

# COMPETITIVENESS AND SUSTAINABILITY OF THE TOURISM SECTOR OF BOSNIA AND HERZEGOVINA ACCORDING TO OECD

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**Abstract.** This paper investigates the potential applicability of OECD competitiveness and sustainability indicators of tourism in Bosnia and Herzegovina. The analysis assesses the current state of the country's tourism industry and identifies areas that require significant improvement to enhance competitiveness compared to other Western Balkan countries. This comprehensive study covers all relevant data necessary to measure the OECD indicators. Based on the research conducted, it was found that Bosnia and Herzegovina does not adequately monitor the competitiveness of its tourism industry. The main objective of this research is to demonstrate that the political-territorial structure of the country presents the main challenge in achieving a competitive and sustainable tourism industry.

## 1. INTRODUCTION

The term “sustainable tourism” was first explained by the UNWTO (United Nations World Tourism Organization) in 1996 as an activity in which economic, social, and environmental needs will be fully in line with cultural needs, ecological processes, and biodiversity, while simultaneously supporting local development (Fennel, 2003). Today, sustainable tourism is perceived as a key to economic growth and country development. On its path towards the European Union, sustainable development and sustainable tourism have become a very important goal of Bosnia and Herzegovina, which has the support of the World Bank and the European Union itself (Radić *et al.*, 2021). Sustainable tourism in Bosnia and Herzegovina has been developing in recent years thanks to initiatives from specific destinations, tourism boards, and non-governmental organizations. However, weak governance, political uncertainty, social instability, economic brain drain, and the degradation of natural and cultural heritage sites threaten the long-term sustainability of the tourism sector in Bosnia and Herzegovina (Center of Excellence for Evaluation and Policy Research, 2022). Despite the country facing numerous challenges on its path to sustainability, tourism has become a prosperous economic sector in recent years and one way to achieve sustainable development goals. Thanks to its natural values, cultural heritage, and other characteristics, Bosnia and Herzegovina has made significant progress from the seasonal character of tourism to the development of sustainable forms of tourism (Lugonja, 2014). Sustainable tourism is the key to the success of every destination, and in this context, Bosnia and Herzegovina is a country that, through various collaborations, initiatives, and organizations at all levels, has been intensely striving to develop sustainable selective tourism in recent years. As tourism is based on the cooperation between various sectors, it is necessary to involve tourism companies from the private sector, government and non-governmental organizations, consumers, development agencies, and the local population in its development (Lugonja, 2014) to ensure the destination's success. Since tourism is a rapidly growing economic sector with benefits for the local community and overall economic

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development, a series of entity and cantonal documents emphasize the importance and role of sustainable tourism in Bosnia and Herzegovina. However, despite being recognized in strategic documents, tourism is currently based on a non-integrative approach by relevant institutions (Sultz *et al.*, 2015). In addition, many other weaknesses affect the tourism offer's overall value and significantly slow down the development of sustainable tourism in the country. Petković *et al.* (2014) emphasize the lack of recognizable tourist products, a complicated institutional framework, administrative division, inadequate infrastructure, and insufficient financial support as the main obstacles to the more intensive tourism development in the country. Bosnia and Herzegovina's lack of developed tourism development strategies (Šarenac *et al.*, 2010) and an underdeveloped system of indicators for monitoring sustainable tourism development are also hindrances on its path towards sustainability. A destination must have an efficient developed system to monitor specific sustainability indicators in order to be competitive on the market. Additionally, a system for reporting the progress of individual sustainable development indicators must be established.

OECD has also established and developed successful policies for measuring destination sustainability. According to the OECD, the competitiveness of a tourist destination refers to its ability to optimize tourist attractiveness for both residents and visitors, and to provide consumers with a quality, innovative, and attractive tourist service, but also to gain market share at the domestic and global level, while also ensuring that available resources to support tourism are used efficiently and sustainably (Dupeyras and MacCallum, 2013). The Committee on Tourism of the OECD dealt with the issues and policies of the competitiveness of tourism in various analyses and reports. OECD reports highlighted the multidimensional characteristics of competitiveness and highlighted the lack of a sound system of indicators that can be used to measure the effect of competitiveness in tourism. Competitiveness in tourism is currently not adequately measured and monitored by most countries in transition, and one of the reasons for this is the difficulty in identifying key areas of measurement and indicators for their monitoring. OECD members have recognized the importance of tourism competitiveness, the implementation of which will ultimately result in the formulation of better policy frameworks that will contribute to strengthening the destination's competitive position on the global tourism market. In the past decade, a large number of initiatives were launched to measure competitiveness in tourism (TSA, Nation Brand Index, T&T Competitiveness Index, etc.), however, these initiatives were not equal in content and were mainly biased. In 2013, the OECD developed a specific set of indicators that encompass all dynamic processes related to the motivation and further actions of decision-makers in the tourism market. The OECD tourism competitiveness indicators supplement and support all national and international initiatives for measuring competitiveness and represent a kind of connection between them (Dupeyras and MacCallum, 2013). The ideal number of indicators was a subject of discussion from the beginning, but a comprehensive analysis of the Committee for Tourism in front of the OECD group suggested a total of 11 basic indicators and 4 areas of action. The main goal of the tourism competitiveness indicator is that, by employing a series of measures, the holders of tourism policy achieve the sustainability of the destination and, at the same time, competitiveness on the global tourism market. OECD works in the following areas (Dupeyras and MacCallum, 2013):

1. **Tourism performance and impact** indicators: Tourism Direct Gross Domestic Product, Inbound tourism revenues per visitor by source market, Number of overnight stays in all types of accommodation facilities, export of tourism services;
2. **The ability of the destination to deliver quality and competitive tourist services** – indicators: Labor productivity in tourist services, Purchasing Power Parity and tourism prices, Country entry visa requirements;
3. **The attractiveness of the destination** – indicators: Natural resources and biodiversity, Cultural and creative resources, Visitor satisfaction;
4. **Policy responses and economic opportunities** – indicators: National tourism action plans.

In many developing countries, OECD tourism development indicators still need to be implemented due to a lack of adequate monitoring and reporting systems for measuring progress. Bosnia and Herzegovina lacks a developed system for tracking sustainability indicators, relying mainly on individual studies and partial research conducted by institutions and non-governmental associations that measure only specific indicators. By implementing OECD indicators, insights into the destination's competitiveness and level of sustainability would be gained (Dupeyras and MacCallum, 2013). The future tourism development in Bosnia and Herzegovina must be based on the implementation of all sustainability principles, as well as the involvement of the local community and the public sector in all processes.

## 2. LITERATURE REVIEW

A minimal number of analysed articles dealt with the issue of OECD indicators and areas of activity for measuring competitiveness in tourism. Demir *et al.* (2020) emphasized the importance of economic development and trade openness of OECD member countries and those that are not for more intensive tourism development. Gavurova *et al.* (2020) investigated how tourist consumption affects the competitiveness of tourism in OECD member countries. Paramati *et al.* (2019) investigated the extent to which tourism affects the increase in real estate prices in OECD member countries, while H. Li (2019) examined whether investments in tourism in OECD economies have an impact in terms of energy on the transport and housing sectors. Ivankova *et al.* (2021) studied the relationship between road traffic and tourism in OECD countries, where they concluded that countries with a higher level of development had positive coefficients of spending on road traffic compared to those with a lower level. Gavurova *et al.* (2020), in their study on sustainable tourism, examined the relationship between the determinants of tourism development and the economic productivity of OECD member countries.

Most authors dealt with the economic impact of tourism in OECD member countries, while not a single paper tackled the issue of implementing competitiveness and tourism sustainability indicators in countries that are not members of the OECD group.

## 3. METHODOLOGY

By collecting various pieces of information and documents and based on previous findings, the work analysed the areas of activity and the OECD indicators for measuring the competitiveness of tourism in Bosnia and Herzegovina and, at the same time, the current position of the country in the Western Balkans was also processed. Through the work, areas that need to be further improved and problems in the development of the tourism sector that Bosnia and Herzegovina are facing have been identified. Statistical indicators and publicly available data obtained from various correct sources (World Economic Forum, World Tourism and Travel Council, the OECD report for Southeast European countries, BiH Statistics Agency, BiH Civil Aviation Directorate) were used in the preparation. The main methods used in the work are, first of all, the method of analysis and synthesis, the statistical method, and a point scale by which the areas of activity were assigned a numerical rating according to the level of development and implementation. In the end, an overall scoring was done in order to assess the competitiveness of tourism in Bosnia and Herzegovina. A significant limitation for conducting a more in-depth analysis was primarily the lack of statistical data on tourism in this country, as tourism statistics are maintained separately for both entities (the Federation of Bosnia and Herzegovina and the Republika Srpska). There is no measurement system for assessing OECD indicator implementation aside from the OECD Commission's five-year reports on the country's overall progress towards

sustainability, which also hindered the research. These limitations led to the author's subjective scoring scale, reflecting the country's progress based on the achieved results with respect to specific implemented indicators and areas of activity. Official OECD indicators for measuring tourism competitiveness developed in 2013 were used to define the areas of activity and the related indicators for the purpose of this article (Dupeyras and MacCallum, 2013).

Table 1

Score scale for measuring the competitiveness of the destination according to the OECD area of activity

Score scale	Description	OECD area of activity
1–2	Very little progress	1. Tourism performance and impacts
2–3	Moderate progress	2. The ability of the destination to deliver quality and competitive tourist services
3–4	Very good progress	3. Attractiveness of the destination
4–5	Significant progress	4. Policy responses and economic opportunities
5–6	Excellent progress	

Source: Authors, 2023.

#### 4. RESULTS AND DISCUSSION

**Area of work: Tourism performance and impacts – applicable indicators:** Tourism direct GDP and number of overnight stays in all types of accommodation facilities (Dupeyras and MacCallum, 2013);

Before the pandemic, in 2019, Bosnia and Herzegovina had a positive economic growth trend, while in 2020 the recession caused a drop of 4.3% in total GDP, which was the largest drop in the post-war period (OECD, 2021). Tourism in Bosnia and Herzegovina was a very important economic branch in the pre-pandemic period, and its direct and indirect contribution to GDP increased to 9.7% in 2019. The restrictive measures associated with the COVID-19 pandemic consequently led to reduced mobility and the closure of a large number of businesses, so the two most affected sectors were tourism and catering. For these reasons, the participation of tourism in the total GDP in 2020 was 5.0%, which is a drop of about 52% compared to 2019 (WTTC, 2022). A slight increase in the share of tourism in the total GDP was noticeable in 2021 when tourism accounted for 6.6%, which means an increase of about 1.6% compared to the previous year, 2020. Before the pandemic, exports of services accounted for 11% of the GDP from 2017 to 2019. Among exported services, tourism ranked first, with travel and transportation services accounting for around 70% of the total exports. Exports of services in the total GDP fell to 6.4% in 2020 precisely because of restrictions related to the pandemic. Passenger services accounted for about 50% of the total export of services, while transport services made up only 20%. The share of exported services in the total GDP amounted to more than 60% in 2021, with services related to tourism (trade, transport, food, and accommodation) accounting for 1/5 of the total realized GDP. In 2022, exported services, primarily the tourism sector, made up 21.7% of the total registered GDP, compared to 19.7% in 2021. According to the data provided by the Agency for Statistics of Bosnia and Herzegovina (BHAS, 2023), the number of tourists' overnight stays in all categories of tourist accommodation amounted to 1.3 million in 2020, 2.2 million in 2021, and increased to 3.2 million in 2022. The highest number of overnight stays in 2021 and 2022 was achieved during the summer months (July, August, and September), and the lowest during the winter period (December, January, and February). Based on the table, we may conclude that about 43.2% of tourist overnight stays in 2021 and 37.6% of tourist overnight stays in 2022 were related to the summer season, while about 18.5% of tourist overnight stays in 2021 and 17.6% of tourist overnight stays in 2022 happened during the winter months.

Table 2

The total structure of tourist overnight stays in 2021 and 2022

Total overnight stays (January–December)	2021	2022
	2,230,920	3,194,681
	Overnight stays (domestic+foreign)	Overnight stays (domestic+foreign)
January	122,738	185,033
February	121,661	174,160
March	99,553	179,613
April	84,495	165,903
May	134,078	289,346
June	207,520	301,619
July	341,185	402,258
August	382,315	469,671
September	238,427	328,620
October	206,364	292,857
November	150,700	201,880
December	169,567	203,721
Total summer season (July, August, September)	<b>961,927</b> <b>43.2%</b>	<b>1,200,549</b> <b>37.6%</b>
Total winter season (December, January, February)	<b>413,966</b> <b>18.5%</b>	<b>562,914</b> <b>17.6%</b>
Total % (summer-winter season)	<b>61.7%</b>	<b>55.2%</b>

Source: Compiled by the author according to data provided by the Agency for Statistics of Bosnia and Herzegovina, 2023.

In total, during the 2021 summer-winter tourist season, 61.7% and 55.2% of tourist overnight stays were realized in 2022. The rest of tourist overnight stays, i.e., 38.3% in 2021 and 44.8% in 2022, are spread over the remaining months of the year, which does not represent serious seasonal fluctuations (Fig. 1). Taking into account the criteria of seasonality (three months with the highest number of overnight stays), one may conclude that Bosnia and Herzegovina is in the green zone (Mrkaić, 2019), meaning that there are no major problems with the seasonal character of the tourist offer.

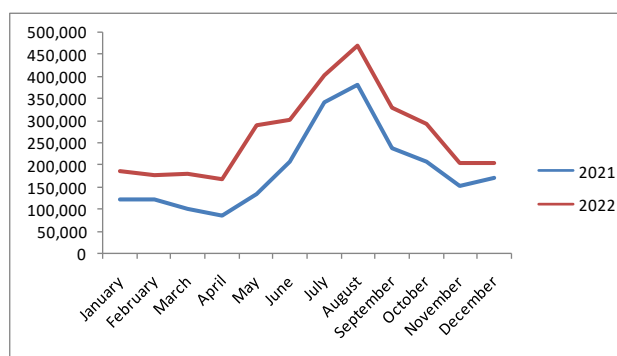


Fig. 1 – Tourist arrivals and overnight stays in 2020 and 2021. Source: BHAS, 2023.

Such statistical indicators point to the fact that, as a tourist destination, Bosnia and Herzegovina does not have a particularly seasonal character, as was emphasized in previous reports on the state of tourism in the country.

After a detailed analysis of this area of activity, it can be concluded that Bosnia and Herzegovina has made significant progress, and the authors awarded the destination 2 points according to the previously established point scale.

**Area of work: The ability of the destination to provide quality and competitive tourist services – applicable indicators:** Labor productivity in tourist services, country entry visa requirements (Dupeyras and MacCallum, 2013); Bosnia and Herzegovina still does not have a defined framework for

the liberalization of the visa regime, nor has it implemented any other measures to make it easier for residents to cross the border, which is a limiting factor for a more intensive development of outbound tourism.

According to data provided by the Directorate of Civil Aviation of Bosnia and Herzegovina (BHDCA) for 2021, international airports recorded 107,653 passengers from January to December, while in 2022, they achieved a passenger traffic of 2,205,521, meaning an increase of approximately 5%. In terms of passenger numbers, Sarajevo International Airport led the way in both 2021 and 2022, with around 1.4 million international passengers recorded in the latter year. Following Sarajevo, the Tuzla international airport also received a significant amount of passenger traffic due to the introduction of frequent low-budget flights to many European countries, which greatly improves the total tourist traffic of the country. On the other hand, the airport in Mostar has the lowest performance in international air traffic, with less than 1% of the total number of international flights (Fig. 2). Bosnia and Herzegovina has a complex educational system under the jurisdiction of its entities, which has hindered progress in training professional and highly educated tourist staff. In fact, according to the World Economic Forum data (2019), Bosnia and Herzegovina's position in terms of the competitiveness index (T&T) has worsened, dropping 36 places in the "human resources and labour market" category, from the 106<sup>th</sup> place to the 140<sup>th</sup>. Developing human resources is one of the main challenges facing the development of tourism and hospitality. While secondary/vocational schools do train students for specific professions, such as waiter, cook, and catering technician, mandatory practical classes are organized in cooperation with the private sector. The curricula and programs for vocational education were updated in 2018 to introduce new standards for occupational qualifications. However, private stakeholders have expressed dissatisfaction with the limited involvement in the curriculum modernization process, particularly in relation to subjects more relevant to the tourism industry, such as digital marketing, destination management, and foreign languages. This has resulted in a lack of development of practical skills among graduates. Furthermore, the lack of adequate equipment in vocational schools hinders the quality of the teaching process. Bosnia and Herzegovina does not have a dedicated two-year higher education framework for tourism, but tourism is included in higher education programs at universities. There are currently 10 faculties (eight in the Federation of Bosnia and Herzegovina and two in the Republika Srpska). Segmented, some offer the study of tourism, while others offer studies in hotel management, hospitality, and tourism marketing. In terms of visa procedures, Bosnia and Herzegovina has not made significant efforts to facilitate the process, and while there has been some progress in terms of increased air traffic and new airline introductions, the country received only 1 point from the authors upon analysing this area of activity.

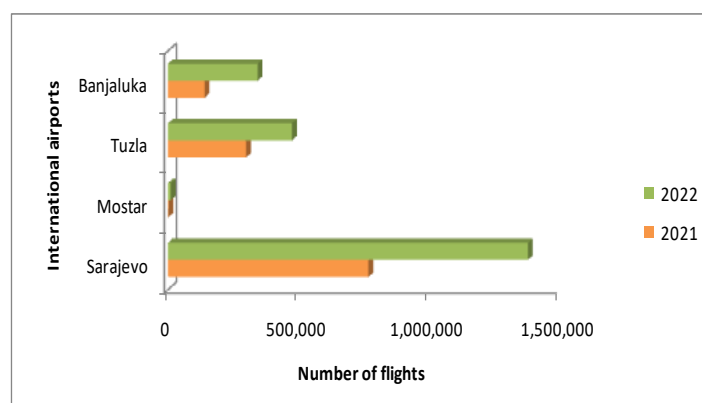


Fig. 2 – Number of international flights from international airports in Bosnia and Herzegovina in 2020 and 2021.  
Source: BHDCA, 2023.

**Area of work: Attractiveness of the tourist destination – applicable indicators:** Natural resources and biodiversity, cultural and creative resources (Dupeyras and MacCallum, 2013).

Bosnia and Herzegovina is making great efforts to include its rich cultural and natural heritage in the development of tourism. However, the framework for the improvement of natural and cultural heritage in tourism is still in the early stages of development. Natural and cultural heritage is included in several strategic documents at state and entity level, such as the Strategy of Cultural Policy in Bosnia and Herzegovina (adopted in 2008), the Strategy and Action Plan for the Protection of Biological Diversity 2008–2015, the Tourism Development Strategy of the Republika Srpska 2015–2025 and the Tourism Development Strategy of the Federation of Bosnia and Herzegovina 2022–2027. The Environmental Protection Strategy of the Federation of Bosnia and Herzegovina 2022–2032 provided a long-term framework for planning and enabling the implementation of coherent environmental practice. The improvement of natural and cultural heritage in tourism should be included in the new tourism development strategies that are to be created in the coming years. There is no defined policy framework that includes clear measures for the promotion of sustainable tourism and business in Bosnia and Herzegovina. Although sustainable development has become an important goal supported by the World Bank and the European Union, the integration of the concept of sustainability into tourism strategies and policies is still slight. Consequently, assessment and monitoring of destination sustainability have not been established. Given the lack of a strategic framework for sustainable development and assessment, sustainability in tourism stems from individual business initiatives, individual destinations, and non-governmental organizations. Therefore, the main pillars of sustainable tourism in Bosnia and Herzegovina are connections between private, public, and non-governmental actors and their cooperation through projects, especially transnational ones. Bosnia and Herzegovina is developing different investment policies in tourism innovations by organizing international events, fairs, and festivals. The tourism branding and marketing strategy was not adopted due to the existing legislation, which has repercussions on the reduced visibility of Bosnia and Herzegovina as a tourist destination on the global market. The development of tourism branding and marketing differs between entities. In the Republika Srpska, the Tourist Organization is responsible for branding and marketing, while in the Federation of Bosnia and Herzegovina, there is no established tourist organization at the entity level, and marketing activities are carried out by the tourist boards of the main tourist destinations. The marketing framework of digital tourism is at an early stage of development. In Republika Srpska, digital marketing is included in the marketing strategy, and in the Federation of Bosnia and Herzegovina, digital marketing tools are used in the marketing activities of tourist destinations.

Given that numerous strategic documents have been adopted at the level of both entities and that Bosnia and Herzegovina abounds in both natural and cultural tourism resources, some of which are on the World Heritage List (UNESCO), the authors assigned the destination 1.5 points. In particular, the competitiveness and sustainability of this area are supported by the fact that, due to psychological reasons triggered by the COVID-19 pandemic, tourists are looking for remote, nature-based attractions where Bosnia and Herzegovina can make a significant contribution.

**Area of work: Policy responses and economic opportunities – applicable indicators:** National tourism action plans; (Dupeyras and MacCallum, 2013).

The complex constitutional and political system of Bosnia and Herzegovina demands a specialized management structure for the tourism sector. At the state level, the Tourism Department within the Ministry of Foreign Trade and Economic Relations (MVTEO, 2023) is responsible for tourism activities. To coordinate tourism activities between the entities and Brčko District, MVTEO established the Tourism Working Group in 2007. Its main objectives include regulating the tourism sector in compliance with EU standards, improving organization and regulation to harmonize activities and establish a unified economic space in Bosnia and Herzegovina, as well as developing an efficient

regulatory framework for tourism. The working group consists of representatives from the tourism ministries of both entities and Brčko District, as well as the Foreign Trade Chamber of Bosnia and Herzegovina. However, the current management and institutional structures require significantly more human and financial resources compared to other economies in the region, and partnership with stakeholders at the state level remains relatively weak. Apart from the Chamber of Foreign Trade, no other private stakeholders are included in the established Working Group for Tourism. The private sector is included in various working groups in both entities, and meetings are organized with ministries. Currently, there is no established monitoring or evaluation system to measure the level of public-private cooperation at the destination level. Efforts to improve public-private cooperation have been made by providing support for the development of tourist clusters. However, the framework of vertical cooperation and coordination from the state to the local/destination level remains weak. There is a need to improve the structure of tourism management at the local level, particularly since many municipalities lack the financial resources and qualified personnel needed to manage tourism development effectively. At the entity level, the Ministry of Environment and Tourism of the Federation of Bosnia and Herzegovina, the Ministry of Trade and Tourism of the Republika Srpska, and the Department for Economic Development, Sports and Culture of Brčko District are responsible for implementing the legislative framework, adopting tourism strategies, and overseeing comprehensive tourism development. While the Republika Srpska has a management structure for tourism that is similar to other economic branches, the management structure and institutional framework in the Federation of Bosnia and Herzegovina is more complex, with tourism development divided between the Ministry of Environment and Tourism and the Ministries of Cantons. The cantons also adopted their own laws and regulations because the Law on Tourism of the Federation of Bosnia and Herzegovina was repealed in 2014, and the new one has not yet been adopted. Bosnia and Herzegovina has established a system of data collection on tourism as a basis for tourism statistics. The Agency for Statistics of Bosnia and Herzegovina is responsible for the production and development of tourism statistics in accordance with the country's Law on Statistics. Currently, the Statistics Agency distributes data on accommodation capacities, as well as on the number of tourist arrivals, overnight stays, and countries of origin of tourists. The Republika Srpska and the Federation of Bosnia and Herzegovina also have statistical institutions, namely the Institute for Statistics of the Republika Srpska and the Federal Institute for Statistics. The high degree of decentralization has a great impact on various business regulations and procedures, making the business environment of Bosnia and Herzegovina unfavourable and unsafe. When it comes to the last area of activity, the authors assigned the country 0 points, since there is not a single Ministry dealing with tourism at the state level. All competencies are attributed to the federal, cantonal, and local levels of governance. The results of this research confirmed previously expressed findings from other studies, highlighting that Bosnia and Herzegovina faces numerous challenges on its path to becoming a sustainable tourist destination, since the tourism sector develops spontaneously and is not regulated by laws at the country level. According to Radić *et al.* (2021), improving competitiveness will be achieved through collaboration with all stakeholders and institutional arrangements at the national level. The authors assigned 0 points to this activity area, consistent with results from other studies. Concerning other analysed areas of activity, the authors found that the natural and cultural heritage of Bosnia and Herzegovina is its sole comparative advantage that can make the country more visible in the market. According to the Centre of Excellence for Evaluation and Policy Research (2022), the "hotspots" of cultural tourism are large cities, primarily Sarajevo, Mostar, and Banjaluka. The authors emphasized that these cities also host international airports, facilitating tourism mobility. However, systemic reforms are needed for international airports to function fully. Legal regulations to govern airport and airline operations are lacking, as are promotion and marketing activities to attract airlines so that they may establish bases. Despite being the capital and most developed city, Sarajevo faces significant issues with its airport operations due to high aviation taxes, making such flights unprofitable for airlines. The



findings of this research and the new insights provided by the authors will serve all stakeholders, primarily relevant ministries at the entity and cantonal levels, to identify issues and focus on finding solutions for priorities. This notably includes the potential application of specific OECD sustainability indicators and establishing a system for monitoring them. As Hall (1994) notes, there are seven government functions related to tourism development: coordination, planning, legislation and regulation, entrepreneurship, stimulation, the role of social tourism, and a broader role in protecting interests. If one of these functions is absent, the entire system is compromised, as is the case in Bosnia and Herzegovina, where the governments of both entities are not aligned on tourism development and do not work synergistically for the greater community's benefit.

##### 5. THE COMPETITIVENESS AND SUSTAINABILITY OF TOURISM IN BOSNIA AND HERZEGOVINA COMPARED TO OTHER WESTERN BALKAN COUNTRIES

Tourism is a crucial economic sector in the Western Balkans (WB6) region, as evidenced by the fact that all six countries (Albania, Bosnia and Herzegovina, Kosovo<sup>1</sup>, Macedonia, Montenegro, and Serbia) have established tourism frameworks and institutions. In the past decade, the WB6 countries have made significant efforts to promote and enhance their tourism sectors, with Albania, Montenegro, and Serbia leading the way, as reported by the OECD in 2019. The growing importance of tourism in the WB6 region is evident from the share of tourism in their respective GDPs, with Montenegro ranking first and Albania second. Bosnia and Herzegovina is better positioned in the area of tourism performance and impact compared to Macedonia and Serbia, which achieved the worst results in 2021 (Fig. 3).

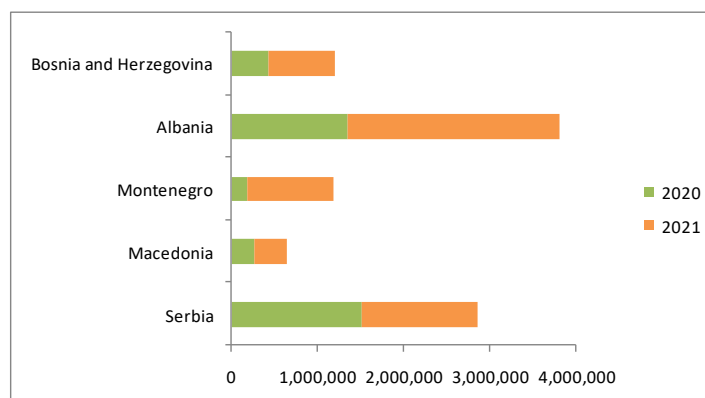


Fig. 3 – Actual tourist consumption in the countries of the Western Balkans.  
Source: WTTC, 2023.

The region attracts a large number of tourists, including an increasing number of cruise passengers and crew members, particularly in Montenegro, where elite cruise tourism has been expanding. All countries in the Western Balkans, including Bosnia and Herzegovina, receive a significant number of visitors from distant destinations, particularly North and South America, the Far East (China, Japan, and Korea), and the Pacific (Australia and New Zealand). To fully achieve the potential of the region, it is essential to develop sustainability tourism, target specific markets, devise effective promotion and branding strategies, and focus on developing specific forms of tourism, such as cultural, adventure, and gastronomic tourism (OECD, 2016).

<sup>1</sup> No data available for Kosovo.

Table 3

The share of tourism in the total GDP of the countries of the Western Balkans

Country	% of Travel and Tourism in GDP (2020)	% of Travel and Tourism in GDP (2021)
Albania	10.5	17.4
Bosnia and Herzegovina	5.0	6.6
Serbia	3.7	3.6
Montenegro	7.7	25.5
North Macedonia	4.8	5.6
Kosovo	–	–

Source: Authors, according to WTTC data, 2023.

Looking only at tourist consumption in the analysed Western Balkan countries, Bosnia and Herzegovina appears to compete relatively well with the rest of the region, except for the two leading tourist countries of Albania and Serbia. However, in order for Bosnia and Herzegovina to become a truly competitive and sustainable destination, it will need to address a number of challenges, first within the Western Balkans region and then in Europe as a whole.

Bosnia and Herzegovina has made significant progress in the area regarding the “effect and influence of tourism”, as evidenced by indicators such as the direct share of tourism in GDP and the number of overnight tourist stays. However, there is still much room for improvement in the area of “destination attractiveness”, which the authors believe has the greatest potential for further development and promotion. The country has achieved the lowest progress in the area of “political responses and economic opportunities” due to the lack of a national Ministry of Tourism that should deal with tourism, its direction, development, and promotion. There are numerous ministries and associations at the entity, cantonal and municipal levels that are not harmonized or do not cooperate with each other. Additionally, very little progress has been made in the area of the “ability of the destination to provide quality and competitive tourist services”, which is partly attributed to the lack of progress in visa liberalization and improvements, innovations, and capital projects that will improve the operation of all four international airports. So far, two centres – clusters –, namely Sarajevo and Tuzla, stand out in terms of the number of international flights and arriving passengers.

Table 4

Overall evaluation of tourism competitiveness of Bosnia and Herzegovina according to OECD areas of work

Area of work	Score
Tourism performance and impacts	<b>2</b>
The ability of the destination to deliver quality and competitive tourist services	<b>1</b>
Attractiveness of the destination	<b>1.5</b>
Policy responses and economic opportunities	<b>0</b>
<b>Total: 4.5</b>	

Source: Authors, 2023.

The results of the tourism competitiveness analysis show that Bosnia and Herzegovina has made significant progress, achieving a total score of 4.5 points on the previously established scale for the period of 2019–2022. Although significant, this progress is still insufficient for the country to compete with other Western Balkan countries. Bosnia and Herzegovina scored the lowest in the areas of providing quality and competitive tourist services, policy responses, and economic opportunities, with the only applicable indicators being measured and monitored in these areas. The greatest progress was

made on the topic of the effects and influence of tourism, with indicators such as the direct share of direct tourism GDP and the number of overnight stays. Despite the progress, the tourism economy of Bosnia and Herzegovina lags behind that of the leading tourist countries of the Western Balkans, namely Montenegro and Albania. The authors identified the areas that need further improvement for tourism in Bosnia and Herzegovina to be competitive. First of all, the tourist infrastructure remains the biggest challenge, in addition to the fact that the governments of both entities do not invest any funds, nor do they prioritize travel and tourism, despite the country's very good cultural-historical and natural tourist base.

## 6. CONCLUSIONS

A big hurdle for measuring the competitiveness of a tourist destination is the lack of efficient and continuous implementation, monitoring, and upgrading of OECD indicators. Despite making some progress in tourism policy implementation, Bosnia and Herzegovina's efficiency remains lower than that of other Western Balkan countries (WB6). Bosnia and Herzegovina has below-average competitiveness results. The country achieved the lowest results in the area of the destination's ability to provide quality and competitive tourist services and in the area of policy responses and economic opportunities. Within the two mentioned areas, it is possible to measure and continuously monitor only those indicators that are applicable at the destination. The greatest progress was achieved with respect to the effects and influence of tourism through indicators concerning the direct tourism GDP and the number of overnight stays. The tourism economy of the country is lagging behind. This indicates that the tourism policy framework in Bosnia and Herzegovina is not sufficiently competitive and that the tourism sector faces several challenges that need further improvement. The guidelines for further action in the improvement of tourism in Bosnia and Herzegovina include the development of human resources through training and the employment of qualified workforce, as well as the liberalization of the visa regime, the facilitation of procedures for obtaining visas, and the reform of all policies related to this aspect. It is necessary to significantly improve marketing and promotional activities on the global tourist market because Bosnia and Herzegovina as a destination is insufficiently visible in other competitive markets. On a more positive note, the country has made significant progress in terms of the seasonal character of the tourist offer; that is, it has achieved satisfactory results only regarding this indicator. In order to completely abolish the seasonal character, one of the solutions would be to expand the tourist offer to rural areas and lesser-known tourist destinations. In the short term, this would help the tourism sector recover from the crisis caused by the past COVID-19 pandemic. Bosnia and Herzegovina needs systemic reforms, as well as the establishment of a unique system for controlling and monitoring the areas of activity, in addition to the related OECD indicators for measuring the competitiveness of tourism. The applicability of OECD indicators would result in defining the sustainability of the destination; however, the main obstacle to progress appears to be the country's complex political-territorial organization and the division of powers at different levels.

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