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## Sharing Economy in Bosnia and Herzegovina

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## Abstract

From the studies conducted, it may be seen in 2018 that the driving force behind the sharing economy in Bosnia and Herzegovina are not small entities that come together to use their spare capacity and gain some economic benefit from others. In the past several years, a set of legal reforms has been established for aspects of labour, taxes, and consumer protection in a collaborative economy. Recognising the potential, the Council of Ministers (Government) in Bosnia and Herzegovina also wants to introduce sustainable production processes for converting biomass of harvested plants into useful wood and paper products. One of the biggest challenges is to develop a successful and reliable circular economy model.

**Keywords:** Bosnia and Herzegovina, Economic Development, Sustainable Development, Renewable Energy Sources, Recycling, Environment Protection, Raw Materials, Waste Materials

## Introduction

The sharing economy has been growing in significance in Bosnia and Herzegovina in recent years, although it has not experienced such a boom compared to the economy in developed economies (seven referred to the level of BiH, two to the level of FBiH, 25 to the level of RS, and sixteen to the level of municipalities 12 FBiH and 4 RS). In addition, platforms are often used only as a tool to innovate older business models, and they are actually so-called platform economics. The fact is that the supply of sharing in this country is limited, either from a territorial standpoint (concentrated on major cities, especially the City of Sarajevo) or from a service spectrum point of view

(Klesla 2018). It is a priority to define clear rules that will ensure the development of a sharing economy and that will at the same time lead to improved tax collection and protection of the rights of all market entities.

## Definition

In Bosnia and Herzegovina, the use of the term sharing economy prevails over the term collaborative economy (IMF, WEO, January 2017). According to Anderson and Smith (2016), the term sharing economy implies a preference for access to, and ownership of, durable consumer goods and factors of production through digital platforms. The Chamber of Commerce of Bosnia and Herzegovina (2018) takes this definition as a starting point and adds that these concerns are a free Internet marketplace that helps more efficient use of unused or underutilized factors of production and benefits from economic, environmental, and social benefits.

With the development of information and communication technologies, new business models and ways of providing services are emerging, based on the model of “common consumption” or “sharing economy.” Many different terms are still used in the scientific and professional literature for the term sharing economy (Botsman 2013). These models imply maximum utilisation of resources based on technological support and community social capital. By applying the sharing economy model, it is possible to advance economic development in Bosnia and Herzegovina in the short-term and join the global supply, with a goal to present the state of the sharing economy within the sector of Bosnia and Herzegovina.

According to Belk (2014), the sharing economy is an economic model in which suppliers seeking to lease or loan their assets through technology platforms are connected to consumers interested in the temporary use of those assets. The cited authors state that sharing economy may have the following three basic forms:

- 1) True sharing—usually free loans when partners know each other; this applies, for example, to services provided between relatives, neighbours, or colleagues (e.g., commuting).
- 2) Occasional sharing—the occasional provision of items or services that are usually performed in exchange for consideration, using both the Internet platforms and also without them; in this case, the partners are usually not known.
- 3) Commercial (permanent) exchange using online platforms—permanent provision of items and services in return for consideration when the communication link between the bidder and the requesting party is made by an intermediary via an online platform; both the bidders and the platform operator are represented here.

Sharing economy is also often referred to as companies that organize the use of paid assets or services or through which users can earn money by sharing their belongings and time. Although it could be said that there is no talk of sharing if the use of the property (and/or time) must be paid, they are often relatively small payments, much lower than the usual prices for car use, delivery, accommodation, and such. They are often necessary to cover system costs and depreciation.

## Key Questions

As it may be seen from the analytical material of the Government of Bosnia and Herzegovina (2018), the sharing economy is, from the point of view of Bosnia and Herzegovina, perceived as a spontaneous phenomenon created, growing, and evolving despite current legislation and the regulatory environment. One of the issues this country is paying attention to is who is driving the development of the sharing economy (For the latest development views, see Commission on Growth and Development (2018), "The Growth for Sustained Growth and Inclusive Development." Washington, DC: World Bank. The document is known as the Spence Report, after Nobel laureate Michael Spence, head of the Commission for Growth and Development). From the studies conducted, it may be seen in 2018 that the driving force behind the sharing economy in Bosnia and Herzegovina are not small entities that come together to use their spare capacity and gain some economic benefit from others. The sharing economy thus reveals the overall nature of the platform of the economy in Bosnia and Herzegovina, and its existence dates back to long before in Bosnia and Herzegovina ("Bosnia and Herzegovina, Economic Trends, Annual Report 2018," Directorate for Economic Planning 2011).

The availability of many goods was limited during the socialist period. These transactions were carried out free of charge or at a lower in-kind fee. The division of labour in the various crafts was also well-developed at that time. At a time when the modern concept of sharing was only just developing. The economy of sharing is especially happening in this country in traffic (transportation) when workers and students use transportation as a service. With the development of this phenomenon, sharing has gradually weakened, and new platforms have become the basis for the highly profitable operations of multinational companies in Bosnia and Herzegovina (Directorate for Economic Planning of Bosnia and Herzegovina, "Strategic Framework for Bosnia and Herzegovina," [www.dep.gov.ba](http://www.dep.gov.ba)).

The second key issue is that one of the important motives for regions to become involved in the sharing economy in Bosnia and Herzegovina is the possibility of violating existing legislation without penalty. The platforms, in many cases, become employment agencies, especially for drivers or the population (Analysis of foreign trade of Bosnia and Herzegovina for 2017, Ministry of Foreign Trade and Economic Relations of BiH 2010). Due to the phenomenon of the sharing of the economy, the labour market is deforming and violating legislation in the fields of taxation, social security and health insurance, tax services or employment of foreigners. For example, on the Internet, it can find dozens of commercials specifically written in foreign languages, which encourage young people from the world to come to Bosnia and Herzegovina for a tourist visa and to provide various content. Deformation is also happening in the real estate market, thanks to sharing in the area of short-term accommodation and real estate sales. Real estate prices in attractive locations, especially in Sarajevo, are increasing significantly. Apartment prices in Sarajevo have increased by more than 50% since 2008, most notably in 2017 and 2018 ("Global Competitiveness Report 2010–2011," World Economic Forum 2011). In addition, besides violating tax law, these platforms also violate local remuneration legislation.

## Examples

Transportation platform TIMOCOM is present in Bosnia and Herzegovina since 2006, both for private and business trips. In both cases, these services may be combined with special interest rates. Signing up for TIMOCOM and providing host accommodation is free. This helps to avoid expensive empty runs and to find new business partners. During registration, the hosts charge for the service, usually at the 5% level (“Bosnia and Herzegovina 2009 Progress Report,” Delegation of the European Commission 2010, [www.timocom.com.ba](http://www.timocom.com.ba)). To use this service, all students at the University of Sarajevo may download the free TIMOCOM application and register with a card. Then the student may ask for various services and hire them.

In 2008, a pellet production sharing platform was established. The level of production in the forestry sector depends on a number of market and institutional factors. In order to improve the production process and to make more efficient use of forest resources potential, it is necessary to invest additional resources in supporting infrastructure, primarily in the opening of forest complexes (“Bosnia and Herzegovina Economic Reform Program 2019–2021.” Directorate for Economic Planning of Bosnia and Herzegovina). For the first time in Bosnia and Herzegovina, pellets were first used in district heating systems in 2008, where about 8% of all household heating boilers sold were pellet boilers, which means that it is the market leader in South-East Europe in terms of pellet boilers (Commission on Growth and Development (2008), “The Growth for Sustained Growth and Inclusive Development.” Washington, DC: World Bank). This role is the result of more than 20 years of research and development in the field of wood chip burning. Companies in Bosnia and Herzegovina are responsible for introducing pellet boilers to the European Union and several other European countries. The presence of pellet boilers on the market in Bosnia and Herzegovina cannot be compared to any other market. According to the data collected in the field, the demand for waste wood products is present, but due to the minimal supply, it cannot be estimated accurately. The rise in the price of firewood, as a traditional fuel in Bosnia and Herzegovina, and its diminishing availability to the market, will lead to greater demand for waste wood products. To replace only 20% of the annual demand for firewood with waste wood products, the production of briquettes or pellets of 40,000 tons per year is required. The current production of briquettes and pellets in BiH is estimated at 15,000 tons, of which almost 30% is exported. The prices of briquettes in the BiH market range from 60 to 90 Euro/t, while the prices of pellets, which are almost all exported, are 100 to 120 Euro/t (here we mean wholesale prices, without trading margins). There are currently about 25 pellet boiler manufacturers, and despite the recession, the Austrian pellet industry expects positive market growth in 2018 as well. The production of pellets in Bosnia and Herzegovina was launched in 2012 with a capacity of 8000 t/year and has grown steadily over the years, reaching production of about 16 000 t in 2018.

## Context

In the past several years, a set of legal reforms has been established for aspects of labour, taxes, and consumer protection in a collaborative economy. The Economic Social Council, as the highest body in the territory of Bosnia and Herzegovina, was set up on August 27, 2002, between representatives of the government and representatives of the Federation of Independent Trade Unions and representatives of

the employers' association. The government's efforts to adapt the collaborative economy in Bosnia and Herzegovina have resulted in an initiative to reform the law. There are heavy penalties for those employers who do not comply with the Law, from 500 to 5000 EUR ([www.biodim.weebly.com](http://www.biodim.weebly.com)).

## Developments

Recognising the potential, the Council of Ministers (Government) in Bosnia and Herzegovina also wants to introduce sustainable production processes for converting biomass of harvested plants into useful wood and paper products. One of the biggest challenges is to develop a successful and reliable circular economy model. The project is being developed in the widest range of participants: kindergartens, schools, students, students, households, property owners, companies, tourists, and professional organizations.

## Issues

A study conducted by the Sarajevo Economic Institute (EIS 2018) shows that only 25% of the population of Bosnia and Herzegovina is aware of the sharing economy. The following is also apparent from this research. About 20% of Bosnia and Herzegovina used their time to share, and another 10% plan to use such services. The main motives for sharing are financial savings (55%) and a desire to try new things. An interesting finding is that individual brands are more familiar to citizens in Bosnia and Herzegovina, as opposed to the term sharing economies (Mediaguru 2018). Another very interesting problem of sharing is environmental responsibility in the transport segment of the supply and demand. Companies that share cars and other products are trying to offer more environmentally-friendly vehicles. The Ministry of Economic Development and Technology believes that it is very important to strike a balance between regular services and those that offer them temporarily, such as, for example, Centrotans Sarajevo drivers.

## Other Major Players

To build a modern scientific-technological and business base at the universities of Bosnia and Herzegovina poses a large requirement. Without modern scientific-technological and business database, which includes adequate human resources, scientific research and R&D institutions, research and information equipment, devices and systems, relevant databases, defined statistical indicators for science and technology, techno parks, incubators and centres, networked scientific, research and development points, both between universities, institutes, associations of innovators and economic entities in Bosnia and Herzegovina, as well as with those abroad, participation in international joint research and technological development programs and projects, respectively, without adequate financial investment, there is neither innovative nor competitive production in our country. The plan outlines the path, as it opens a space for discussion and for a more detailed definition of the priority areas and activities of the circular economy in Bosnia and Herzegovina.

## Future Directions of Research

The circular economy is a new model of economics that was created in response to a linear model of economics. The massive depletion of resources to produce products that become waste at the end of their life cycle no longer meets the needs of companies in a globalised world. In Bosnia and Herzegovina, the circular economy is among the strategic development priorities; the transition from linear to circular economy is a need. One opportunity for Bosnia and Herzegovina is to collect and recycle to reduce dependence on imported materials and maintain value in the domestic economy. We have studied how the circular economy is being introduced into the cities of Sarajevo, Banja Luka, Tuzla, and Mostar. In the City of Tuzla, the transition to a circular economy is based on the project of energy production and the City of Sarajevo's transition is based on the project of heating gas pipelines and pellets. In the theoretical part, we described the linear economy problem, defined the concept, defined the principles and basic characteristics of circular economy, described the models and processes of circular economy, and the problem of evaluation. Opportunity analysis shows favour to the implementation of the circular economy principles in Bosnia and Herzegovina.

## Summary

In the past several years, a set of legal reforms has been set up for aspects of labour, taxes, and consumer protection in a collaborative economy. The Economic Social Council, as the highest body in the territory of Bosnia and Herzegovina, was established on August 27, 2002, between representatives of the government and representatives of the Federation of Independent Trade Unions and representatives of the employers' association. The government's efforts to adapt the collaborative economy in Bosnia and Herzegovina have resulted in an initiative to reform the law. There are heavy penalties for those employers who do not comply with the Law, from 500 to 5000 EUR.

Due to these legal obstacles, the Ministry of Infrastructure of Bosnia and Herzegovina 2015 drafted the Law on Amendments to the Road Transport Law, which aims to include new forms of the collaborative economy in the field of passenger transport and introduce a new form of passenger transport (Ministry of Finance and Treasury of Bosnia and Herzegovina: Information on the state of public indebtedness of Bosnia and Herzegovina as of December 31st, 2018). The law also reduces administrative barriers to taxi services that would help them compete with new forms of passenger transportation (Nurković 2019).

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