries. Those migrating include people with all levels of education and skill sets and entrepreneurs. Of those who left BiH in 2018 for opportunities and work outside of the country, 30 percent were ages 18 to 35 years. By 2050, BiH's population is projected to drop by approximately 20 percent, from 3.2 million to about 2.7 million, with 30 percent of citizens being of retirement age. The tourism sector tends to be disproportionately affected by emigration since experienced members of the workforce have easily transferable skills and often speak multiple languages. The share of workers in the informal sector is estimated at close to 30 percent.³⁴

Increased gender inclusion will require addressing obstacles. The overall employment rate of men (57 percent) and women (35.6 percent) in BiH is low compared to the regional average.³⁵ The major obstacles to female employment include the low

availability of childcare and elderly care. The tourism sector often works with irregular working hours and during weekends and holidays causing workers to have varying shifts and extended hours. This can hinder greater gender inclusion.

There is a mismatch of labor supply and workforce needs of the private sector. A competitive tourism sector requires a range of skilled and semiskilled employees willing and ready to work. Despite the image that tourism uses primarily a low-skilled workforce, increasing diversification of tourism products and experiences demanded by tourists mandates a well-trained workforce. Thus, in BiH, the needs of employers do not match the current supply and experience of the workforce. This significantly hampers the country's capacity to deliver a competitive tourism product at an appropriate price/value ratio. The 2019 WEF TTCI ranked BiH 106 out of the 140 countries on 'human resources and labor market', a drop from 100 out of the 136 in 2017. The TTCI indicates that the labor laws on hiring and firing employees are restricting the market as are the pay and productivity of the labor force. BiH ranks 130 out of the 140 countries on finding skilled employees, which indicates a severe mismatch between workforce supply and the needs of private sector operators given the high unemployment rate and low labor force participation rate in the country.

TABLE 18

Human Resources and Labor Market, WEF TTCI, 2019

Indicator	2019	2017
Qualification of the labor force	76	76
Hiring and firing practices	123	109
Ease of finding skilled employees	130	126
Ease of hiring international labor	132	117
Pay and productivity	129	128
Female participation in the labor force	112	109
Overall ranking for 'human resources and labor market'	106	100

Source: WEF.

³³ World Bank 2020b.

³⁴ World Bank 2020b.

³⁵ World Bank 2020b.

The education system generally does not equip students with the skills, competencies, and qualifications that are in demand in the labor market. Almost 35 percent of respondents of a survey among BiH citizens believed that the skills they learned did not meet the needs of their jobs in 2020. This is one of the highest percentages in this regard³⁶ in the region. Further, there is agreement with employers; 58 percent of firms surveyed believe³⁷ that the education system does not impart the skills needed in the current labor market. These outcomes reflect serious deficiencies at all levels of education and contribute to the challenge of achieving a competitive tourism sector across the country.

Skill sets and capabilities offered as part of vocational training do not match the current marketplace and tourism offering. There are 22 secondary (vocational) schools in RS and 13 in FBiH that educate students for careers in tourism (three- and four-year programs). These programs are focused, addressing only a few aspects of the sector's need. Further, there are few students completing waiter, chef, hotel/tourism/gastronomy assistant education, disregarding the needs of an expanding, innovative and competitive tourism sector.

The curricula of secondary schools are often outdated and do not align with today's tourism sector needs. There is a lack of practical and specific knowledge (such as service quality and languages) and technical qualifications (such as pastry chef). This is partly due to a lack of adequate instructional equipment,

which affects the quality of the teaching and learning. Practical work is obligatory for all the students and schools organize work placement with companies, but this is not sufficient to provide students with adequate up-to-date practical experience since they are often being trained by individuals who have less than up-to-date skill sets.

Public and private universities do not offer adequate relevant tourism-related programs. Programs are mostly general, related to management in tourism (offered mostly by faculties of economics) or environment (offered mostly by faculties of science). There are a few specialized but not well-recognized programs, such as in hotel management, offered by a small group of private universities. Students interested in specialist knowledge in tourism go abroad to study and may or may not return to BiH.

Vocational training is rarely and only sporadically offered by some organizations and institutions. The law on adult education allows companies to organize certified vocational training, including prequalification and additional qualification, but the specific offer and supply is not developed yet. Some companies organize in-house training for their employees, send them abroad for training, or invite consultants or firms from abroad. In recognizing this significant gap, some interesting initiatives were organized by private companies, such as the Gastronomic Center for education in hospitality in Sarajevo and the hotel academy developed by the Hotel Europe Group in Sarajevo.

³⁶ Balkan Public Barometer, 2020, Regional Cooperation Council. <https://www.rcc.int/balkanbarometer/results/2/public>

³⁷ World Bank 2018b



5.3.3 Environmental Sustainability

Low scores on some key environmental sustainability factors threaten some of BiH's most valuable tourism building blocks. While the country ranks 65 out of the 140 countries in terms of environmental sustainability, disappointingly BiH is scoring low in some of the subcategories of the TTCI. The nation scores 130 out of the 140 countries in terms of stringency of environmental regulations, 122 out of 140 on enforcement of environmental regulations, and 131 out of 140 on the number of environmental treaties in force. These low environmental sustainability scores could negatively affect the future attractiveness of the tourism product.

BiH's economy is the most carbon and energy intensive in the region, further hindering its sustainability and competitiveness. BiH's energy sector depends greatly on coal, and it is likely

that recent investment decisions will increase this dependence, at a time when most European countries are moving away from it. Although BiH has vast potential for renewable energy (including hydro, solar, and wind), in 2017, coal accounted for 61 percent of primary energy generation. As just one instance, air pollution can be detrimental to tourism development.

Plans for new hydro plants can possibly detract from the country's image as a nature destination.

In September 2020, actor Leonardo DiCaprio made international headlines when he backed environmental protection organizations and called for a new law that would protect the rivers and ban new small hydropower plants. Within two months, hydro plant projects were put on hold, and the FBiH government amended secondary legislation to protect the rivers.

BOX 7 ▶ The Circular Economy and Tourism

Circular economy is seen as a proposed solution or line of action that will support the transformation of a sector to better balance needs of the people, planet, and prosperity. Before the pandemic, the circular economy was discussed as one of the strategic approaches for the tourism sector that can bring competitiveness, innovation, and resilience. The circular economy allows generation of well-being through creating new jobs and better positioning of tourist destination and attracting investors as well as tourists. The outlook and shape of the tourism industry post COVID-19 is uncertain, which increased the societal demand for a sustainable and circular economic transition.

Circular economy solutions could be applied to solve issues of plastic and food waste as well as greenhouse gas (GHG) emission. Before the COVID-19 crisis, travel and tourism was responsible for almost one-tenth of global GHG/CO₂e emissions. This has made tourism a larger GHG emitter than the construction industry.

Although transport plays a large role in tourism emissions, a significant part of the emission has been associated with consumptions of goods and services. Circular economy policies aim to optimize the use of commodities, assets, and materials which will at the end lower their associated embedded GHG emissions.

Portugal is recognized as one of the pioneers of developing circular economy strategies for the tourism sector, followed by Colombia, Slovenia, and Spain. Portugal has aimed to foster development and to build a more competitive, innovative, and environment and committed to achieve economic, social (including seasonality issues), and environmental goals (waste management, gas emission, energy issues, and so on) by 2027. Portugal is actively working on the reeducation of tourism staff to work on energy, water, food waste, and waste management issues.

Source: Einarsson and Sorin 2020; World Bank 2021.

Surprisingly, BiH also ranks low on the natural resources pillar. In 2019, BiH ranked 132 out of the 140 countries on the TTCl. While BiH ranked 97 out of 140 on attractiveness of its natural assets, it ranked 128 out of 140 countries on designated protected areas as part of the total territorial area. Given the wide availability of natural resources in the country, these competitiveness scores are worrisome.

Legislation related to the tourism sector does not include specific environmental requirements. In both entities, there are no requirements to collect information on environmental pressures generating

from the tourism sector, no requirements to promote efficient use of water and energy resources and minimize waste by the tourism sector, and no environmental knowledge requirements for the certification of tourism guides. Other countries such as Croatia have started to use environmental management plans. Three protected areas in Croatia have been awarded honors by the European Charter for Sustainable Tourism (ECST), with the support of WWF Adria. An Action Plan for Green Tourism in these areas operationalizes their strategy for tourism development.³⁸

BOX 8 ▶ Una National Park

Una National Park (NP Una) is the youngest national park in BiH. The park covers an area of 19,800 ha that visitors can explore on foot, by bike, or by going down the Una River by boat or kayak. NP Una offers activities for hard adventure as well as softer adventure, such as fly fishing. The main attractions are the canyon river Una and its waterfalls. After NP Una was established in 2009 and started operating in 2011, the park has become one of the most recognizable nature destinations in BiH. While the park received just 3,000 visitors in 2012, by 2019 this number had increased to 120,000 visitors. Now, a total of 43 companies and entrepreneurs (sole proprietors) whose activities are related to tourism are registered in NP Una and its peripheral area.

Although NP Una is gradually taking on the role of a generator of tourism development in northwestern BiH, the following limitations have been identified by stakeholders:

(a) **Underdeveloped infrastructure.** The development of tourism is significantly limited by the underdeveloped road infrastructure and among the most critical are the access roads to the main attractions the waterfalls Strbački Buk and Martin Brod. In addition, there is limited

tourism services infrastructure.

(b) **Limited quality and quantity of services by the private sector.** The quality and quantity of the tourist offer do not follow the growth trend of the tourist destination NP Una, which significantly affects the further development of tourism in this area. Seasonality and limited access to finance have affected private sector investment in expanding and/or improving service capacity.

(c) **Limited support to private sector service providers.** Among the existing and potential providers are mostly local entrepreneurs. They need support in establishing and developing businesses in tourism, application of digital technologies, promotion strategies, and so on to establish services in general and raise them to the level expected by tourists.

(d) **Limited promotion of the tourist destination.** The last but equally important factor is marketing and organized promotion of NP Una as a tourist destination. Due to the lack of financial resources, more significant campaigns have not been created so far that aim at a more mass arrival of tourists in NP Una.

Source: Management of NP Una.

³⁸ CEETO 2018.

Just a small part of BiH land is designated as a protected area. BiH is one of the richest countries in Europe in terms of biodiversity. Forests cover more than 60 percent of the country and are among the most pristine in Europe. However, the 30 protected areas in the country cover only 2.64 percent of the national territory (1,063 km²). There are four national parks in BiH: National Park 'Kozara', National Park 'Sutjeska', National Park 'Orjen', and National Park 'Drina' located in RS and National Park 'Una' in FBiH (see Box 8). In contrast, an example of good practice is Slovenia. As of early 2018, Slovenia has designated 355 Natura 2000 sites, a recognized program of the

EU. They include 324 sites of community importance (SCIs) under the Habitats Directive and 31 special protection areas (SPAs) under the Birds Directive. Together, these sites cover 37.9 percent of the land area, the largest proportion of land area coverage in the EU (EU average 18.1 percent) and 10.6 km² of marine waters.³⁹

Some of the main natural sites are not located in a protected area. Kravice Waterfalls, for example, which is included in many of the day excursions from Mostar, is managed at a municipality level. In 2019, entrance fees for the waterfall provided approximately EUR 1,346,386 in revenue.



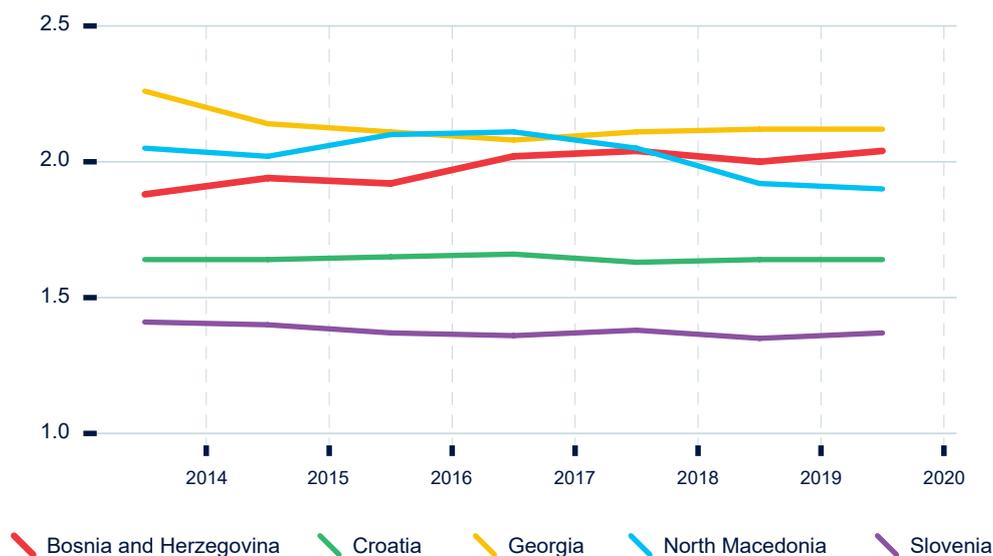
³⁹ EU 2019.

5.3.4 Safety and Security

Data from the Global Peace Index, where a lower score indicates a more desirable ranking, find BiH outperformed within its competitive set, besides Georgia, in terms of peacefulness. Since 2014, the score has continued to worsen. In 2020, BiH ranked

79 out of the total 163 countries included and scored a 4 out of 5 on the subindex 'violent demonstrations' and 'perceived criminality within society'.

FIGURE 25: Global Peace Index, 2014–2020



Source: Vision of Humanity.

Indicators on safety and security from the WEF show that BiH scores relatively low compared to the benchmark countries, especially on the business

costs of crime and violence as well as the reliability of its police services.

TABLE 19

Safety and Security, WEF TICI, 2019

Indicator	BiH	Croatia	Georgia	North Macedonia	Slovenia
Business costs of crime and violence	4.3	5.2	5.4	4.0	5.7
Reliability of police services	3.5	4.4	5.2	3.5	5.4
Business costs of terrorism	5.4	5.9	5.4	4.6	5.8
Index of terrorism incidence	7	7	7	7	7
Homicide rate (lower is better)	1.3	1.0	1.0	1.6	0.5

Source: WEF.

Note: Score from 1 to 7 with 7 being the highest score. Highlighted boxes indicate the highest score of all four countries on the pillar.

6

Tourism Sector Constraints: What Needs to Change?

To achieve design, delivery, and sustainability of a competitive offering in the BiH tourism sector, strategic interventions and targeted tactics are needed to address crippling pre-COVID-19 constraints in the areas of (a) policy and institutions, (b) private sector development, and (c) the enabling environment. Priority areas and issues are discussed in this section.

6.1 Policy and Institutions

Nonexistent and conflicting regulatory environment. Nonexistent legislation at the state level and conflicting legislation at the entity and cantonal levels are major obstacles hampering the development of the tourism industry. This is reflected in an ostensibly unregulated ecosystem causing significant problems for the private sector overall through limiting business registration and operation and where operators must comply with different procedures when operating in different cantons. This is inefficient as well as nearly impossible to navigate when trying to simultaneously achieve viability. In addition, domestic tour operators are marginalized by international travel agencies which can lead tourists without local expertise throughout BiH destination areas explaining cultural and historical heritage.

Lack of clear policy direction. Absence of an institution at the state level that cohesively regulates tourism activity, coordinates tourism industry operators and stakeholders, and manages a national strategy for tourism development is debilitating. This also creates issues with promotion, which is currently limited, lacking strategic focus, and does not effectively represent tourism products and experiences. For example, there is no singular presentation of the country at international fairs and trade events nor a cohesive message of the country's tourism offering. It is typical that promotion is split between entities, or, in the worst case, BiH is not at all represented at key venues and marketing events. Joint activity and cooperation between stakeholders in tourism at various levels is fundamental to

successful promotion of the sector. This is quite low, restricting BiH's ability to promote or 'sell' its full tourism potential in a competitive marketplace with many better-organized destinations that have a cohesive message and recognizable brand.

Lack of integrated destination planning. The current, highly fragmented institutional framework points to an important gap that constrains the sector's development and competitiveness. There is a fundamental need for a network of regional management organizations (RMOs)/DMOs. In response to the complex regulatory framework, institutions are highly fragmented, siloed, and discordant. There is no single point or identified mechanism that can serve as a driver of tourism sector development at a national level. This also limits effective investment generation in the sector that is integral to competitiveness. The lack of such an entity or organization cripples agile promotion of the entire country's offering and tourism development potential. Current institutions have limited capabilities to support development and promotion of already identified market segments and do not provide needed support for expansion into new market niches. There is no coordinated and coherent strategic approach to promote tourism within the public sector, and therefore, the growth achieved by private sector players can only be considered as individual developments with no strategic direction toward sustainability. It is as if 'tourism is just happening' rather than being carefully cultivated and productively managed.

Current development is mostly focused on economic goals and much less on social and environmental targets and benefits. However, competitive and productive tourism requires an integrated approach and achievements in each of these areas. Development of tourism can also create new challenges such as growth in the prices of real estate and goods in popular destinations, pressure on residents in terms of a changed quality of life, and environmental issues, among others. Each of these trade-offs needs to be managed proactively.

Lack of cooperation and coordination among stakeholders. BiH suffers from limited cooperation and coordination among tourism stakeholders in both the public and private sectors at all levels (FBiH, cantons, RS, and so on). A pervasive lack of trust

contributes to limited sharing of information and minimal collaboration. This is particularly obvious at international shows and trade fairs where there is a lack of a singular BiH brand and promotion efforts are fragmented following the given administrative structure. Therefore, BiH is unable to tell its story in a manner that makes tourists want to visit and return as other destinations do, often seamlessly. Recent efforts to develop clusters at regional (inter-entity) levels can, over time, facilitate an open and collaborative exchange. Such efforts are essential to create a structure that fosters the development of stronger tourism value chains vital for a competitive and sustainable tourism offering. A foundation for this is the establishment of DMOs which leverages the power of partnerships.



BOX 9 ► Importance of Vertical and Horizontal Partnerships between DMOs

Effective DM allows destinations to maximize tourism value for visitors while ensuring local benefits and sustainability. It is the “coordinated management of all the elements that make up a destination (attractions, amenities, accessibility, human resources, image, and price)”. Partnerships are a central part of successful DM. They bring together resources, skills, and influence from different stakeholders in the destination to enable a stronger DM program. Partnerships can be used at different times and scales and can range from relatively informal groups or committees to contractual partnerships or registered companies. When more formal, they are often referred to as a DMO.

DM is a process that operates at many spatial levels—the national level, the regional level, and the local level. It is important that there is complete vertical alignment in terms of both strategy and operations between different levels, to ensure that

- National policies for product development and marketing are reflected in the regional and local plans for action on the ground;
- Opportunities for tourism development identified at the regional and local levels are considered in national plans;
- There is integrated planning of marketing, so that local and regional marketing activities reflect national marketing

programs and vice versa; and

- There is a consistent flow of information from the national level down to the local level and vice versa. This allows for the execution of content marketing, tourism product development, familiarization tours (FAMs), and more.
- Horizontal partnerships are between DMOs that are neighbors, have complimentary product offerings, and/or are linked by transportation. There is a strong case for such destinations to work together to
- Create packages of attractions and experiences that are of sufficient scale and quality to have a real impact on target markets (such packages may be tours or routes based on particular themes—for example, film/TV locations, food, and walking or cycling trails);
- Promote broader geographical regions that have similar target markets under a regional brand or through cooperative marketing; and
- Ensure that longer-term plans for tourism development in adjacent destinations are complementary and mutually supportive and productive.

Source: World Bank, forthcoming.

Lack of data on demand and supply. Poor quality of data on sector supply and demand hinders informed policy development and effective decision-making that can move the sector forward to benefit the population overall. Consistent, timely, and widely available data are fundamental to evidence-based policy making, enabling advocacy for the sector and capacity to attract investment. The following are examples of data that are currently not collected or analyzed:

- Information on tourists' attitudes and perceptions is currently not collected (or disseminated) systematically, comparably across destinations in BiH. Evidence on the aspects of the trip that tourists particularly enjoyed or were disappointing is valuable for private sector enterprises operating in the tourism value chain. Information on aspects that tourists enjoyed as well as areas for improvement is also useful to guide policy reforms, investments, or strategic priorities for enhancing tourists' experience—for example, in areas such as transport infrastructure and skills.
- Tracking of tourism flows is currently limited to visitors staying in registered accommodation. There is no clear understanding of the full accommodation supply as a large part of the supply is in accommodation that is not registered.
- Data on international visitor expenditure are recorded in the balance of payments, but detailed data on international visitor expenditures are limited, untimely, and not easily compared with the data of competitors.

6.2 Private Sector

Lack of cohesiveness of tourism product. BiH's tourism products are predominantly developed to fit bus tour itineraries and structured movements of large groups. This contributes to set routes and limited opportunities to visit new or emerging products and experiences—that tourists increasingly value. New products for niche markets (for example, bicycling, gastronomy, and wellness) can be developed based on rigorous review of supply (for example, inventory of offerings, services, and experiences) and evolving demand.

BOX 10 ► Social Enterprise 'Mon Perin' in Croatia

Mon Perin is a tourism company established in 2005 in the town of Bale Valle located in the Istria region of Croatia which had the objective of developing the area but keeping the control of the type of investments with the community. The company was founded by more than 900 shareholders (of which 400 are residents of the region) and by the Bale Municipality.

The articles of the association stipulate that the residents and the Bale Municipality combined hold 51 percent of the voting rights. This is to ensure that the interests of the local community are put ahead of the interests of investors. Mon Perin received the concession rights of an area of land where two camping sites were located. The initial investments were used to improve the existing camping sites and the profits were used to reinvest in additional tourism accommodation. In 2007, the company generated about 50,000 overnight stays, resulting in HRK 2.5 million in revenue, and in 2016, they had revenues of HRK 29 million and 216,000 overnight stays.

Source: <https://www.camping-monperin.hr/>

For the adventure/nature-based tourism offerings, an opportunistic and uncoordinated atmosphere is enabled—even fostered—due to a lack of regulation or guidelines for businesses that allows for nonstrategic, individualized actions. This contributes to irresponsible behaviors by operators and a lack of environmental stewardship that threatens the very assets that can drive the sector’s excellence. There is no effective targeted approach to combining natural and cultural tourism products. This not only limits opportunities for others in the supply chain but also minimizes the overall competitiveness of the product.

Lack of innovation. The Chamber of the Economy of the Federation of Bosnia and Herzegovina and the International Finance Corporation (IFC)/World Bank Group conducted a survey in 2020 ‘The Impact of the COVID-19 on the Tourism’ which showed the urgent need to bring the use of digital technologies to the next level. There is still insufficient use of digital tools in businesses, and the knowledge of firms is limited. Additionally, a large number of companies have inadequate IT equipment. The survey showed that 86 percent of respondents are not able to digitalize their business and have an online presence. The main obstacles to a higher level

of digitalization were reported to be lack of financial resources (45 percent), lack of internal human resources (18 percent), and lack of system support programs for their digitalization projects (training, consulting services, financial resources, and information) (14 percent).⁴⁰

Access to finance. Even before the COVID-19 crisis, 19 percent of MSMEs considered access to finance a major or severe obstacle to the development of their enterprise.⁴¹ Nearly one out of four MSMEs indicated the need for financing, with demand being particularly high for smaller enterprises and enterprises in certain sectors. Of those in need of financing, over 90 percent are micro and small enterprises. The banking sector has been traditionally highly risk averse, so it is expected that they tighten supply conditions for all sectors, including tourism. Early data show that credit growth to private firms turned negative in April 2020 as a result of pandemic, as commercial banks are reluctant to expand their lending activity to the riskiest segments and sectors, that is, MSMEs—particularly micro and small enterprises—and other vulnerable groups.

⁴⁰ ‘The Impact of COVID-19 Pandemics to Private Sector in BiH’ survey report conducted by chambers of commerce in May and November 2020 as part of IFC Investment Climate and Access to Markets project’s activities. Up to 1,500 companies were surveyed.

⁴¹ World Bank 2018c.

6.3 Enabling Environment

Infrastructure constraints. Even though BiH has a favorable geographical position, it does not have adequate or quality infrastructure. Usually, due to poor general quality of the roads, it is difficult for tourists to visit some of the most famous historical places and stunning natural attractions. In addition, BiH has the most expensive airport taxes in Europe which hampers expansion of air access, a fundamental building block of tourism. There is also a lack of direct flights, which inhibits the opening of new markets.

Workforce availability and quality. There is a lack of highly qualified or certified personnel in the tourism industry. This is mainly due to the mismatch between educational curricula (secondary and tertiary), training experience, and market needs. Without qualified staff, BiH will not be able to answer the opportunities and challenges of the sector. In addition, an under-skilled workforce will not be able to satisfy the needs of tourists who are becoming more and more demanding. It is necessary to reposition and rebrand the employment attractiveness of the sector as well as the offerings of vocational schools to popularize the sector among youth while encouraging those in the sector to build careers. The steady growth of tourism and salaries in the industry that transpired over the last few years has made the sector a more attractive employer. However, the public and private sectors are challenged at a fundamental level on how to continuously attract educated and qualified staff to 'take a job but stay for a career'. Policy makers at all levels need to be more active in this field and provide a modern and effective framework for education and development of individuals as entrepreneurs in tourism-related businesses. Tourism associations and chambers of commerce must be more committed and active in this field cooperating with educational institutions, firms, and individuals from BiH and abroad to organize multilevel, lifelong learning programs and certifications for tourism businesses—and their employees. Particularly in the COVID environment, distance learning programs should be introduced and supported to attract, retain, and educate more individuals.

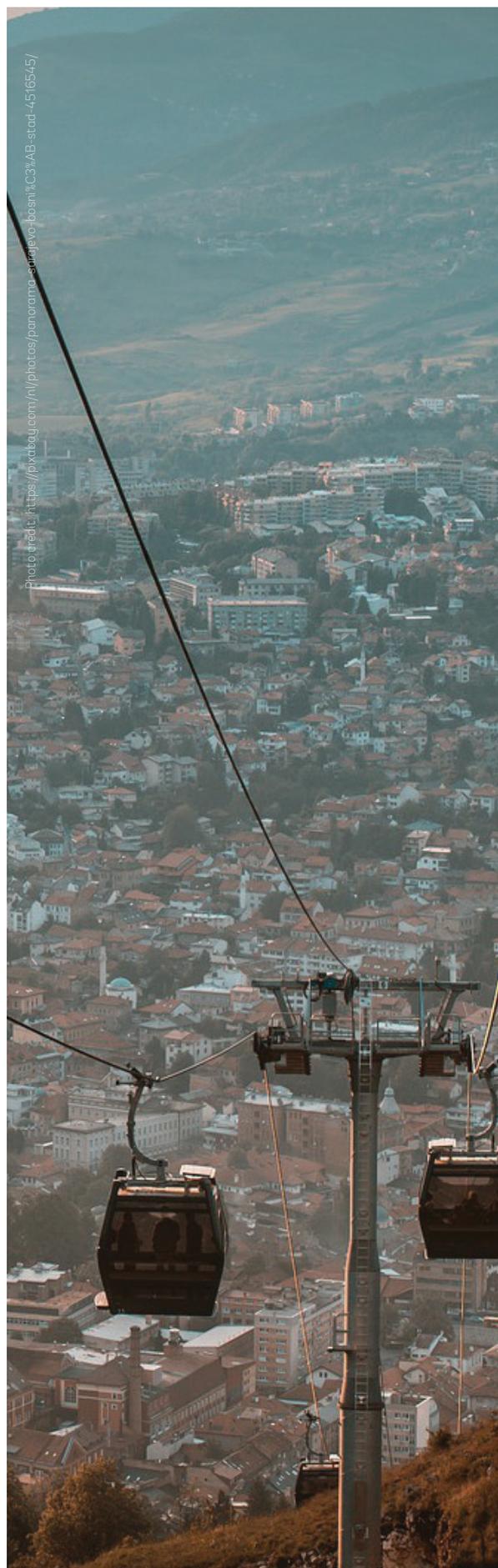


Photo credit: <https://pixabay.com/nl/photos/panorama-sarajevo-bosni%C3%A4-stad-4516545/>

7

What Is the Way Forward?

For BiH to unleash its full potential for sustainable and resilient tourism growth, enabling factors must be in place, including a stable political and economic environment, a streamlined business enabling environment, and the availability of a workforce with needed education and skills. The following recommendations are based on short- and medium-term approaches combining interventions to not only improve the overall business environment and promotional framework but also ensure an adequate response to the challenges caused by the COVID-19 pandemic.

BOX 11 ▶ Impact of COVID-19 on the Tourism Sector

Similar to destinations around the world, the COVID-19 pandemic has hit the tourism sector in BiH hard. Closing of the borders in March 2020 stopped the arrival of international visitors as well as the diaspora. Revenue from tourism dropped between 70 percent and 90 percent across the nation. During the first six months, the government focused on controlling the virus and preserving the health of the residents and is now working to support sector viability.

In the online focus group, held in cooperation with the Chamber of Commerce in November 2020, the representatives of tourism sector in BiH

outlined some of the problems they face during the COVID-19 pandemic. They all pointed out that they are suffering from cancellations and limited number of reservations. A particular challenge for these businesses is their liquidity, the needs for reduction in the number of employees, and the decline in demand. They are seeking adequate financial assistance to recover as well as subsidies so they can pay the minimum wage to employees. They also requested to put a moratorium on all payments until the end of 2021.

Source: Focus group discussion with Chamber of Commerce members from the tourism and hospitality sector held in November 2020.



Short-term Strategies (COVID-19 Recovery Strategies)

All levels of authorities in BiH have already initiated a set of actions that would directly address the impact of COVID-19 crisis. These are instrumental in the short term to pave the path for structured recovery, including the following:

- Assistance through reducing fiscal and para-fiscal levies—introducing policies to waive permit/license fees (both issuance and renewals) for hotels, travel agents, and tour guides. This can also include transportation services (taxis and small buses). Permits and licenses should still be issued to ensure quality and safety standards and enable data collection on sector recovery.
- Subsidies to guarantee the minimum wage to employees during the pandemic.⁴²
- A moratorium on all payments until the end of 2021—to continue the set of fiscal measures that weathered the crisis at its onset, including deferral of commercial loan payment and restructuring.
- Government grants—entities' government schemes⁴³ have been launched in 2020 and need to continue implementing the policy to support enterprises with short-term liquidity concern.
- Adequate financial state assistance—ensuring full implementation of established credit guarantee programs aimed at helping mitigate banks' reluctance to lend in a risk-averse environment.⁴⁴
- Safe destination travel badge certification—ensuring finalization of this process at the state level.
- Payment deferrals or property tax rebates—authorities should focus more on this type of assistance, including deferrals of utilities/subscriptions for closed hotels and other tourism/hospitality businesses and tenants in government properties, parks, facilities.⁴⁵
- Reviewing restrictions criteria and aligning them with market offerings—curfew working hours, access to facilities, limitation on group size, and so on.
- Preparation of a post-COVID recovery destination marketing strategy—strategizing for recovery, including positioning the destination for a 'rebirth', analysis, adapting market position, reposition, and renewal of products and services.

⁴² 'The impact of COVID-19 Pandemics to Private Sector in BiH' survey report conducted by chambers of commerce in May and November 2020 as part of IFC ICAM's project activities. Up to 1,500 companies were surveyed. Governments introduced this measure as of May 2020 and around 80 percent of companies in the tourism sector define it as excellent.

⁴³ The FBiH government issued 30 million schemes for tourism and hospitality, while the RS government has introduced the voucher scheme.

⁴⁴ Guarantee funds are operational as of July 2020 in both entities. The schemes focus on short- and medium-term working capital and investment loans, and up to five years of maturity in FBiH and four years in RS but do not tackle long-term investment loans.

⁴⁵ 'The Impact of COVID-19 Pandemics to Private Sector in BiH' survey report conducted by chambers of commerce in May and November 2020 as part of IFC ICAM's project activities. Up to 1,500 companies were surveyed, and 80 percent of companies did not receive any support of this type.

Medium-term Strategies

To develop a viable and productive sector, there is a need to improve several components that are key to the tourism sector. These medium-term strategies are based on BiH's tourism sector performance, benchmarking against comparative and aspirational countries, as well as the assessment of existing constraints in alignment with UNWTO's 2020 Framework for Inclusive Community Development through Tourism. The aim of this framework is to foster a holistic and integrated approach to inclusive community development through tourism.⁴⁶

The medium-term strategies for BiH are divided into the following four pillars as developed by UNWTO: Empower, Safeguard, Prosper, and Collaborate.⁴⁷ These pillars are based on the Sustainable Development Goals (SDGs) framework (People, Planet, Prosperity, and Partnerships). The pillars are inter-related and mutually dependent on each other.

FIGURE 26:
**Framework for
Inclusive Community
Development through
Tourism**

Source: UNWTO 2020.



Pillar 1: Empower

Develop a clear and unifying tourism strategy. Countries with vibrant and productive tourism sectors start with—and implement—a strategic vision and plan. This can take a variety of forms and approaches but, regardless, a comprehensive strategic plan developed and endorsed by all key stakeholder groups is the glue that enables the sector to be cohesive and strong. BiH—across its various entities—needs to develop a strategy which serves as a practical guideline with a strong market-driven approach outlining target markets, defining which products to develop and how to market them.

Build human resource capacity through skills development. There is a large and growing deficit of skilled tourism workers across BiH. This creates an urgency to determine the steps needed to close the gap between current workforce skill sets and those needed to deliver competitive services and quality. Defining and implementing strategies and tactics to make working in BiH tourism more rewarding (financially, professionally, and so on) is a first, high-priority step in the journey to establishing a productive and competitive sector.

⁴⁶ UNWTO 2020.

⁴⁷ UNWTO 2020.

Pillar 2: Safeguard

Integrating the natural and cultural heritage is a fundamental part of the tourism product. Even though BiH has a wide range of cultural and natural resources, there is an opportunity to turn these resources into tourism offerings that are productive assets. Additional investments are required to develop a competitive nature-based tourism product. A large number of sites that are of interest for tourists are currently underdeveloped, not accessible, or missing the necessary infrastructure.

Strengthen tourism information systems and metrics. To support public and private sector initiatives to improve the competitiveness of the country's tourism sector, it is essential that higher-quality and more comprehensive data are used as the basis for making informed decisions. Better data are also required to attract investment as well as safeguard the sustainability of the sector. In addition to upgrading and standardizing tourism sector data, undertaking regular, rigorous, and statistically generalizable surveys among domestic and international visitors can provide insights into traveler attitudes and perceptions as well as expenditure patterns. A consistent, thorough, and holistic approach to data collection (see Box 12) is key to measuring, monitoring, and building a vibrant sector. New technologies and applications can enable BiH to leapfrog older systems and outdated practices to establish efficient data collection, analysis, and dissemination.

BOX 12 ▶ Croatia's eVisitor System

In 2016, the Croatian National Tourism Board (CNTB) created the eVisitor system as a central platform for tourism data management. The database allows online check-in and check-out by all accommodation providers via a web interface that records the information collected through the visitor's ID card or passport. eVisitor automatically compiles the guest booking and calculates the accommodation fees reducing additional administration efforts or paper submissions.

Direct benefits for the government are:

- Easier and unified collection of data on tourists;
- Automated data delivery to the CNTB, local DMOs, Ministry of Interior and Croatian Bureau of Statistics;
- Automatic collection of room tax;
- Inventory of accommodation providers; and
- Live reports on tourism flows in the destinations.

Direct benefits for accommodation providers are:

- Compliance with valid regulations;
- Free software solution for keeping records on the tourists (guestbook);
- Automated calculation of financial obligations and bookkeeping solution; and
- Secure automated data extraction from hotel information systems.

Source: CNTB.

Pillar 3: Prosper

Strengthen tourism's legal, regulatory, and fiscal environment.

BiH's tourism policies and regulatory framework are not conducive to private sector development. Many policies are outdated, and certain regulations hinder private sector growth. Targeted technical assistance and application of international best practice experiences can contribute substantively to BiH's tourism policy design and implementation, both at the central and the entity levels. Activities should focus on removing barriers which currently limit private sector growth through streamlining business regulations, licensing requirements, and other requirements that constrain business and innovation. The following current policies and actions have already been identified by the Chamber of Commerce as needed reform actions:

- Postponement of VAT payment until the end of each month or introduction of a practice in which VAT is paid for the invoice collected, rather than the one issued
- Incoming tourism to be exempted from VAT and be considered as an export activity
- Changing the visa regime in some places and changing the conditions for applying for a BiH visa since in some embassies they require an interview, and their employees do not speak the language of the residents of the country from which visas are being issued
- Harmonization of the legal framework related to transport and tourism
- Streamlined regulation on tourist guides in BiH to ensure improved service delivery and standards aligned with best international practices.

Improve connectivity and tourism-related infrastructure.

BiH needs to enhance its connectivity as it is significantly constraining the overall tourism growth. Not only is transportation infrastructure (air, road, and railway) improvement needed, but associated services also need an additional upgrading, including:

- Comprehensive intersectoral and inter-institutional approach when designing activities and strategies' implementation (including public-private partnerships [PPPs], concessions, and so on);

- Reliable and frequent connections/directions between and for key locations; and
- ICT offerings incorporated to the overall tourism agenda, that is, providing free Wi-Fi signals/hot spots, strengthening the overall network, and promoting local offeror's packages (call flat rate, routers, or similar).

Support the development of quality products and services.

There is a need for consistent international service levels and a tourism product offering that is diversified and attractive to target segments in adventure, culture, and religious tourism, among others. The challenge for both the public and private sectors is to respond to and manage this over time.

Promote and encourage entrepreneurial innovation.

An important strategy is to design and implement tourism product development strategies that meet market expectations and are suited to the local context. Creative and innovative small business operators are integral to tourism sector growth and success. This typically requires the cultivation and support of a vibrant subsector of entrepreneurs demonstrating informed and successful entrepreneurship. This includes defining and fostering strategies to foster entrepreneurship to both improve current operations and energize innovation in tourism products and links with agribusiness and local crafts. This also includes programs that increase the capacity for using digital tools for advancing the tourism sector.

Improving access to finance for registered tourism MSMEs.

Access to finance should be assessed, prioritized, and facilitated on favorable terms for key tourism MSMEs through guarantees, subsidized loans, extended credit lines, non-collateral financing, and a grace period for new loans. Support for MSME finance can be complemented with support to improve their capabilities, including upgrading their offerings and connecting to markets through digital platforms.

Repositioning FDI promotion and outreach. As BiH is building new business models in tourism going forward, the FDI promotion framework will need to be adjusted. Beyond traditional investments in tourism that promote and underpin economic growth with construction as the main driver, BiH needs to focus on the nontraditional investments that would enhance innovation and environmental sustainability as priorities. Investors are increasingly interested in the social and environmental footprint of tourism investment projects as well as the investments in services, including digital and software technologies.

Build the image, position, and brand of tourism

BiH. Effectively position and brand BiH in the international marketplace. Both public and private sector stakeholders need to reinvent the image of BiH. It is essential to strengthen the 'rebirth' of the destination and link it to the new business models:

- Emphasizing the advantages of natural beauty, historical and cultural heritage, customs, and traditions
- Targeting the niche BiH offers (adventure tourism, agritourism and wellness, among others)
- Relaunching destination through 'back in business and 'open to business' augmented promotion
- Integrating new data and analysis on tourist segments and their demand for experiences while complementing with campaign materials prepared by international best practices and standards
- 'Building back better' through 'doing tourism different'
- Projecting a singular country brand with local experiences or activities unique to a certain region/entities.

BOX 13 ▶ Slovenia - An Example of Quality Products, Innovative Approaches, and Branding

Slovenia is an example of a successful approach to sustainable development of tourism. It has been considered as a green, active, and healthy boutique Central European destination located at the crossroads of the Mediterranean, the Alps, and the Pannonian Plain. Such positioning allows for the creation of umbrella products, including health and well-being, gastronomy, active holidays, towns and cities and culture, experiences in nature, niche products (cruising, gambling, and so on), and business tourism. Consequently, much attention was put into brand creation, where the government's Communication Office is the actual brand manager coordinating the inter-ministerial group to carry out and implement the brand. The meaningful message 'I feel sLOVEnia' combines all segments of tourism with a mix of emotions. Furthermore, the Green Scheme of Slovenian Tourism as the national tool and certification program is a platform which combines all supply, infrastructural, and nature advantages and includes this into the overall Slovenia Green umbrella brand efforts. This modern approach placed Slovenia on the global tourism map, supporting the National Tourist Board to increase the recognizability and reputation of the country as an authentic green boutique destination for high-end visitors seeking diverse and active experiences, peace, and personal benefits—and which is committed to sustainability. Finally, Slovenia now has seven 'Destinations of Excellence' and 14 destinations which made it to the final selection round of this EU program. (The European Destinations of Excellence promote the development of sustainable tourism in Europe, placing in the forefront small, yet interesting destinations that offer authentic experiences and allow visitors to explore the rich local tourist offer.)

Source: <https://www.slovenia.info/>

Pillar 4: Collaborate

Enhancing inter-institutional collaboration. The complex governance structure in BiH creates an additional impediment for tourism growth, especially hampering the innovation in tourism that would be possible through data access and availability, introduction of digital technologies, and participation in regional and global associations. Therefore, it is crucial to ensure better and functional operation mechanisms for the Tourism WG in MOFTER. The Board could serve as a platform that would lead the transformative processes in tourism by promoting enhanced policy frameworks and ensure and verify precise data collection and exchange as well as connection with modern trends in tourism worldwide.

Support the development of DM mechanisms.

Competition at the destination level becomes keener every day as consumers become more demanding and benefit from the purview of many options and choices. Coordination and collaboration are not optional in BiH, while this is a requirement of destination effectiveness. In BiH, there is a pressing need for better communication and collaboration that translates into effective coordination. This includes a functional system of RMOs and DMOs as well as a cohesive (state-level) destination marketing approach.

BOX 14 ► Destination Management in Slovenia

Slovenia has three levels of destination management (DM). At the national level, there is the Slovenia Tourism Board (STB) which is a public agency, part of the Ministry of Economic Development, Technology Tourism Division. At the regional level, there are regional destination tourism boards which fall under each of the 12 regional development agencies. At the local level, there are local DMOs or tourism information centers. At the local level, each mayor and community council is responsible for tourism development according to national strategic objectives. The locally collected tourism tax goes directly to the community budget and is the main financial source for local tourism development including trails, information centers, and marketing.

In 2017, the STB began establishing a system of clusters or macro destinations for marketing, product development, and promotional coordination of destinations. The four clusters are based on geographically contiguous units, share the same or similar products or services, and are visible at the global level. The macro

destination level is clearly and operationally classified, and it serves as the platform for enhancing integration of destinations.

The macro destinations have been set up to

- More effectively communicate and promote at the umbrella level of Slovenian tourism,
- Enhance vertical connections from the umbrella level to the destination level, and
- Provide active development and education work with destinations to promote product development and competitiveness.

The coordination takes place from the STB to the defined drivers/partners in each leading destination (each leading destination has one partner that operates as a DMO), by actively including and cooperating with product associations. Formalization of a cluster structure depends on the interests of the partners and whether it makes sense from a marketing perspective.

Source: <https://www.slovenia.info/en/business/about-slovenian-tourist-board>.



TABLE 20

Short- and Medium-term Strategies for a More Competitive Tourism Sector in BiH

Strategy	Why
Short-term strategies	
(a) Assistance through reducing fiscal and parafiscal levies	Fundamental to establishing a streamlined business environment able to attract entrepreneurs and innovators
(b) Subsidies to guarantee the minimum wage to employees during the pandemic	Loss of trained and experienced labor force can set back the sector's advances to date
(c) A moratorium on all payments until the end of 2021	SMEs are the engine of BiH's tourism. Keeping them in business will enable a faster recovery overall.
(d) Adequate financial state assistance	The COVID-19 crisis requires mobilization of public and private support efforts
(e) Relieve subscription fees for closed hotels	This supports ability to re-open sooner.
(f) Safe travel badge	Assuring travelers that safety, security, and health protocols are in place builds consumer confidence and willingness to travel.
(g) Adjustment of criteria and specifications on the maximum people allowed	Following COVID-19 crowd control and visitation management is even more important for travelers. This ensures protection of invaluable natural and cultural assets.
(h) Preparation of a post-COVID recovery destination marketing strategy	The changed marketplace demands new and targeted messaging delivered through implementation of a cohesive strategy.
Medium-term strategies	
(a) Develop a clear and unifying tourism strategy	Countries with vibrant and productive tourism sectors start with—and implement—a strategic vision and plan.
(b) Build human resource capacity through skills development	There is a large and growing deficit of skilled tourism workers across BiH.
(c) Integrate the natural and cultural heritage as fundamental part of the tourism product	Even though BiH has a wide range of cultural and natural resources, there is an opportunity to turn these resources into tourism offerings.
(d) Strengthen tourism information systems and metrics	To support public and private sector initiatives to improve the competitiveness of the country's tourism sector, it is essential that higher-quality and more comprehensive data are used as the basis for making informed decisions.
(e) Strengthen tourism's legal, regulatory, and fiscal environment	BiH's tourism policies and regulatory framework are not conducive to private sector development.
(f) Improve connectivity and tourism-related infrastructure	BiH needs to enhance its connectivity as it is significantly constraining the overall competitiveness.
(g) Support the development of quality products and services	There is a need for consistent international service levels and a tourism product offering that is diversified and attractive to target segments in adventure, culture, and religious tourism, among others.
(h) Promote and encourage entrepreneurial innovation	An important strategy is to design and implement tourism product development strategies that meet market expectations and are suited to the local context.
(i) Improve access to finance for registered tourism MSMEs	Improved access to finance can support the development of new and innovative tourism offerings as well as upgrade existing tourism products.

TABLE 20

Short- and Medium-term Strategies for a More Competitive Tourism Sector in BiH

Strategy	Why
(j) Reposition FDI promotion and outreach	Reposition FDI to attract investors that are more socially and environmentally conscious as well as those that focus on innovate technologies.
(k) Build the image, position, and brand of tourism BiH	Effective positioning and branding of BiH in the domestic, regional, and international marketplace is a building block to competitiveness and creating a globally recognized sector.
(l) Enhance the inter-institutional collaboration	The complex governance structure creates an additional and unnecessary impediment for tourism growth, especially hampering the innovation in tourism that would be possible by data access and availability, introduction of digital technologies, and participation in regional and global associations.
(m) Support the development of destination management mechanisms	Coordination and collaboration enabled through these organizations can contribute to a consistent and competitive product.

Closing

Tourism is an important services sector for BiH—and could be even more so. In today’s highly competitive tourism world, business as usual—or getting back to previous visitation pinnacles—is not good enough and may not even be relevant. The sector is globally experiencing great change as the pandemic and disruptive technologies and other developments enable expanded access to data, diverse products, and new demand trends. In this context, this is not time for BiH to be satisfied with simply getting back to a pre-COVID situation and continue to do business as usual. These times require a commitment to supporting the sector to achieve key goals—such as improved sharing of benefits, environmental protection, resilience, and sustainability—achieved through a renewed strategic focus and targeted actions. This commitment—and acting on it—has to come from all stakeholders. Innovation and change take time—however, BiH has tremendous resources and can build its needed soft and hard capacities smartly. Key to the success is taking strategic actions in a sequential, concerted manner that fosters investment and ability to deliver the tourism offering competitively.

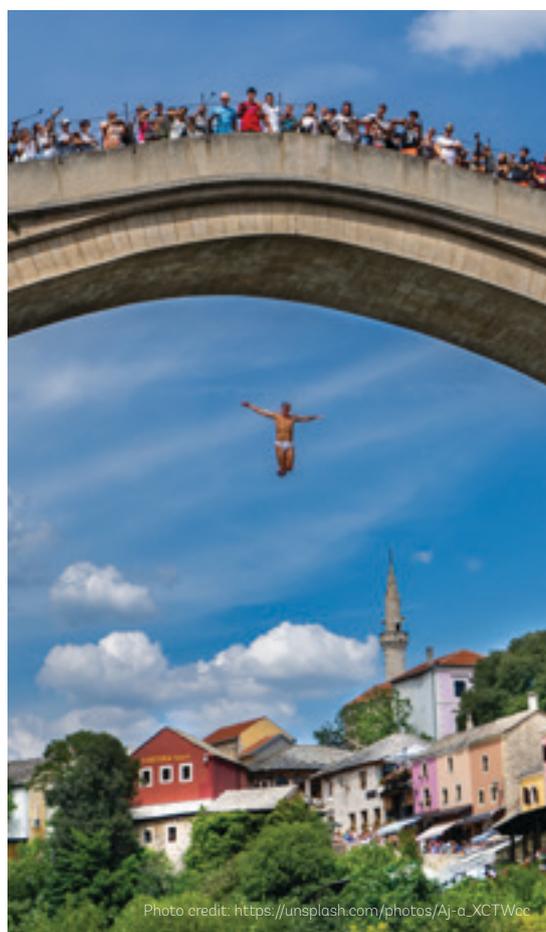


Photo credit: https://unsplash.com/photos/Aj-a_XCTWec

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ANNEX 1
Overview of Tourism Products

Canton	Tourism Resources
FBIH	
Sarajevo canton	<ul style="list-style-type: none"> • Capital city • Culture-history • Nature (monuments of nature Skakavac and Vrelo Bosne; protected landscape Trebević and Bijambare) • Outdoor/adventure • Winter/mountain (Bjelašnica-Igman, Trebević, Treskavica) • Eco tourism • Food • Dark tourism • Sport • Youth tourism
Herzegovina-Neretva canton	<ul style="list-style-type: none"> • Culture-history (Mostar, Stolac, Počitelj, Jablanica) • UNESCO World Heritage Site (Mostar) • Nature (nature parks Hutovo Blato and Blidinje, Ruište, Vjetrenica, Prenj) • Food (Wine route, Mediterranean fruit, fish) • Transit • Outdoor/adventure (Konjic, Neretva) • Religious tourism (Međugorje) • Ethno and rural tourism (Međugorje) • Dark tourism (Jablanica) • Coast tourism (Neum) • Hunting/fishing • Youth tourism
Middle-Bosnia canton	<ul style="list-style-type: none"> • Culture-history (Travnik, Jajce) • Nature (Pliva lake, monuments of nature Prokoško jezero and Tajan) • Winter/mountain (Vlašić) • Food (cheese, fruit - plum) • Sport (Pliva lake) • Rural tourism • Transit (Jajce) • Hunting/fishing • Religious tourism (Prusac)
Zenica-Doboj canton	<ul style="list-style-type: none"> • Culture-history (Vranduk, Tešanj, Bobovac, Kraljeva Sutjeska, Maglaj) • Holistic health tourism (Visoko)
Bihać canton	<ul style="list-style-type: none"> • Culture-history (Bihać) • Nature (NP Una) • Outdoor/adventure (Una) • Rural tourism • Hunting/fishing
Tuzla canton	<ul style="list-style-type: none"> • Culture-history (Gradačac, Srebrenik) • Panonsko jezero • Nature (protected landscape Konjuh, Majevisa) • Rural tourism • Hunting/fishing • Religious tourism (Kladanj)

Canton	Tourism Resources
RS	
Banja Luka region	<ul style="list-style-type: none"> • Culture-history • Nature (national park Kozara) • Outdoor/adventure • Eco tourism • Ethno tourism • Spa (Kulaši, Laktaši, Slatina) • Sport • Religious tourism • Hunting/fishing • Youth tourism
East Sarajevo region	<ul style="list-style-type: none"> • Nature • Outdoor/adventure • Winter/mountain (Jahorina, Trebević, Ravna planina, Romanija) • Eco tourism • Sport • Hunting/fishing
Doboj region	<ul style="list-style-type: none"> • Spa (Vrućica Teslić) • Ethno tourism • Religious tourism • Mountain (Ozren, Borja)
Foča-Višegrad	<ul style="list-style-type: none"> • Culture-history • Nature (rivers - Drina, Tara; National Park Sutjeska) • Outdoor/adventure (Foča-Tara) • Mountain (Maglić, Višegrad) • Spa (Višegrad) • Religious tourism • Ethno tourism • Youth tourism • Eco tourism
Bijeljina-Zvornik region	<ul style="list-style-type: none"> • Culture-history • Nature (nature park Drina) • Spa (Dvorovi) • Ethno tourism (Stanišići) • Religious tourism • Hunting/fishing
Trebinje region	<ul style="list-style-type: none"> • Religious tourism • Eco tourism • Ethno tourism • Food (wine)

Annex 2: Overview of Donor-funded Projects as of December 2020

Project Holder/ Financier	Project Title	Total Project Value (EUR)	Total Allocated Funds (EUR)	Total Disbursed Funds (EUR)	Project Status	Project Start Date
EC	Rural Tourism for Mountain Destinations	358,132	358,132	196,570	Completed	01.03.2020
EC	Cycling routes to improve natural and cultural heritage of Herzegovina and Montenegro - Cycling Rural	400,000	400,000	228,390	Completed	14.09.2019
EC	From the Medieval Fortresses in Herzegovina to the Austro-Hungarian Fortresses in Montenegro / FORT-NET	399,557	399,557	220,351	Completed	01.10.2019
EC	"Tourism, Adrenaline and Rafting Adventure (T.A.R.A.)(Creation of an integrated cross-border tourist destination for active tourism in BiH and Montenegro cross-border region)"	399,654	399,654	221,536	Completed	01.12.2019
EC	Life on BiH/MNE Border - Ancient Traces of ageless Heritage and Tradition	281,491	281,491	253,342	Completed	01.01.2018
EC	Connecting separated (development of joint tourist offer along the Roman route)	177,783	177,783	172,580	Completed	30.04.2015
EC	Posavina - Hunting and Fishing Paradise	295,480	295,480	0	Completed	27.09.2007
EC	Cycling Through the History - Revitalisation of the Old Narrow Gauge Railway 'Ćiro'	296,396	296,396	156,432	Completed	18.12.2014
EC	Year Around Tourism in Mountain Destinations in BiH and Montenegro	170,451	170,451	156,757	Completed	13.12.2012
EC	STONE / Cross Border Cooperation - Component II programmes	219,339	219,339	115,442	Completed	21.02.2011
EC	VIOR - Vinkovci and Orasje Heritage Tourism Project / Cross Border Cooperation - Component II programmes	50,038	50,038	45,868	Completed	17.02.2011
EC	UNA-SPRING OF LIFE / Cross Border Cooperation - Component II programmes	188,928	188,928	70,848	Completed	31.03.2011
EC	Development of Tourist Itinerary for Cross Border Region between BiH and MNE	94,981	94,981	47,490	Completed	07.04.2011
EC	Support to the development of rural tourism destinations in Rajac and Vranica mountains	121,494	121,494	50,622	Completed	07.03.2011

Project End Date	Own Allocated Funds (EUR)	Own Disbursed Funds (EUR)	Co-financiers	Allocated Co-financed Funds (EUR)	Disbursed Co-financed Funds (EUR)	Implementing Agency (Channel of Delivery)	Geographic Level
28.02.2022	358,132	196,570	-	-	-	REGIONALNA RAZVOJNA AGENCIJA ZA BJELASICU, KOMOVE I PROKLETIJE	Not defined
13.03.2021	400,000	228,390	-	-	-	ZAPADNOHERCEGOVAČKI KANTON	Not defined
30.09.2021	399,557	220,351	-	-	-	GRAD LJUBUŠKI	Not defined
30.11.2021	399,654	221,536	-	-	-	OPŠTINA PLUŽINE	Not defined
30.04.2019	281,491	253,342	-	-	-	-	Not defined
30.04.2017	177,783	172,580	-	-	-	OPĆINA LJUBUŠKI (MUNICIPALITY OF LJUBUŠKI)	Not defined
28.05.2009	295,480	0	-	-	-	TURISTIČKA ZAJEDNICA ŽUPANIJE POSAVSKE UG	Not defined
18.12.2017	296,396	156,432	-	-	-	-	Not defined
14.09.2015	170,451	156,757	-	-	-	-	Not defined
21.10.2012	219,339	115,442	-	-	-	EC	Not defined
17.02.2012	50,038	45,868	-	-	-	EC	Not defined
31.03.2013	188,928	70,848	-	-	-	EC	Not defined
07.10.2012	94,981	47,490	-	-	-	EC	Not defined
07.03.2013	121,494	50,622	-	-	-	EC	Not defined

Project Holder/ Financier	Project Title	Total Project Value (EUR)	Total Allocated Funds (EUR)	Total Disbursed Funds (EUR)	Project Status	Project Start Date
EC	Zlatibor-Jahorina: cooperation on magic way	45,827	45,827	34,370	Completed	01.04.2011
EC	Sustainable tourist development - From Herzegovina trails to Dubrovnik Elafiti islands	218,498	218,498	9,032	Completed	28.11.2014
EC	Development of Tourist Itinerary for Cros Border Region between BiH and MNE / Cross-border co-operation - Component II programmes	6,584	6,584	3,486	Completed	23.03.2011
EC	The Una River - Unique Resource for Sustainable / Cross Border Cooperation - Component II programmes	100,160	100,160	83,467	Completed	08.03.2011
EC	VRBAS, Joint tourism development of the Vrbas valley	272,095	272,095	0	Completed	27.12.2007
EC	Bosnian Kindom Trail	299,940	299,940	0	Completed	01.10.2007
EC	New tourism product - rural ecotourism in Sabici	270,000	270,000	0	Completed	15.10.2007
EC	Grain Trade Route, Kupa-Sava	258,113	258,113	232,458	Completed	01.07.2013
Austrian Development Agency (ADA)	Tour Reg	285,742	285,742	104,786	Completed	01.02.2007
Government of Italy (I)	Eco-tourism's improvement in the South-Eastern Europe	316,190	316,190	210,792	Completed	01.02.2007
Government of Italy (I)	Support to the creation and promotion of environmental and sustainable touristic itineraries in Bosnia and Herzegovina	1,649,013	1,649,013	1,649,013	Completed	03.05.2009
Japan International Cooperation Agency (JICA)	The Project for Herzegovina International Tourism Corridor Development and Environmental Conservation	2,408,448	2,408,448	264,494	Completed	01.11.2012
JICA	The Project of Sustainable Regional Development through Eco-tourism in Bosnia and Herzegovina	2,088,828	2,068,659	1,370,520	Completed	01.02.2007
Government of Spain (E)	Support to the elaboration of a tourism development plan in the Municipality of Blagaj	77,000	77,000	77,000	Completed	01.10.2006

Project End Date	Own Allocated Funds (EUR)	Own Disbursed Funds (EUR)	Co-financiers	Allocated Co-financed Funds (EUR)	Disbursed Co-financed Funds (EUR)	Implementing Agency (Channel of Delivery)	Geographic Level
01.10.2012	45,827	34,370	-	-	-	EC	Not defined
28.11.2017	218,498	9,032	-	-	-	-	Not defined
23.09.2012	6,584	3,486	-	-	-	EC	Not defined
08.03.2012	100,160	83,467	-	-	-	EC	Not defined
28.12.2009	272,095	0	-	-	-	OPĆINA BUGOJNO OPĆINSKO VIJEE BUGOJNO	Not defined
02.04.2010	299,940	0	-	-	-	FONDACIJA ZA RAZVOJ NEVLADINI ORGANIZACIJA	Not defined
16.04.2009	270,000	0	-	-	-	LOCAL DEMOCRACY FOUNDATION	Not defined
24.12.2015	258,113	232,458	-	-	-	-	Not defined
31.07.2009	285,742	104,786	-	-	-	Kulturkontakt Austria	Not defined
28.02.2008	316,190	210,792	-	-	-	UCODEP	Not defined
31.01.2013	1,649,013	1,649,013	-	-	-	OXFAM (ex UCODEP)	Not defined
31.10.2015	2,408,448	264,494	-	-	-	JICA	Municipalities
31.12.2009	2,068,659	1,370,520	-	-	-	JICA	Not defined
30.03.2008	77,000	77,000	-	-	-	The commission to Preserve National Monuments of Bosnia & Herzegovina	Municipalities

Project Holder/ Financier	Project Title	Total Project Value (EUR)	Total Allocated Funds (EUR)	Total Disbursed Funds (EUR)	Project Status	Project Start Date
Government of Spain (E)	Support of the economic development of Mostar through the improvement of the tourism sector	185,000	185,000	185,000	Completed	28.12.2007
USAID	Via Dinarica: A Platform for Sustainable Tourism Development and Local Economic Growth	914,106	849,195	945,931	Completed	15.10.2014
UNDP	Income Generation through Development of Tourism	27,757	27,757	27,757	Completed	01.05.2005
UNDP	Via Dinarica: A Platform for Sustainable Tourism Development and Local Economic Growth	1,112,930	1,115,516	1,115,516	Completed	01.12.2014
Government of Norway	Rural tourism and youth	4,961	4,961	4,961	Completed	23.05.2014
Government of the Netherlands	Drina Valley Tourism Development, A Cross Border Partnership	1,800,000	1,799,999	1,709,999	Completed	01.12.2005
Government of Slovenia	Heritage Trails: Sustainable Tourism in Una National Park and the Northwest Region of Bosnia and Herzegovina	20,025	20,025	20,025	Completed	29.01.2011
EC	Amusing Museums - aMUSEumING (establishing a joint tourism offer for museums)	333,575	333,575	209,934	Ongoing	15.11.2019
EC	Building up countryside tourism destinations around Sarajevo to diversify the rural economy	184,832	184,832	160,311	Ongoing	01.09.2016
EC	Improvement of Tourism and Traffic Signage	59,206	59,206	47,364	Ongoing	24.10.2013
Government of Italy (I)	Via Dinarica: A Platform for Sustainable Tourism Development and Local Economic Growth	1,000,000	1,000,000	400,000	Ongoing	01.12.2018
USAID	(USAID) Via Dinarica: Rural Incomes and Sustainable Enterprises Activity	862,901	608,800	608,800	Ongoing	23.07.2018
UNDP	Via Dinarica 2	1,917,902	2,109,795	718,203	Ongoing	01.06.2018
Government of Italy (I)	'ARS AEVI' Final Architectural Project Design of the New Contemporary Art Museum of Sarajevo	0	150,000		Pipeline (planned)	
Government of Italy (I)	NaturBosnia: Protected Areas and Sustainable Development in Bosnia and Herzegovina	0	1,500,000		Pipeline (planned)	

Project End Date	Own Allocated Funds (EUR)	Own Disbursed Funds (EUR)	Co-financiers	Allocated Co-financed Funds (EUR)	Disbursed Co-financed Funds (EUR)	Implementing Agency (Channel of Delivery)	Geographic Level
28.12.2009	185,000	185,000	n.a.	n.a.	n.a.	Mostar Town Hall	Municipalities
31.12.2017	849,195	945,931	n.a.	n.a.	n.a.	UNDP	Not defined
31.03.2007	27,757	27,757	-	-	-	UNDP BiH	Not defined
31.03.2020	158,538	158,538	USAID	956,978	956,978	UNDP	Municipalities
30.06.2014	4,961	4,961	-	-	-	-	Not defined
31.12.2008	1,799,999	1,709,999	-	-	-	Care Nederland	Not defined
28.09.2012	20,025	20,025	-	-	-	Development Centre of Novo mesto	Cantonal
14.09.2021	333,575	209,934	-	-	-	Udruženja za poduzetništvo i PosaoLink Mostar	Not defined
31.08.2019	184,832	160,311	-	-	-	-	Not defined
04.11.2016	59,206	47,364	-	-	-	-	Not defined
30.11.2020	1,000,000	400,000	-	-	-	UNDP	State
22.07.2021	608,800	608,800	-	-	-	UNDP	Not defined
22.07.2021	307,678	50,811	USAID, the Italian Development Cooperation (IC)	1,802,117	667,392	UNDP	State
	150,000		-	-	-	Direct implementation (bilateral channel)	Cantonal
	1,500,000		-	-	-	Multilateral -implementing partner to be selected upon opening of a call-of proposals.	Not defined

Annex 3: National Parks in BiH

National Park Kozara

National Park Kozara has been established in the Northwestern Bosnia and Herzegovina in 1967 covering an area of 3,494 ha. The central part of the park is Mrakovica area, a memorial built in memory World War 2 consisting of museums and monuments. The park includes a separate hunting ground. National park is offering hiking tours, cannoing, climbing, paragliding, and skiing (800 m long ski track), as well as organized history lessons/walking tours. National Park is receiving budget support from the respective authorities but is also generating its own revenue.

<http://www.npkozara.com>



National Park Sutjeska

This is the oldest and biggest national park in Bosnia and Herzegovina covering an area of 17,250 ha. It has been established in 1962 and this area includes the river of Sutjeska, mountains Zelengora (2,014 m), Maglic (2,386 m), Volujak (2,337 m), as well as Perućica primeval forest, unique in Europe. This park also includes 9 glacial lakes, hunting ground and World War 2 historical sites. Sutjeska is famous for active holidays offering, including rafting tours, hiking, rock-climbing, as well as summer and music festivals. National Park is receiving budget support from the respective authorities but is also generating its own revenue.

<http://npsutjeska.info>





Nature Park Orjen

Nature Park Orjen has been established in 2020 in the Southeastern Bosnia and Herzegovina. It covers an area of 16,500 ha including mountains Orjen and Bijela Gora. It is a part of the broader Dinarides mountain ring neighboring with Montenegro and Croatia. This park is famous for protected endemic flora and numerous hiking opportunities. As the Park has been established recently, during pandemics, it is solely funded by the authorities, but establishing documents define and foresee revenue-generating business models.

http://www.discoverdinarides.com/me/park/park_priode_orjen/



Nature Park Blidinje

Nature Park Blidinje has been established in 1995 in the Southwestern Bosnia and Herzegovina covering an area of ca. 400 m², including mountains of Čvrsnica (2,228 m) and Vran (2,074 m), and Blidinje lake. It is famous for active holidays, including hiking, rock-climbing, cycling. This park also includes a hunting area, as well as skiing facilities. Nature Park is receiving budget support from the respective authorities, but its business model also includes project cooperation, public-private-partnership modalities, and concession.

<http://www.visit-blidinje.com/>

Nature Park Hutovo Blato

Nature Park Hutovo Blato is considered as wetland of international importance by Ramsar Convention methodology and therefore registered with UNESCO since 2001. This sub-Mediterranean swamp is in Southern Bosnia and Herzegovina and covers an area of 7,411 ha. It is famous for the variety of flora and fauna, including rare species of birds and fish. Nature Park is receiving budget support from the respective authorities, but its business model also includes project cooperation, public-private-partnership modalities, and concession.

<http://hutovo-blato.ba/>



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