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**Bosnia and Herzegovina 2024 Report**

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COMMITTEE AND THE COMMITTEE OF REGIONS**

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## INTRODUCTION<sup>1</sup>

### 1.1. CONTEXT

Bosnia and Herzegovina applied for EU membership in February 2016. The Commission adopted an Opinion<sup>2</sup> on its membership application in May 2019, setting out 14 key priorities on democracy/functionality, rule of law, fundamental rights and public administration reform. In December 2022, the European Council granted Bosnia and Herzegovina candidate country status<sup>3</sup> on the understanding that eight steps specified in the Commission's recommendations<sup>4</sup> are taken. In line with the Commission's recommendation<sup>5</sup>, in December 2023 the European Council decided that it will open accession negotiations with Bosnia and Herzegovina once the necessary degree of compliance with the membership criteria is achieved.

The commitment of the political leadership to the strategic goal of European integration brought tangible results between November 2023 and March 2024 in particular with the adoption of legislation on integrity in the judiciary, anti-money laundering, and conflict of interest. Following the Commission's recommendation in its report of 12 March 2024 on progress in Bosnia and Herzegovina<sup>6</sup>, the European Council decided on 21 March 2024 to open accession negotiations with Bosnia and Herzegovina. The European Council invited the Commission to prepare the negotiating framework with a view to its adoption by the Council the moment all relevant steps set out in the Commission's recommendation of October 2022 have been taken<sup>7</sup>.

The reform dynamic stalled between April and October 2024, among political controversies and the political campaign for the October local election. Bosnia and Herzegovina has to continue taking resolute action to finalise reforms in line with the EU *acquis* and European standards, addressing all relevant steps.

Preparations have continued in view of accession negotiations. The Commission held a first introductory meeting on 24 April 2024 in Brussels to explain the screening process, which is the first stage of accession negotiations. Bosnia and Herzegovina has received the explanatory materials on the EU *acquis*.

Bosnia and Herzegovina has actively engaged in implementing the new Growth Plan for the Western Balkans<sup>8</sup> across the four pillars of: (i) gradual integration with the European Union's single market; (ii) regional economic integration; (iii) fundamental reforms; and (iv) enhanced financial support. Bosnia and Herzegovina has been working on preparing its reform agenda, covering reform milestones in the areas of business environment and private sector development, the green and digital transitions, human capital, and the fundamentals of EU

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<sup>1</sup> The 2024 report is presented in a renewed format and structure. Main findings of the report, together with the recommendations (previously grey assessment boxes) are brought together at the beginning of the report. Furthermore, under the fundamentals cluster, for better readability and comparability across all reports, certain data is provided (also) in the form of graphs.

<sup>2</sup> SWD (2019) 222 final, COM(2019) 261 final.

<sup>3</sup> [European Council conclusions, 15 December 2022.](#)

<sup>4</sup> [COM\(2022\) 528 final.](#)

<sup>5</sup> [COM\(2023\) 690 final.](#)

<sup>6</sup> [COM\(2024\) 129 final.](#)

<sup>7</sup> [European Council conclusions, 21 and 22 March 2024](#), paragraph 30.

<sup>8</sup> COM(2023) 691 final.

accession. Bosnia and Herzegovina should urgently finalise its Reform Agenda and submit to the Commission for agreement.

## 1.2. MAIN FINDINGS OF THE REPORT<sup>9</sup>

### CLUSTER 1: THE FUNDAMENTALS OF THE ACCESSION PROCESS

#### Democracy

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The conduct of the **elections** is negatively affected by the discriminatory elements of the constitutional system and by the lack of integrity of the electoral process. Parliament needs to take measures to ensure that elections are conducted in line with European standards by implementing the recommendations of the OSCE Office for Democratic Institutions (ODIHR), the Council of Europe Group of States against Corruption (GRECO) and relevant Venice Commission recommendations, and to ensure transparency of political party financing (Opinion key priority 1). Political parties should respect the independence of the Central Election Commission.

**Parliament** is able to exercise its powers in a broadly satisfactory way. Legislative assemblies increased legislative output. Parliamentary oversight over the executives remains weak. The Stabilisation and Association Parliamentary Committee met regularly (Opinion key priority 3).

The institutions in charge of the **integration** process are broadly in place. Coordination on EU matters needs to be strengthened, including the role of the Directorate for European Integration (DEI). The Council of Ministers needs to improve the functioning of the coordination mechanism, to develop a national programme for the adoption of the EU *acquis* (Opinion key priority 2) and to urgently appoint the national IPA coordinator (NIPAC) under the Instrument for Pre-accession (IPA) III. The country should set up an operational negotiating structure following the European Council decision to open accession negotiations and appoint a chief negotiator.

**Governance** is broadly satisfactory. The Council of Ministers took action to adopt EU-related reforms with tangible results prior to the Commission report in March 2024, although the positive reform dynamic has stalled since. The executives have little capacity for coordination and policy planning. Independent institutions remain weak.

**Civil society** organisations operate in a constrained environment, in particular in the *Republika Srpska* entity. Bosnia and Herzegovina needs to ensure meaningful and systematic consultations with civil society as part of an inclusive policy dialogue and adopt a framework for the transparent funding of civil society organisations, thus ensuring an enabling environment for civil society (Opinion key priority 11).

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<sup>9</sup> This report covers the period from 15 June 2023 to 1 September 2024. It is based on input from a variety of sources, including contributions from the government of Bosnia and Herzegovina, EU Member States, European Parliament reports and information from various international and non-governmental organisations. It also includes the results of comparative assessments and indices produced by other stakeholders, in particular in the area of rule of law.

The report uses the following assessment scale to describe the state of play: early stage, some level of preparation, moderately prepared, good level of preparation and well advanced. To describe progress made during the reporting period, it uses the following scale: backsliding, no progress, limited progress, some progress, good progress and very good progress. Where appropriate, interim steps have also been used.

## Public administration reform

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Bosnia and Herzegovina is **in between an early stage and some level of preparation** and made **some progress** in public administration reform (PAR), notably by (i) establishing the Coordinating Committee for PAR at prime ministers' level; (ii) organising the first public financial management (PFM) dialogue in May 2024; (iii) conducting the public expenditure and financial accountability (PEFA) assessment and continuing implementation of the countrywide PFM Strategy; (iv) adopting the state-level civil service law in March 2024; and (v) establishing in October 2023 a forum of civil service agencies to steer civil service policy in a harmonised way. Bosnia and Herzegovina needs to complete essential steps to improve the overall functioning of its public administration by ensuring a professional and depoliticised civil service and a coordinated, countrywide approach to policymaking (Opinion key priority 14).

The Commission's recommendations from last year were partially implemented. In the coming year, Bosnia and Herzegovina should in particular:

- adopt and start implementing a credible and relevant action plan on the PAR strategic framework 2023-2027 at each level of government, increasing budgetary ownership in implementation; and strengthen the capacities of PAR coordinators;
- ensure coordinated and well-harmonised legislative alignment with the EU *acquis* across all levels of government through a harmonised methodology and by adopting the outstanding legal framework for countrywide sectoral strategic planning at state level;
- amend and adopt civil service laws in line with merit principles, at state, entity and cantonal level.

## Chapter 23: Judiciary and fundamental rights

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Bosnia and Herzegovina has **some level of preparation** to implement the EU *acquis* and European standards in the area of the judiciary and fundamental rights. **Limited progress** was made during the reporting period, including to address the related Opinion key priorities.

### **Functioning of the judiciary**

Bosnia and Herzegovina is **in between an early stage of preparation and having some level of preparation** in the area of the judiciary. **Limited progress** was made on the functioning of the judiciary (Opinion key priority 6), including on addressing the findings of the expert report on rule of law issues (the 'Priebe Report')<sup>10</sup>. Persistent and evident signs of deterioration continue to require urgent measures to strengthen integrity and restore public trust in the judiciary. The poor functioning of the judicial system continued to undermine citizens' rights and the fight against corruption. In January 2024, the obstruction to accessing personal data for external experts tasked with monitoring the asset declaration system were removed from the Law on the High Judicial and Prosecutorial Council (HJPC); the right of the HJPC to access additional information from natural and legal person still needs to be strengthened. The draft new Law on the HJPC should be brought in line with the June 2024 interim opinion of the Venice Commission. Bosnia and Herzegovina should submit the revised draft for a follow-up opinion, and fully align the draft law with its recommendations before adoption by Parliament. The *Republika Srpska* entity assembly should swiftly appoint the two vacant judges to the Constitutional Court of Bosnia and Herzegovina. The *Republika Srpska* entity should also fully

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<sup>10</sup> The 'Priebe Report' is available online on the [website of the EU Delegation to Bosnia and Herzegovina](#).

recognise and enforce the decisions of the Constitutional Court, repealing any legislation to the contrary.

The Commission's recommendations from last year were only partially met and thus remain valid. In the coming year, Bosnia and Herzegovina should in particular:

- urgently appoint the vacant constitutional judges, ensuring the full composition and functioning of the Constitutional Court; and, for the courts in general, consistently appoint judges based on merit, without prevalence of ethnic criteria, and appraise the performance of judges based on quality criteria;
- finalise and adopt the new laws on the HJPC and the Courts of Bosnia and Herzegovina, in line with Venice Commission recommendations, including by ensuring the access of the HJPC to all information necessary to perform integrity checks; fully implement the integrity-related provisions of the Law on the HJPC to establish a robust system of asset declaration verification under close external monitoring;
- adopt a new justice sector reform strategy; register the sentences of international criminal tribunals in domestic criminal records; and effectively implement the revised national war crimes strategy, particularly by boosting regional cooperation.

### ***Fight against corruption***

Bosnia and Herzegovina is in **between an early stage of preparation and having some level of preparation** in the fight against corruption. **Some progress** was made during the reporting period (Opinion key priority 7). The state-level Law on the prevention of conflict of interest, adopted in March 2024, is a substantial step forward, although it is not yet fully in line with European standards. In June 2024, Bosnia and Herzegovina adopted a state-level strategy and action plan on anti-corruption. Legislation is still not harmonised across the country. Selective and non-transparent judicial follow-up in corruption cases of public resonance is a cause of significant concern, along with pressure and intimidation, as evidenced in a number of high-level cases. The track record on fighting corruption (including high-level corruption) remains weak due to operational inefficiency and political interference. Prosecutors' offices however advanced in a number of investigations for high-level corruption cases. The number of final convictions in high-level cases remains very low, one notable exception being the final conviction in the *Novalić et al* case. Only in Sarajevo Canton is there efficient application of conflict of interest rules, verification of asset declarations and protection of whistle-blowers. Targeted risk assessments and dedicated measures are needed to address corruption in the most vulnerable sectors.

In the coming year, Bosnia and Herzegovina should in particular:

- complete the legislative and institutional framework and step up implementation of the rules on prevention of conflict of interest and on the protection of whistle-blowers by adopting new legislation in line with European standards at all levels of government and aligning existing legislation with them;
- demonstrate progress towards establishing a track record on fighting high-level corruption; improve cooperation between police and prosecutors' offices;
- professionalise corruption prevention bodies across the country.

### ***Fundamental rights***

The general framework for fundamental rights is largely in place but needs to be improved. The country needs to urgently adopt constitutional and electoral reforms to ensure that all citizens are able to effectively exercise their political rights, notably bring the country's Constitution into line with the *Sejdić-Finci* case law of the European Court of Human Rights (Opinion key priority 4.f). Freedom of assembly remains restricted, and civil society is being targeted, in particular in the *Republika Srpska* entity. The entity government withdrew a draft law targeting civil society groups as 'foreign agents'; such a legislative initiative should not be reintroduced, as it would mark a step backwards. Further progress is required across key priorities 9-13. The Commission's recommendations from last year have not been implemented and remain valid. In the coming year, Bosnia and Herzegovina should in particular:

- implement court rulings to end divided education;
- ensure full respect, protection and promotion of the freedom of assembly, association and expression, and refrain from further actions that adversely impact their exercise;
- harmonise and improve legislation against domestic and gender-based violence to meet international standards and align laws across the country with the Gender Equality Law to increase the public and political participation of women.

### ***Freedom of expression***

There is **some level of preparation** on freedom of expression. There was **no progress** in guaranteeing freedom of expression and of the media, and the protection of journalists (Opinion key priority 12). Political pressure, intimidation and harassment towards journalists continued, including physical and verbal attacks, with no appropriate institutional follow-up. Political influence over public broadcasters persists, and their financial sustainability is ever more in danger. The Law on the public broadcasting system remains unimplemented, and entity-level legislation is still not harmonised with this law. The criminal penalties for defamation in the *Republika Srpska* entity continue to severely impact freedom of expression and of the media and to have a chilling effect. Sarajevo Canton's legislative initiative on sanctions for online 'fake news', if adopted, could be abused to restrict media freedom. Any such norms must fully respect freedom of expression standards.

The Commission's recommendations from last year were not implemented and remain valid. In the coming year, Bosnia and Herzegovina should, in particular:

- ensure the protection of journalists and systematic institutional follow-up of threats and violence against them;
- ensure the financial sustainability and political independence of public broadcasters and harmonise entity legislation with the state-level Law on the public broadcasting system;
- adopt legislation on media ownership transparency and criteria for public advertising; and ensure that defamation is decriminalised across the country.

### **Chapter 24: Justice, freedom and security**

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Bosnia and Herzegovina has **some level of preparation** in this area. **Some progress** was made on Opinion key priorities 7 and 8, notably with the adoption of the Law on anti-money laundering and combating the financing of terrorism. Action plans for countering terrorism and preventing and countering violent extremism were also adopted at all levels. Migration management continued to improve. While broadly aligned with the EU *acquis*, legislation is often not



harmonised across the country, and institutional cooperation and coordination remain weak, leading to uneven implementation.

The Commission's recommendations from last year were partially implemented and therefore remain valid. In the coming year, Bosnia and Herzegovina should in particular:

- take over responsibility for managing migration, including management of reception centres; ensure effective coordination of border management and migration management capacity; and guarantee access to quality and effective asylum procedures;
- improve civilian oversight mechanisms over all police forces; consistently appoint police directors based on merit;
- adopt the law on border control and the strategy and action plan on integrated border management 2024-2029 in line with the EU/Schengen *acquis*; continue to align with EU visa policy, in particular with regard to third countries presenting irregular migration or security risks to the EU, and introduce security measures to better screen visa-free arrivals.

### ***Fight against organised crime***

Bosnia and Herzegovina is **between an early stage of preparation and having some level of preparation** in the fight against organised crime. **Some progress** was made, notably with the adoption of legislation on anti-money laundering, enforcement operations supported by Europol, and improved coordination capacity in the Prosecutor's Office. Systemic shortcomings remain in the operational cooperation and capacity of law enforcement agencies to investigate due to non-harmonised criminal legislation, weak institutional coordination and lack of resources. Financial investigations and asset seizures and confiscations remain insufficient. A proactive approach is essential to stop criminal infiltration in the political, legal and economic systems.

The Commission's recommendations from last year were only partially implemented, and therefore remain broadly valid. In the coming year, Bosnia and Herzegovina should in particular:

- adopt a 2024-2027 strategy on trafficking in human beings and amend legislation on migrant smuggling to better combat these two crimes;
- establish specialised multi-agency investigation teams for complex cases; setup an asset recovery office; improve mutual access to databases and timely exchange of information; strengthen financial investigations;
- adopt a new law on personal data protection, as a precondition for an agreement on operational cooperation with Eurojust, and sign and ratify the latter; establish a firearms focal point; and align legislations on the possession of weapons by civilians.

### **The existence of a functioning market economy**

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Bosnia and Herzegovina is at an **early stage of preparation** and has made **limited progress** in establishing a functioning market economy. Economic growth slowed down to about 1.6% in 2023, mainly reflecting a deteriorating international environment. The labour market remained resilient, but a significant outflow of workers is leading to labour shortages. The public sector continued to be inefficient and oversized. The business environment suffers from a fragmented internal market and a weak rule of law. Political stalemates, a lack of cooperation among the various levels of government, and resistance from entities and cantons continued to delay necessary structural reforms.

As the implementation of last year's Commission recommendations was limited, they remain valid. In the coming year, Bosnia and Herzegovina should in particular:

- improve the business environment by simplifying business registration and licencing procedures and by harmonising and mutually recognising licences and certificates between entities;
- strengthen countrywide regulatory and supervisory institutions, bolster analytical and policy-formulation capacity and publish complete and consistent countrywide data in a timely manner, in particular on public finances;
- increase the transparency and efficiency of the public sector, in particular by establishing a framework for better, depoliticised governance; improve tax collection by ensuring the effective exchange of information between tax authorities; and clarify the constitutional competence for establishing a registry of bank accounts of private individuals, in line with the EU *acquis*.

### **The capacity to cope with competitive pressure and market forces within the Union**

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Bosnia and Herzegovina is **between an early stage of preparation and having some level of preparation** and made **limited progress** concerning its capacity to cope with competitive pressure and market forces in the EU. The overall quality of education remains inadequate. The country continues to lag behind in the energy and digital transitions. However, some structural adjustment took place, with the focus of the country's value added moving towards services such as trade, IT and tourism. Economic integration with the EU remains high, but overall trade is below potential.

Last year's recommendations have been partially implemented, and therefore remain valid. To support long-term growth, Bosnia and Herzegovina should in particular:

- improve the quality of education and training, in particular accelerating the modernisation of curricula with a view to better alignment with labour market needs;
- increase the share of government capital spending in GDP, in particular by focusing on transport and energy infrastructure and on improving environmental standards;
- improve management of public investment and accelerate implementation of investment projects that have undergone a clear positive cost-benefit assessment.

### **Chapter 5: Public procurement**

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Bosnia and Herzegovina has **some level of preparation** in public procurement. There was **some progress** in adopting the 2024-2028 public procurement strategy and in amending the Law on public procurement on legal protection. Public procurement remains prone to irregularities and vulnerable to corruption. Selective and non-transparent judicial follow-up in cases of corruption in public procurement is a cause of significant concern.

The Commission's recommendations from last year were partially implemented and remain valid. In the coming year, Bosnia and Herzegovina should in particular:

- further align the public procurement law with the EU public procurement *acquis*, including on public-private partnerships and concessions;
- increase staffing levels and strengthen capacity in the Public Procurement Agency and the Public Procurement Review Body;
- develop the e-procurement system and increase its use to ensure transparency.

## Chapter 18: Statistics

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Bosnia and Herzegovina is at an **early stage of preparation** on statistics. **Limited progress** was made in the reporting period, mainly on environmental statistics. Bosnia and Herzegovina should improve cooperation, coordination, decision-making processes and the legal basis to develop the national statistical system and ensure progress in key areas.

The Commission's recommendations from last year were partly implemented and remain mostly valid. In the coming year, Bosnia and Herzegovina should in particular:

- conduct the agricultural census ;
- adopt a roadmap for preparing the next population and housing census;
- finalise the classification of regions equivalent to the NUTS classification (Nomenclature of territorial units for statistics).

## Chapter 32: Financial control

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Bosnia and Herzegovina has **some level of preparation** in this area. **Some progress** was made on: (i) advancing implementation of strategies on public internal financial control (PIFC) at state and entity level; (ii) producing consolidated reports while improving capacities for online reporting; and (iii) better training civil servants in charge of PIFC. External audit institutions at state level improved outreach on audit work and on communication with civil society, and the Federation entity adopted a communication strategy on audit. Implementation of recommendations remains low at between 30-50%, and the operational, financial independence of Supreme Audit Institutions needs to be improved. Parliamentary scrutiny of audit work remains ineffective.

The Commission's recommendations from last year were partially implemented and remain valid. In the coming year, Bosnia and Herzegovina should in particular:

- improve managerial accountability by amending relevant regulations on managerial delegation of tasks to include not only financial but also administrative responsibilities across public bodies;
- establish and improve the oversight function of the fiscal risk of public companies, particularly at entity level, and ensure data collection on the public internal financial control of public companies at all levels of government via the relevant IT application;
- improve the implementation of state audit recommendations via stronger coordination among parliaments, audit authorities and governments at state and entity level.

## CLUSTER 2: INTERNAL MARKET

### Chapter 1: Free movement of goods

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Bosnia and Herzegovina is at an **early stage of preparation** on the free movement of goods. **No progress** was made in this area.

The Commission's recommendations from last year were not implemented and remain valid. In the coming year, Bosnia and Herzegovina should in particular:

- draw up a list of technical regulations in force and start to repeal the legislation and standards across the country that conflict with EU legislation and European standards;

- adopt a countrywide strategy for quality infrastructure;
- examine all existing legislation and administrative practices in the non-harmonised area to assess if they comply with Articles 34-36 of the Treaty on the Functioning of the European Union and start to plan how to address all non-compliant elements.

## Chapter 2: Freedom of movements for workers

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Bosnia and Herzegovina has **some level of preparation** on the free movement of workers. **No progress** was made in the reporting period due to the fragmentation of social security schemes, limited administrative capacity and lack of cooperation among authorities.

The Commission's recommendations from last year were not implemented and remain valid. In the coming year, Bosnia and Herzegovina should in particular:

- start developing a countrywide database on vacancies;
- continue negotiating and concluding new bilateral agreements on social security, particularly with EU Member States.

## Chapter 3: Right of establishment and freedom to provide services

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Bosnia and Herzegovina is at an **early stage of preparation** on the right of establishment and the freedom to provide services. **No progress** was made in this area. The legislation needs to be aligned with the EU Services Directive. There is no mutual recognition of qualifications for regulated professions. A regulatory framework and countrywide strategy to develop the postal services need to be adopted, in line with the EU *acquis*.

The Commission's recommendations from last year were not implemented and remain valid. In the coming year, Bosnia and Herzegovina should in particular:

- develop and adopt a countrywide law on services that is fully aligned with the EU Services Directive, including a point of single contact, and remove the remaining barriers to establishing a single economic space;
- develop and adopt a countrywide strategy and a countrywide law on postal services aligned with the EU *acquis* to gradually open the postal services market to competition, and strengthen institutional capacity to ensure compliance with new postal market rules;
- align legislation with the EU *acquis* on mutual recognition of professional qualifications, including with the Directive on recognition of professional qualifications and with the Directive on a proportionality test, before regulating any new profession.

## Chapter 4: Free movement of capital

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Bosnia and Herzegovina is **moderately prepared** on the free movement of capital. There was **limited progress** in aligning with the EU *acquis*, with the adoption of a new law and risk assessment on anti-money laundering and countering terrorism financing.

The Commission's recommendations from last year were partially implemented and remain valid. In the coming year, Bosnia and Herzegovina should in particular:

- reduce the requirements for short-term capital transactions and amend the legislation to comply with SAA commitments on the acquisition of real estate by EU citizens;

- establish a countrywide central register of beneficial ownership information for legal persons and private individuals, and a register of beneficial ownership information for legal arrangements, in line with the EU *acquis*;
- adopt legislation to align with the Payment Services Directive 2, the Electronic Money Directive 2 and the Regulation on single euro area payments (SEPA).

## Chapter 6: Company law

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Bosnia and Herzegovina has **some level of preparation** on company law, corporate accounting and auditing. **No progress** was made in this area. Further efforts are needed to align with the EU *acquis* on company law, in particular on accounting and corporate sustainability reporting and to harmonise its requirements across the country. Different regional business registers operate independently and without coordination. There is still no single countrywide supervisory body to oversee statutory auditors.

The Commission's recommendations from last year were not implemented and remain valid. In the coming year, Bosnia and Herzegovina should in particular:

- finalise the review of the existing legislation on company law to identify amendments needed to further align with the EU *acquis*;
- improve the connection and coordination of business registers among entities and the Brčko District;
- review the existing legislation on financial and corporate sustainability reporting, transparency and statutory audit to identify the legislative amendments necessary to align with the EU *acquis*.

## Chapter 7: Intellectual property law

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Bosnia and Herzegovina is **moderately prepared** on intellectual property law. **No progress** was made in this area. Although some preparations started, more efforts are required to align legislation with the EU *acquis* and improve enforcement and coordination. A new intellectual property strategy has not yet been adopted.

The Commission's recommendations from last year were not met and remain valid. In the coming year, Bosnia and Herzegovina should in particular:

- adopt and implement a new strategy on intellectual property and implement the strategy on the enforcement of intellectual property rights;
- further align the legal framework on copyright and related rights with the EU *acquis* and amend the Law on patents, trademarks and trade secrets;
- continue taking steps to increase coordination and capacity to enforce intellectual, industrial and commercial property rights and to strengthen collaboration with the European Union Intellectual Property Office.

## Chapter 8: Competition policy

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Bosnia and Herzegovina has **some level of preparation** on competition policy. There was **no progress** in this area. The country has not yet removed ethnic-based decision-making procedures and vetoes from the Competition Council and State Aid Council.

The Commission's recommendations from last year were not implemented and remain valid. In the coming year, Bosnia and Herzegovina should in particular:

- amend the Law on competition and the Law on State aid to revise the voting procedures in line with the EU *acquis* (Opinion key priority 4.g);
- improve the enforcement record of the State Aid Council by ensuring that State aid measures are notified by granting authorities before they are approved;
- in line with the Stabilisation and Association Agreement, ensure that the State Aid Council operates independently and align the existing aid schemes with the EU *acquis*.

## Chapter 9: Financial services

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Bosnia and Herzegovina is **between having some level of preparation and a moderate level of preparation** on financial services. There was **no progress** in this area. Coordination in supervision and enforcement needs to significantly improve. The overall level of preparedness in the securities market remains low.

The Commission's recommendations from last year were not implemented and remain valid. In the coming year, Bosnia and Herzegovina should in particular:

- continue the work towards full alignment of the banking regulation with the amended versions of the Capital Requirements Directive and Regulation and with the Bank Resolution and Recovery Directive;
- Continue efforts in aligning regulation of non-banking sectors, including the regulation on investment funds and on the financial market infrastructures;
- introduce consolidated supervision of banking groups and overall financial holdings, including across entities and in the Brčko District.

## Chapter 28: Consumer and health protection

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Bosnia and Herzegovina is at an **early stage of preparation** on consumer protection and public health. **No progress** was made in this area.

The Commission's recommendations from last year were not implemented and remain valid. In the coming year, Bosnia and Herzegovina should in particular:

- align tobacco control legislation with the EU *acquis* at all levels and start enforcing it, and urgently ratify the protocol to eliminate illicit trade in tobacco products;
- further align state-level legislation with the *acquis* on all health-related issues, most urgently on substances of human origin and on medicines for human use, and establish an oversight system to ensure efficient coordination across the whole country;
- further align the state-level Law on consumer protection and product safety with the EU *acquis*.

## CLUSTER 3: COMPETITIVENESS AND INCLUSIVE GROWTH

### Chapter 10: Digital transformation and media

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Bosnia and Herzegovina is at an **early stage of preparation** on digital transformation and the media. **No progress** was achieved. The legislation and strategic framework are not in place and are not aligned with the EU *acquis*. In June 2024, Bosnia and Herzegovina joined the Digital Europe Programme; the related agreement is yet to be ratified by Parliament.

The Commission's recommendations from last year were not implemented and remain valid. In the coming year, Bosnia and Herzegovina should in particular:

- complete phase two of the digital switchover and adopt a framework strategy for access to the broadband network;
- develop and adopt a law on electronic identity and trust services for electronic transactions, with a single supervisory body for the whole country, in line with the EU Digital Identity Framework Regulation; develop a legislative framework on cybersecurity in line with the EU *acquis*;
- develop and adopt a law on electronic communications and electronic media in line with the EU *acquis*, in particular aligning legislations with the European Electronic Communications Code and the Audio-visual and Media Services Directive.

## Chapter 16: Taxation

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Bosnia and Herzegovina has **some level of preparation** on taxation. **No progress** was achieved in the reporting period. Countrywide harmonisation remains insufficient, hindering progress towards a single economic space.

The Commission's recommendations from last year were not implemented and remain valid. In the coming year, Bosnia and Herzegovina should in particular:

- bring the legislation on the value added tax (VAT) and on excise duties in line with the EU *acquis*, particularly on excise duties on beer;
- make progress on putting in place the electronic signature (e-signature) in order to ensure interoperability of taxation services countrywide;
- start preparations for interconnection and interoperability with the related common EU taxation IT systems.

## Chapter 17: Economic and monetary policy

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Bosnia and Herzegovina is at an **early stage** of preparation; **limited progress** was made under this chapter. A new governing board of the Central Bank was appointed in December 2023. Cooperation and coordination of macroeconomic and fiscal policies remain a challenge, as evidenced by the difficulties in preparing and carrying out the Economic Reform Programme (ERP). Monetary policy underpins economic stability, but the full independence of the Central Bank has yet to be ensured.

The Commission's recommendations from last year were only partially implemented and therefore remain largely valid. In the coming year, Bosnia and Herzegovina should in particular:

- maintain the integrity of the currency board arrangement and ensure the central bank's full independence;
- strengthen the analytical capacities of all institutions responsible for fiscal accounting and planning, and improve procedures for preparing the ERP in order to ensure timely

submission and compliance with the requirements;

- adopt the global fiscal framework and the budgets of all levels of government in a timely manner.

### Chapter 19: Social policy and employment

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Bosnia and Herzegovina has **some level of preparation** in the area of social policy and employment. There was **limited progress** in this area. Serious challenges remain to be addressed as regards employment, social dialogue, social inclusion and protection, and on reducing poverty. Steps were taken by adopting a roadmap for the de-institutionalisation of children and establishing a Council for persons with disabilities.

The Commission's recommendations from last year were only partially implemented and therefore remain valid. In the coming year, Bosnia and Herzegovina should in particular:

- develop and adopt a countrywide employment strategy as a policy framework, while putting in place additional capacity for implementation and monitoring;
- finalise and adopt the Youth Guarantee implementation plan in line with the EU model and guidance, and prepare for the piloting to start in 2026;
- introduce a uniform minimum level of maternity leave benefits and protection throughout the country, starting by harmonising the definitions of maternity, paternity and parental leave.

### Chapter 20: Enterprise and industrial policy

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Bosnia and Herzegovina remains at an **early stage of preparation** in the area of enterprise and industrial policy. **Limited progress** was made with the adoption of entrepreneurial legislation in the entities and Brčko District. The investment environment remains unsatisfactory in spite of limited progress.

The Commission's recommendations from last year were not implemented and therefore remain valid. In the coming year, Bosnia and Herzegovina should in particular:

- adopt regulation allowing mutual recognition of licences and certificates between the entities and ensure that e-registration of companies and business registries across the country are interconnected and fully operational, including e-signature/e-stamps;
- adopt countrywide guidelines to harmonise SME support, aligned with the Small Business Act paying particular attention to implementing financial support to start-ups and micro, small and medium-sized enterprises in the innovation and digital sector;
- accelerate improvements to the investment environment to attract sustainable investments that integrate with the domestic industrial tissue.

### Chapter 25: Science and research

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Bosnia and Herzegovina has **some level of preparation** on science and research. **No progress** was made. Research capacities remain very limited.

The Commission's recommendations from last year were not implemented and therefore remain valid. In the coming year, Bosnia and Herzegovina should in particular:

- develop a new strategy and action plan for scientific development;



- develop and adopt a smart specialisation strategy;
- improve reporting on research and innovation statistics by reporting on at least 24 European Innovation Scoreboard indicators.

### Chapter 26: Education and culture

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Bosnia and Herzegovina is **at an early stage** of preparation on education and culture. There was **no progress** in this area.

The Commission's recommendations from last year were not implemented and therefore remain valid. In the coming year, Bosnia and Herzegovina should in particular:

- extend and update the action plan for the national qualifications framework (NQF);
- ensure a fully functional system of (re-)accreditation of higher education institutions and study programmes across the country;
- ensure continued participation in international assessment studies<sup>11</sup> and implement findings to improve PISA results.

### Chapter 29: Customs union

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Bosnia and Herzegovina has **some level of preparation** on customs union. Customs legislation is not fully aligned with the EU *acquis*. There was **no progress** in this area.

The Commission's recommendations from last year were not implemented and therefore remain valid. In the coming year, Bosnia and Herzegovina should in particular:

- continue preparations to apply the common transit procedure and connect its transit system to the common IT infrastructure of the new computerised transit system (NCTS), and start preparations towards achieving interconnection and interoperability of its customs IT systems with the EU electronic customs environment;
- strengthen the administrative and operational capacity of the Indirect Taxation Authority;
- increase post-clearance checks based on risk analysis, expand use of simplified procedures for reliable economic operators and upgrade interconnectivity and interoperability with the EU's IT systems and requirements.

## CLUSTER 4: THE GREEN AGENDA AND SUSTAINABLE CONNECTIVITY

### Chapter 14: Transport policy

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Bosnia and Herzegovina has **some level of preparation** in this area, with **no progress** achieved in the reporting period.

The Commission's recommendations from last year were not implemented and therefore remain valid. In the coming year, Bosnia and Herzegovina should in particular:

- establish a lead agency for road safety and a countrywide system to collect data on road

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<sup>11</sup> Programme for International Student Assessment – PISA, Trends in International Mathematics and Science Study – TIMSS, Progress in International Reading Literacy Study – PIRLS, International Computer and Information Literacy Study – ICILS, Teaching and Learning International Survey – TALIS.

crashes;

- bolster the independence, strengthen the capacity and ensure sufficient funding of all bodies at state and entity level in the area of transport;
- adopt a strategic framework and legislation to implement intelligent transport systems (ITS) on the core networks.

## Chapter 15: Energy

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The country remains at an **early stage of preparation** on energy. **No progress** was made.

The Commission's recommendations from last year were not implemented and therefore remain valid. In the coming year, Bosnia and Herzegovina should in particular:

- adopt gas and electricity laws and bylaws at state and entity levels in compliance with the third energy package and adopt and implement the electricity integration package, and ensure the full alignment of entity-level laws on electricity and gas to ensure coupling with the EU electricity market;
- adopt state-level legislation and improve entity-level legislation on renewable energy and energy efficiency in line with the Energy Community Treaty requirements;
- finalise and adopt the national energy and climate plan (NECP) 2021-2030, in line with the Energy Community 2030 energy and climate targets.

## Chapter 21: Trans-European Networks

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Bosnia and Herzegovina has **some level of preparation** on trans-European networks. There was **limited progress** in this area, with the continuation of the Corridor Vc motorway development.

The Commission's recommendations from last year were only partially implemented and therefore remain valid. In the coming year, Bosnia and Herzegovina should in particular:

- continue developing the planned extension of the TEN-T and TEN-E core networks in line with the identified priorities;
- accelerate the implementation of connectivity reform measures and continue to regularly adopt amended multiannual maintenance plans for the road and rail core networks;
- align the legislation with the EU *acquis* on guidelines for trans-European energy infrastructure.

## Chapter 27: Environment and climate change

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Bosnia and Herzegovina is **between an early stage and some level of preparation** on the environment and climate change and made **limited progress**. On environment, the Council of Ministers adopted a decision on the quality of liquid petroleum fuels, while on climate change Bosnia and Herzegovina still needs to adopt a state-level climate law and a countrywide climate strategy along with a 2050 climate neutrality target to align with the EU climate *acquis*.

The Commission's recommendations from last year were only partially implemented and therefore remain valid. In the coming year, Bosnia and Herzegovina should in particular:

- put in place an integrated action plan to ensure coordinated implementation of the

countrywide environmental approximation strategy and its monitoring, adopt a country-level climate law, and adopt countrywide environmental protection and climate strategies in line with the EU *acquis*;

- formalise a procedure for the merit-based, transparent appointment of a focal point for Bosnia and Herzegovina to ensure the country's undisputed representation in environmental conventions to which Bosnia and Herzegovina is a signatory;
- update the nationally determined contribution (NDC) and urgently implement the monitoring, reporting, verification and accreditation (MRVA) package, with a view to introducing carbon pricing and aligning with the EU emissions trading system (ETS).

## CLUSTER 5: RESOURCES, AGRICULTURE AND COHESION

### Chapter 11: Agriculture and rural development

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Bosnia and Herzegovina is at an **early stage of preparation** on agriculture and rural development; it made **limited progress** in this area. Bosnia and Herzegovina endorsed the 'Strategic plan for rural development of Bosnia and Herzegovina 2023-2027 – framework document' in October 2024.

The Commission's recommendations from last year were not implemented and therefore remain valid. In the coming year, Bosnia and Herzegovina should in particular:

- adopt a multi-annual, country-wide strategy for agriculture and rural development, and harmonise support measures across the country in line with the EU *acquis*;
- adopt a state-level law on organic production, a state-level law on quality policy, as well as the implementing legislation on wine, in line with the EU *acquis*;
- set up the administrative structures required for the common agricultural policy.

### Chapter 12: Food safety, veterinary and phytosanitary policy

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Bosnia and Herzegovina has **some level of preparation** in this area. **No progress** was made over the reporting period.

The Commission's recommendations from last year were not implemented and therefore remain valid. In the coming year, Bosnia and Herzegovina should in particular:

- introduce an inter-laboratory comparative test system as regular practice, particularly for notifiable diseases; increase the administrative capacity of inspection services and laboratories; and increase the number of checks;
- speed up preparation for national reference laboratories in hygiene, veterinary and phytosanitary inspections, and food and foodstuff analysis, in line with the EU *acquis*;
- adopt state-level laws on food, on animal health, on animal welfare and on plant health, in line with the EU *acquis*; adopt the OECD seed schemes, particularly for agricultural seeds and forestry.

### Chapter 13: Fisheries and aquaculture

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Bosnia and Herzegovina is at an **early stage of preparation** in this area; **no progress** was made. The country still needs to prepare, adopt and implement a countrywide fisheries and aquaculture strategy in line with the EU *acquis*.

The Commission's recommendations from last year were not implemented and therefore remain valid. In the coming year, Bosnia and Herzegovina should in particular:

- prepare and adopt a countrywide strategy on fisheries and aquaculture with a view to aligning the legislation with the EU *acquis*;
- harmonise the methodology for data collection for fish and fishery and aquaculture products across the country and establish the relevant statistics system.

## **Chapter 22: Regional policy and coordination of structural instruments**

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Bosnia and Herzegovina remains at an **early stage of preparation** on regional policy and the coordination of structural instruments. **No progress** was made during the reporting period. Therefore, last year's recommendations remain valid.

In the coming year, Bosnia and Herzegovina should:

- develop and adopt a countrywide strategic framework guiding preparations for structural and cohesion funds and regional development;
- urgently appoint a national IPA coordinator (NIPAC) for the Instrument for Pre-accession Assistance (IPA) III with the authority and mandate to effectively coordinate the use of EU funds, and strengthen institutional and administrative capacity to manage EU funds;
- improve public investment management and adopt an updated single country project pipeline covering priority sectors, based on a sound, transparent and inclusive methodology.

## **Chapter 33: Financial and budgetary provisions**

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Bosnia and Herzegovina is at an **early stage** of preparation on financial and budgetary provisions. **No progress** was made.

The Commission's recommendations from last year were not implemented and therefore remain valid. In the coming year, Bosnia and Herzegovina should in particular:

- strengthen capacity and inter-agency cooperation to combat tax and customs fraud;
- bolster the capacity of the Indirect Tax Authority to effectively implement customs legislation;
- adopt a master plan for the production of national accounts for Bosnia and Herzegovina.

## **CLUSTER 6: EXTERNAL RELATIONS**

### **Chapter 30: External relations**

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Bosnia and Herzegovina has reached **some level of preparation** on external relations. There was **no progress** in the last year and the capacity to tackle key challenges in trade policy has yet to be strengthened.

The Commission's recommendations from last year were not implemented and therefore remain valid. In the coming year, Bosnia and Herzegovina should in particular:

- finalise its accession to the World Trade Organization (WTO);
- implement the 2021-2024 Common Regional Market action plan, in particular by urgently implementing the Central European Free Trade Agreement (CEFTA) additional protocol 5 on trade facilitation and the additional protocol 6 on trade in services, take the necessary steps to implement additional protocol 7 on dispute settlement and implement actions under the new action plan for 2025-2028;
- start the process of establishing a development and humanitarian aid policy.

### Chapter 31: Foreign, security and defence policy

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Bosnia and Herzegovina has **some level of preparation** in the area of common foreign, security and defence policy. There was **good progress**, as Bosnia and Herzegovina reached and maintained full alignment with EU common foreign and security policy, notably on statements and restrictive measures following Russia's war of aggression against Ukraine. Implementation of restrictive measures remains a challenge due to political obstructions. Bosnia and Herzegovina continued to participate in EU crisis management missions and operations under the common security and defence policy.

The recommendations from last year remain largely valid. In the coming year, Bosnia and Herzegovina should in particular:

- maintain full alignment with EU common foreign and security policy, ensure thorough implementation of restrictive measures stemming from EU alignment, and make further efforts to close space for foreign interference and information manipulation;
- align legislation and procedures with EU standards on marking and deactivation of small arms and light weapons, including for seized and confiscated weapons;
- appoint a political director and European correspondent in the Ministry for Foreign Affairs.

### 1.3 ASSESSMENT OF THE IMPLEMENTATION OF THE STEPS SPECIFIED IN THE COMMISSION'S RECOMMENDATION FOR CANDIDATE STATUS

**Step 1:** *ensure a track record in the functioning at all levels of the coordination mechanism on EU matters, including by developing and adopting a national programme for the adoption of the EU acquis.*

The Directorate for European Integration finalised the programme for EU integration, and submitted it to the European Commission in March 2024. This programme for EU integration is a key step towards putting in place the national programme for the adoption of the EU acquis (NPAA); it should be revised in line with the Commission comments provided, in view of agreement with the Commission on the NPAA. The Council of Ministers should urgently appoint the national IPA coordinator (NIPAC) for IPA III.

**Step 2:** *adopt, as a matter of priority, integrity amendments in the existing Law on the High Judicial and Prosecutorial Council.*

The Parliament adopted the integrity amendments to the HJPC Law in September 2023. Certain provisions that hampered the right of international experts to access personal data were corrected in January 2024. Judicial institutions are now setting up the structures to conduct the integrity checks on judicial office holders and HJPC members, establishing a robust system of asset declaration verification with close external monitoring.

**Step 3:** *adopt a new law on the High Judicial and Prosecutorial Council and adopt the law on the Courts of Bosnia and Herzegovina*

The draft new Law on the HJPC should be brought in line with the June 2024 interim opinion of the Venice Commission. Bosnia and Herzegovina should submit the revised draft for a follow-up opinion, and fully align the draft law with its recommendations before adoption by Parliament. The new law on the HJPC should also ensure the right of the HJPC to access all information necessary to perform integrity checks.

The Ministry of Justice is finalising the draft Law on the Courts of Bosnia and Herzegovina, on which political agreement is still pending. Bosnia and Herzegovina should submit the draft law to the Venice Commission for a follow-up opinion, prior to adoption by Parliament.

**Step 4:** *adopt the law on prevention of conflict of interest.*

The new law on the prevention of conflict of interest was adopted by Parliament in March 2024. The law aims to improve the level of compliance with European standards at state level and is a substantial step forward, although it is not yet fully in line with European standards. It should now be effectively implemented.

**Step 5:** *take decisive steps to strengthen the prevention and fight against corruption and organised crime.*

A law on anti-money laundering and countering terrorism financing (AML/CFT) was adopted by Parliament in February 2024. It improves provisions on risk assessment and provides for a permanent coordinating body of all authorities in charge of preparing it, in line with the EU acquis.

A risk assessment for the AML/CFT on virtual assets accompanied with an action plan for 2024-2027 was adopted by the Council of Ministers in February 2024.

Bosnia and Herzegovina authorities have finalised the draft new law on personal data protection, which is a precondition for the entry into force of the Eurojust cooperation agreement. The Ministry of Civil Affairs is expected to submit the draft law to the Council of Ministers for adoption, prior to submission for parliamentary procedure.

A strategy and action plan on public procurement 2024-2028 has been adopted by the Council of Ministers in March 2024 with the main purpose of drafting a new public procurement law.

Bosnia and Herzegovina should strengthen cooperation among law enforcement agencies, and adopt a strategic approach towards fighting serious and organised crime.

In January 2024 the Court of Bosnia and Herzegovina confirmed on appeal the sentence in the *Novalić et al.* case related to public procurement fraud, including against the then-acting Prime Minister of the Federation entity. This is a first final court ruling on high level corruption.

**Step 6:** *decisively advance work to ensure effective coordination, at all levels, of border management and migration management capacity, as well as ensuring the functioning of the asylum system.*

Migration management continues to improve, although it still requires substantial improvements. The Council of Ministers adopted a migration strategy and action plan. The Parliament adopted a Law on foreigners in August 2023. Reception capacities are sufficient. Readmission agreements and implementing protocols are implemented overall satisfactorily. Bosnia and Herzegovina needs to assign an appropriate budget for migration management, continue efforts for the return of irregular migrants to their countries of origin and take further steps to ensure a functioning asylum system. Obstacles persist to ensuring quality and effective access to asylum procedures.

In December 2023 the Council of Ministers adopted the negotiating mandate on the Frontex status agreement. The Presidency endorsed it in February 2024. Negotiations started in May and an agreement in principle was reached on the text in September 2024.

In January 2024 Bosnia and Herzegovina further aligned with the EU visa policy by removing Oman from its list of visa-free countries.

The authorities of Bosnia and Herzegovina finalised the draft new law on border control, aimed at improving compliance with European standards. The Ministry of Security is expected to submit it to the Council of Ministers for adoption.

A new draft strategy and action plan 2024-2029 on integrated border management, aimed at aligning with the EU *acquis*, are ready for adoption by the Council of Ministers.

**Step 7:** *ensure prohibition of torture, notably by establishing a national preventive mechanism against torture and ill-treatment.*

In October 2019 the Constitutional Court repealed the reference to death penalty in the Constitution of the *Republika Srpska* entity. In August 2023 the Parliament amended the Law on the human rights Ombudsman to designate it as national preventive mechanism against torture and ill-treatment – an international obligation of the country.

**Step 8:** *guarantee freedom of expression and of the media and the protection of journalists, notably by ensuring the appropriate judicial follow-up to cases of threats and violence against journalists and media workers.*

All prosecutors' offices and law enforcement agencies have appointed contact points for journalists, to be publicised on the platform *safejournalists.net*.

As a first step to urgently address the financial situation of the state-level public broadcaster, in February 2024 the Council of Ministers granted it funds from the revenues of the Communication Regulatory Agency. A working group is being established to draft a new law on the public broadcasting system.

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## 2. CLUSTER 1: THE FUNDAMENTALS OF THE ACCESSION PROCESS

### 2.1. FUNCTIONING OF DEMOCRATIC INSTITUTIONS AND PUBLIC ADMINISTRATION REFORM

#### 2.1.1. Democracy

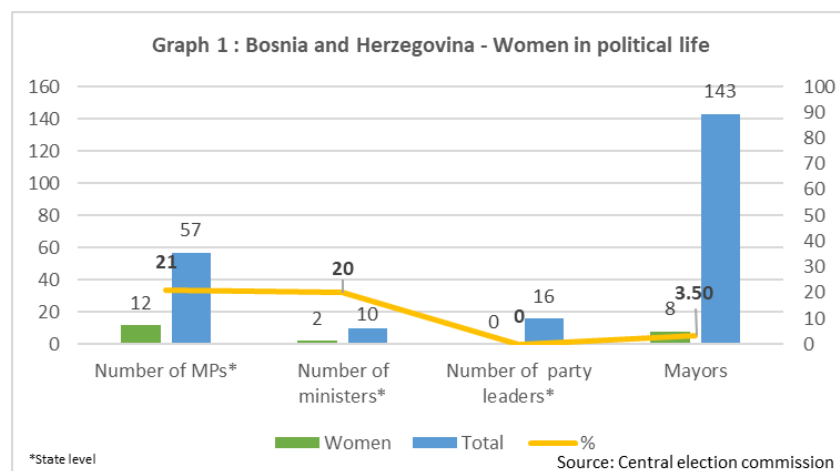
The functioning of democratic institutions is undermined by persistent discriminatory elements in the constitutional structure and by the persistent breaching of the legal and constitutional order by the *Republika Srpska* entity. The entity continues not to implement the decisions of the Constitutional Court, calling into question the authority and integrity of the Court.

Bosnia and Herzegovina needs to bring its constitutional framework in line with European standards and ensure the functionality of its institutions to be able to take on EU obligations. While a decentralised state structure is compatible with EU membership, Bosnia and Herzegovina will need to reform its institutions to be able to effectively participate in EU decision-making and to fully implement and enforce the *acquis*.

#### Elections

Local elections took place on 6 October 2024 based on the state-level election law, as amended yet again by decision of the High Representative in March to introduce integrity measures. According to the preliminary findings of the OSCE/ODIHR election observation mission, the elections were competitive and efficiently managed, though with insufficient efforts to generate public engagement, and in an environment lacking social and political cohesion.

In April 2024, the *Republika Srpska* entity adopted a separate election law, aiming to take over a range of competences from the state-level Central Election Commission. The Constitutional Court suspended it in July, upon entry into force, and repealed it in September. Its eventual application would undermine the constitutional order of Bosnia and Herzegovina and the functionality of its institutions, and challenge legal certainty in view of future elections.



In April 2024, the *Republika Srpska* entity also adopted a law on referenda, which envisages bypassing of the Central Election Commission and establishing a separate voters' registry. This law is also under the scrutiny of the Constitutional Court.

Parliament is yet to address OSCE/ODIHR and GRECO recommendations to improve the integrity of the

electoral process and increase public trust in it, including on the transparency of political party financing and the registration of political parties across the country. Parliament needs to urgently adopt constitutional and electoral reforms to ensure equality and non-discrimination of all citizens.

The judicial prosecution of reported cases of electoral fraud has been weak. The Central Election Commission (CEC) needs to strengthen its audit capacity to monitor compliance on



political party financing. Political parties should respect its independence and refrain from threatening to dismiss CEC members.

Political parties lack democratic internal policies and structures. There are no women among the leaders of parliamentary parties, and few in other leadership positions.

Legislation across the country should be aligned with the gender equality law, to increase women's public and political participation.

## **Parliament**

The Parliamentary Assembly of Bosnia and Herzegovina adopted 14 laws in 2023 (of which 4 in urgent procedure), and 8 in the first 8 months of 2024 (of which 7 in urgent procedure), compared with 7 in 2022. The Parliament adopted the 2024 budget only in July. Entity assemblies made considerable use of urgent legislative procedures. Parliamentary oversight of the executive is very weak, and there is no parliamentary monitoring of compliance with the recommendations of independent institutions. Parliamentary oversight of the executive remains weak also in entities and cantons.

The Federation entity assembly appointed a state-level constitutional judge in May 2024. The *Republika Srpska* entity assembly should also swiftly appoint the vacant judges to the Constitutional Court of Bosnia and Herzegovina to ensure its full composition and unhindered functioning. The Law on immunity adopted in April 2024 in the *Republika Srpska* entity curtails the judicial accountability of political representatives, while its retroactive application challenges legal certainty and adversely affects the rule of law.

## **EU integration**

The policy dialogue with the EU continued within the seventh cycle of sectoral subcommittees under the Stabilisation and Association Agreement (SAA). The Stabilisation and Association Committee was held in September 2024, although the subcommittee on trade, industry, customs and taxation was cancelled since Bosnia and Herzegovina could not submit a discussion paper. The Council of Ministers should urgently take measures to facilitate policy dialogue within the SAA bodies, including by simplifying procedures, empowering its Directorate for European Integration (DEI) to submit preparatory documents to the Commission without unnecessary and lengthy political adoption, and appointing permanent delegates to sectoral subcommittees. No action has yet been taken on the recommendations the Commission addressed to the Council of Ministers in May 2022. The Stabilisation and Association Parliamentary Committee (SAPC) held sessions in October 2023 and in March 2024.

Coordination on EU matters requires effective use of the legislation and political commitment, including to develop countrywide sector strategies and ensure harmonised alignment with the EU *acquis*. The Council of Ministers needs to improve the functioning of the coordination mechanism. The Directorate for European Integration should step up their role in assessing countrywide alignment with the EU *acquis*, in view of EU accession negotiations.

As an outstanding obligation under the SAA, Bosnia and Herzegovina needs to develop and agree with the Commission a national plan for the adoption of the *acquis* (NPAA) that reflects the role that all levels of government play in aligning with and enforcing the EU *acquis*. The programme for EU integration, prepared by the Directorate for European Integration and submitted to the Commission in March 2024, is a key step towards putting in place the national plan for the adoption of the *acquis*. The programme for EU integration should be revised in line with the comments provided, in view of agreement with the Commission on the NPAA. The

Council of Ministers should urgently appoint the national IPA coordinator (NIPAC) for IPA III.

Preparations have continued in view of accession negotiations. The Commission held a first introductory meeting in April 2024 in Brussels to explain the screening process, which is the first stage of accession negotiations. Bosnia and Herzegovina has received the explanatory materials on the EU *acquis*. To be able to speak with one voice during negotiations, Bosnia and Herzegovina needs to appoint a chief negotiator and their team, who may present the countrywide level of alignment with the EU *acquis*.

## **Governance**

Presidency members continued to present diverging stances. The Council of Ministers took action to adopt EU-related reforms, in particular prior to the Commission report in March 2024. Entity governments worked regularly. Executive authorities are in place at all levels following the setting up of the last cantonal governments by March 2024. The *Republika Srpska* entity continued not to recognise the rulings of the Constitutional Court, in breach of the constitutional and legal order, calling into question the authority and integrity of the Constitutional Court. The entity leadership continued with secessionist rhetoric. Independent institutions remain weak.

## **Civil society**

The *Republika Srpska* entity government withdrew its draft law on ‘foreign agents’ in May 2024. Such a law should not be reintroduced, as it would adversely affect democratic values and fundamental freedoms, and would mark a step backwards. The criminal penalties for defamation in the *Republika Srpska* entity continue to severely impact the environment for civil society and restrict freedom of expression and media freedom and to have a chilling effect on media freedom; defamation is yet to be decriminalised across the country.

The legislation on public consultations is uneven across the country. Meaningful and systematic consultations must be ensured. The e-consultation web platform is underutilised and is not in use at entity or cantonal level, where most legislation of public interest is adopted. Some 7 years after its adoption in 2017, the Council of Ministers still needs to enact its Charter on cooperation with civil society organisations.

Grassroots civil society organisations advocate proactively for policy changes. Activists dealing with issues perceived as sensitive (such as anti-corruption, women’s rights, rights of LGBTIQ persons, migrants, environmental protection) continued to be subject to threats and attacks.

A framework for the transparent and impartial distribution of public funds to associations is needed across the country. Civil society organisations that provide services to disadvantaged groups in place of public authorities should receive appropriate public funding. Women’s associations in particular play a key role in reaching out to the most vulnerable, including victims and survivors of domestic and gender-based violence. There is no state-level legal framework on volunteering, which is regulated by the entities and the Brčko District.

### **2.1.2. Public administration reform**

#### Strategic framework for public administration reform

The **strategic framework** on public administration reform 2018-2022 has been extended until 2027. Implementation has been very low (16%), although the monitoring report and other IT and data tools have improved. The action plan 2023-2027, revised to include a credible costing of reforms, is pending adoption. Bosnia and Herzegovina has put in place a PAR common platform, a coordination committee for PAR and supervisory teams at all administrative levels,

which is a positive step towards ensuring political support and decision-making. The newly established structures need to ensure efficiency to advance public administration reforms. The coordination committee met for the first time at prime ministers' level in February 2024. Higher governmental budgetary contributions for 2024-2025 are needed for **financial sustainability**. The weak capacities of entity-level PAR coordinators continue to hinder reforms.

#### Policy development and coordination

The **policymaking system across sectors** remains fragmented, with no systematic improvement on the legal or institutional framework needed to ensure a countrywide approach to policymaking and budgeting. State-level institutions need to be strengthened in steering countrywide policies. The legislation at state level on countrywide sectoral strategic planning is pending adoption. The Council of ministers adopted a decision on the procedure for mid-term planning, monitoring and reporting in the institutions of BiH. However it does not provide for a co-ordinated whole-of-government medium-term priorities setting. The institutional framework remains fragmented with insufficiently delineated quality oversight functions. The delay in designating a single state-level institution in charge of annual and medium term policy planning undermines a whole-of-government approach in strategic policy and budgeting processes for EU integration issues. The country still lacks a methodology with strong quality assurance and a conflict resolution mechanism for harmonised and coordinated legislative alignment with the EU *acquis*. Effective monitoring and alignment with annual budgets and government working plans, and credible costing on sectoral policies need to be ensured.

Implementation of the legal framework for inclusive and evidence-based **policy development** across different levels of government remains weak. The state-level e-consultation system was improved by introducing an obligation for institutions to publish reports. The administrative capacity to use e-consultation platforms should be improved at all levels of government. The lack of progress in developing common standards for monitoring and reporting hampers public and government scrutiny of sectoral policy implementation.

#### Public financial management

All levels of government advanced in implementing the comprehensive strategy for the reform of **public financial management**. The comprehensive PFM monitoring report for 2023 is pending adoption; the timely adoption of such reports remains a challenge. Bosnia and Herzegovina should apply a countrywide approach on PFM monitoring, with a higher number of horizontal coordinated activities at each level of government than is the case (7%). This needs to be reflected in the revised action plan for 2024, which is pending adoption. Despite progress, the PFM system still needs to put in place basic elements such as the regular adoption of a state budget, and ensure credible costing of sectoral and cross sectoral policies in annual and medium term. Adopting a credible medium-term budget framework in line with international standards and related fiscal framework remains a challenge. Outstanding PFM reforms include: (i) better linking the annual strategic planning and budgeting processes in the annual and medium run; (ii) strengthening capacities on public investment management; and (iii) continuing to implement the laws on programme budgeting and adopting similar legislation in the *Republika Srpska* entity. Institutions at all levels need to improve the functioning of public internal financial control and public procurement, as well as the monitoring of fiscal risks related to public companies. **Budget transparency** remains insufficient.

#### Public service and human resources management

The state-level Law on civil service, adopted in March 2024, aims to improve transparency in

recruitment and to introduce human resource management tools. Civil service laws are still not harmonised with one another, and merit principles are not enshrined in the **recruitment, promotion and dismissal** of civil servants.

There was no progress on ensuring a **depoliticised and professional** civil service. The criteria for dismissals, disciplinary procedures and appeals set out in the legislation continue to be insufficiently applied. The digitalisation of state-level recruitment is ongoing. Entity-level laws do not require the best candidate to be appointed, allowing political appointees to influence recruitment, particularly for senior positions. At cantonal level, the final selection continued to depend on ethnic background rather than merit. The excessive use of acting positions continued, especially in the *Republika Srpska* entity. Constitutional rules on the general representation of the population in public administration should not be interpreted as requiring strict ethnic proportionality in the civil service, and the legislation should ensure that ethnic criteria do not prevail over professional criteria in recruitment.

The **quality and capacity of human resources management** (HRM) remain weak and highly fragmented. The forum of directors of civil service agencies was re-established in October 2023 to coordinate human resources management strategies and monitoring. The Federation entity and its cantons continued to implement the 2022-2027 strategy for the development of HRM. The state-level institutions and the *Republika Srpska* entity still need to do the same. Transparent monitoring and planning of HRM performance and related capacity and data on HRM needs to be strengthened; the Federation entity adopted a human resources monitoring methodology in June 2024.

Civil servants' **remuneration** remained inconsistent across the country due to differences in salary legislation, job classification, pay grades and the lack of job evaluations, all of which hinder fairness. Criteria for awarding salary supplements are unclear, and no information is published on average salary levels by job category. A broad salary reform is required across all levels of government, as is the harmonisation of civil service job descriptions.

Civil service agencies need more resources for training and **professional development**. Overall, there has been no progress in making performance appraisal a more useful tool to justify promotions or to distinguish good performance from bad.

There continues to be no system for gathering and consolidating data on the **integrity of civil servants**. There has been no legislative development in the Federation entity on whistle-blower protection, or on declaration of assets in the *Republika Srpska* entity.

#### Accountability of administration

No progress was made in setting out the functions of administrative bodies at all levels of government or in clarifying responsibilities between ministries and subordinate bodies.

The state-level Law on **freedom of access to information** still needs to be brought fully in line with international standards on the independence of the appeals process, while the Brčko District needs to adopt its own law in this field. The Council of Ministers adopted in April 2024 a guide for access to information to ensure effective access to this right, while in May 2024 the Ministry of Justice introduced a register of requests for access to information. Rules on data protection and access to information are still interpreted in a way that protects private rather than public interests across levels of government. Ombudsman recommendations towards public authorities remain mostly focused on ensuring access to information, although with a slight decrease in 2023 compared with 2022.

## Service delivery to the public and businesses

There was no progress in amending and harmonising the legal framework for **user-oriented administration** across the country. There is no comprehensive countrywide policy on service delivery and clear institutional functions at any level of government together with a catalogue on e-service. The absence of electronic signature infrastructure for the public continued to impede further digitalisation. Some progress was made in the Federation entity on digital transformation, criteria and benchmarks for one-stop shops, and on increased cooperation among authorities. Encouraging user-oriented administration, including by adopting the action plan on PAR and completing a coherent legal framework, would facilitate the establishment of an interoperable e-signature system across the country and facilitate the emergence of a single digital market in Bosnia and Herzegovina.

## **2.2. RULE OF LAW AND FUNDAMENTAL RIGHTS**

### **2.2.1. Chapter 23: Judiciary and fundamental rights**

*The EU's founding values include the rule of law and respect for human rights. An effective (independent, high-quality and efficient) judicial system and an effective fight against corruption are of paramount importance, as is the respect for fundamental rights in law and in practice.*

#### **Functioning of the judiciary**

##### Strategic documents

Bosnia and Herzegovina lacks strategic documents as it still needs to adopt a new justice sector reform strategy and related action plan. The draft text pending adoption by the Council of Ministers is the product of an inclusive consultation process and should be supported by sufficient budgetary allocations and an efficient governance, monitoring and performance reporting mechanism, with the possibility to adopt corrective actions. The reform programme for 2024-2026 of the High Judicial and Prosecutorial Council (HJPC) focuses on more targeted reforms, particularly on comprehensive monitoring based on transparent evaluation mechanisms. The HJPC should adopt an accompanying action plan.

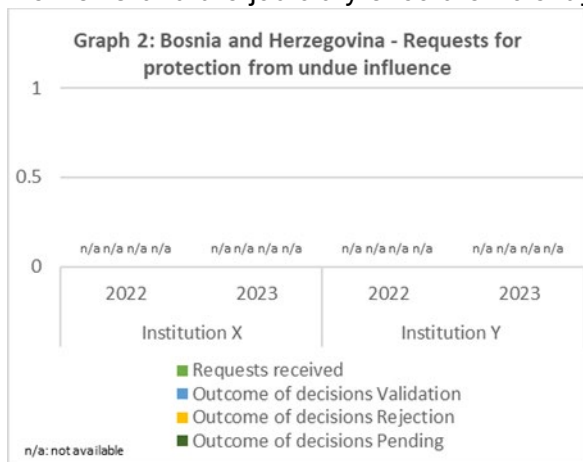
##### Management body

The HJPC functions adequately as the judiciary's single self-governance body. It should ensure independence and integrity in the method of appointing its members by reinstating randomisation for ethnicity and gender. The budget of the HJPC needs to be increased to establish a functioning department for asset declaration and verification, and to enable gradual transition of the entire HJPC staff to the 2027 state budget. The HJPC initiated measures for better judicial response to cases of domestic violence, attacks on returnees, protection of journalists and activists, and the fight against organised crime and corruption. However, the HJPC needs to improve the enforcement of its decisions through closer collaboration with presidents of courts and chief prosecutors and through the use of accountability mechanisms.

##### Independence and impartiality

The independence and impartiality of the judiciary needs improvement. This applies to courts and prosecutors' offices, both at higher level and at first instance. Public trust is further eroded by media reports on public appearances by judicial office holders, including HJPC members, in the company of individuals suspected of crimes. The HJPC and all courts and prosecutors'

offices should increase efforts to restore public trust in the judiciary, addressing in particular the length (up to 7 years) of criminal trials that involve judges and prosecutors, including those in management positions charged of corruption. The HJPC and the judiciary should efficiently and effectively process corruption cases involving their own peers. Undue internal and external pressure continues. The threat-reporting mechanism and subsequent public reactions of the HJPC must be reviewed to ensure consistency. The HJPC rarely receives requests for protection from undue influence from judges and prosecutors in case of threats against their independence. The new Law on the HJPC should address the limited impact of HJPC actions to defend the independence of judges or prosecutors. A security strategy for the judiciary and an accompanying action plan are pending adoption.



The case management system (CMS) provides efficient randomised case allocation when used. No reason was given for why half of the cases were manually reallocated, which is of serious concern.

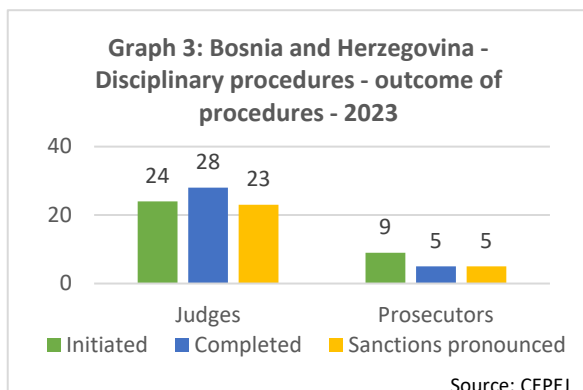
The Federation entity assembly appointed one constitutional judge in May 2024, filling one of the vacancies. The *Republika Srpska* entity assembly should swiftly appoint two judges to the Constitutional Court of Bosnia and Herzegovina, ensuring its full composition and functioning. The *Republika Srpska* entity should fully recognise and enforce Constitutional Court decisions, repealing any legislation to the contrary which is in breach of the constitutional and legal order.

### Accountability

The accountability of the judiciary needs to be improved. In January 2024, Bosnia and Herzegovina revised the integrity-related amendments to the Law on the HJPC to remove the restriction to accessing personal data for external experts tasked with monitoring the **asset declaration system**. The right of the HJPC to request additional information from natural and legal persons still needs to be strengthened by law, in line with European standards, to ensure that the HJPC can effectively access all necessary information to exercise its functions.

**Judicial integrity** plans are in place in almost all courts and prosecutors' offices, albeit with limited results. HJPC should regularly assess their effectiveness as a preventive anti-corruption tool and communicate the impact of their measures publicly. **Judicial and prosecutorial ethics codes** are in place and form part of the curriculum for initial training, but they need to be significantly improved. Causing damage to the reputation and integrity of the judiciary is now deemed a violation of the ethics code; the HJPC should monitor the impact of the related disciplinary measures.

**Disciplinary procedures** continue to have little dissuasive effect despite their relatively high number. To address serious breaches of judicial integrity, HJPC disciplinary bodies should: (i)

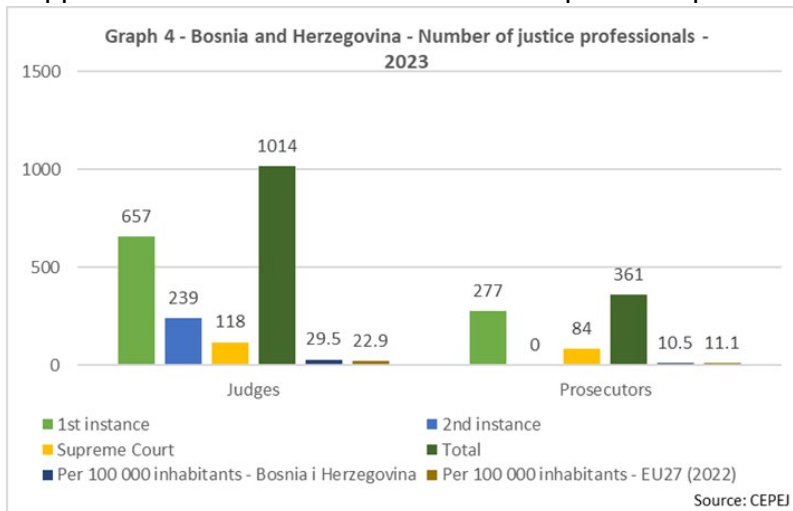


better select and prioritise disciplinary cases; (ii) improve rules on evidence in disciplinary hearings; and (iii) amend internal guidelines to improve the reasoning and transparency of disciplinary decisions, thus ensuring consistency and (iv) ensure that the severity of sanctions has a deterring effect.

### Quality of justice

The quality of justice needs to be improved. Legal safeguards for the independence of **judicial appointments** carried out by the HJPC are in place and were improved with the September 2023 amendments to the Law on the HJPC, introducing the right to appeal the appointment decision. Consequently, the reasoning behind appointment decisions should also be improved in practice;

their publication on the HJPC website is a legal requirement. To improve the process, the HJPC updated the database of written examinations and interview questions, and developed guidelines for interview panels. Further improvements need to be introduced in the new Law on the HJPC. These should consist in: (i) annual entry appointments to separate the recruitment process from specific vacancies; (ii) career and



promotions based on seniority requirements and an effective appraisal of performance; and (iii) a guarantee that ethnic criteria do not prevail over professional criteria in recruitment. The HJPC had introduced some of these regulatory solutions, but they were challenged in court; this further reinforces the need for legislative changes. Introducing guidelines on drafting better quality indictments could additionally help prosecutors.

The **performance appraisal system** is ineffective, as all court presidents and chief prosecutors were found to have successfully performed their functions. These results lack nuance and do not contribute to the system serving its intended purpose. In February 2024, the HJPC approved new rules on performance appraisal. It should adopt criteria to enable balanced consideration of quantitative and qualitative criteria in the appraisal of judicial management.

**Training** for judges and prosecutors is handled by entity-level training centres, coordinated by the HJPC. Their division of responsibilities needs to be clarified and the HJPC's coordination role needs to be strengthened. Selecting competent trainers, devising training programmes, assessing trainers and evaluating the impact of training should be closely monitored and improved where needed. The total budget for training in 2023 was 13.4% lower than in 2022.

The **case management system** (CMS) produces reliable, detailed statistics and reports on case flow, human resources and duration, contributing to timely judicial data delivered to CEPEJ. The HJPC needs to step up its oversight and management on the basis of reliable statistical data on the performance of the judicial system, including on case reallocations. For this, a tailored judicial management training with a component on data analysis should be provided to HJPC members, court presidents and chief prosecutors. The HJPC adopted a mid-term judicial ICT strategy and laid the groundwork for a regional ICT hub aiming to further digitalise the judiciary.

The justice system still lacks **transparency**. The HJPC has maintained its efforts, adopting a communication strategy and revising its rules on publishing judicial decisions online. The HJPC should further promote the consistent publication of hearing schedules and judicial acts. The HJPC online database now includes over 26 000 court decisions, with analytical functionalities.

There were limited results on the **harmonisation of jurisprudence**, with only 2 positions adopted by the panels for the harmonisation of judicial practice. The HJPC should closely monitor the impact of the panels' work. The HJPC database of appellate court legal positions should further serve as a tool for securing uniform judicial practice across the country. Ultimately, the country needs to establish a judicial body capable of ensuring consistent interpretation of the law and harmonisation of case law across the country (Opinion key priority 4.e).

In 2023, the total **budget for the judiciary**, including the HJPC, was EUR 183.2 million, an increase of 0.73% of GDP compared with 2022. Although the budget is now at the same level as the median value for the Western Balkans, the funds remain insufficient for investments. Ensuring sufficient financing of judicial institutions is a responsibility of the executives at all levels of government. This leads to difficulties in budget planning and negotiations over budget inequalities, which have a negative effect on equal access to justice. The HJPC role in budget planning and negotiations for judicial institutions should be strengthened in the new Law on the HJPC.

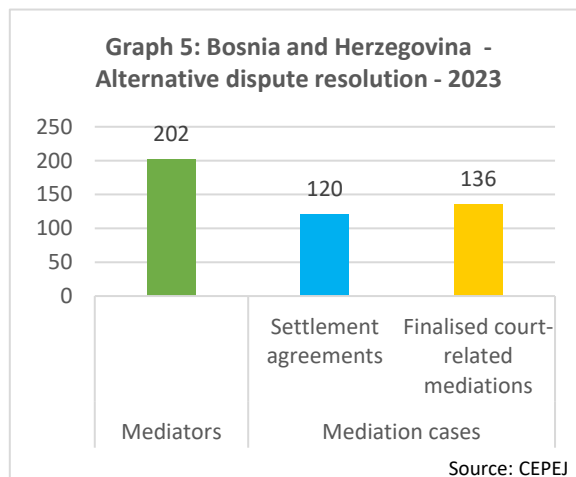
The Ministry of Justice still needs to adopt the mediation strategy proposed by the HJPC in 2022 as part of the **alternative dispute resolution** mechanisms. The strategy outlines legislative changes, training for mediators, and promotes mediation among court users and with the public.

### Efficiency

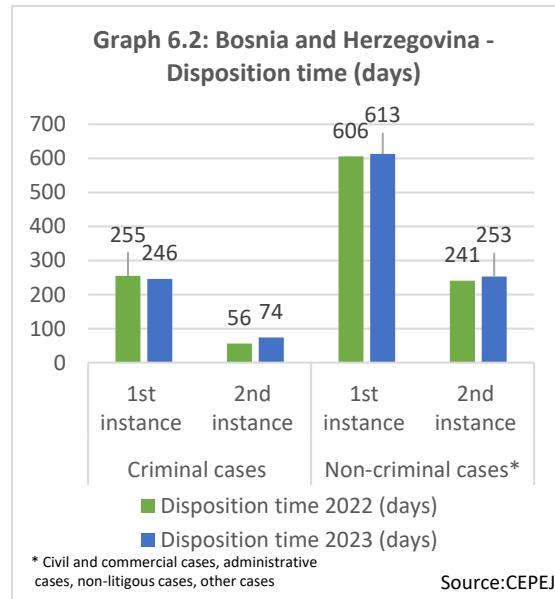
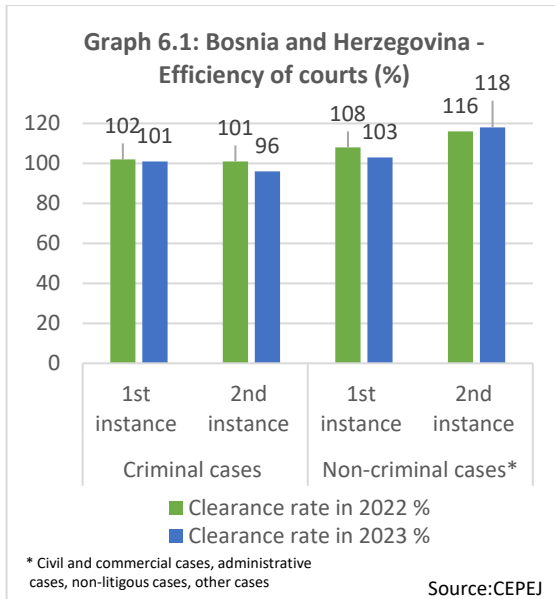
The efficiency of justice needs to be improved.

The **length of court proceedings** in first-instance cases (excluding utility cases) further fell to 361 days in the first quarter of 2024 but is still excessive and hampers the citizens' right to trial within a reasonable time. The Federation entity still needs to adopt a law to protect this right. The enforcement and impact of such laws should be monitored. The HJPC and judicial management should ensure that judges and prosecutors comply with the respective rules on civil proceedings and update those rules as needed.

There is a backlog of over 2 million pending court cases, including some 1.7 million cases of unpaid utility bills, which continues to hinder efficiency of justice. The backlog of non-utility cases fell slightly by 2% compared with 2022. Entity-level legislation needs urgent amendment to increase efficiency in transferring the enforcement of small and uncontested claims from courts to professional bailiffs. Entity and cantonal governments did not secure sufficient funds for enforcement departments in courts or for access to information on debtor's properties. Entity-level laws and regulations on enforcement have to be amended urgently to increase efficiency.



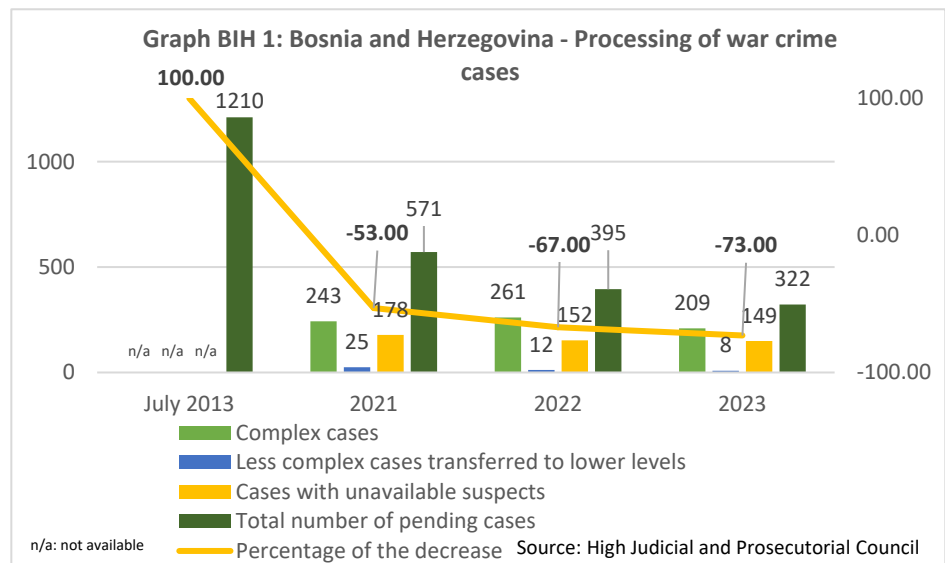




The changes to the prosecutorial quota did not deliver positive outcomes and the performance of the prosecutorial system has not been satisfactory. Indictments continued to decline in 2023. The HJPC needs to assess the reasons for this and readjust the quotas as needed.

Domestic handling of war crime cases

Bosnia and Herzegovina cooperates closely with the International Residual Mechanism for Criminal Tribunals (IRMCT / Mechanism), submitting 70% of all requests for assistance from the region to the Mechanism’s Prosecutor in 2023 (40% in 2022). In January 2024, the Ministry of Justice and the Registry of the Mechanism signed a

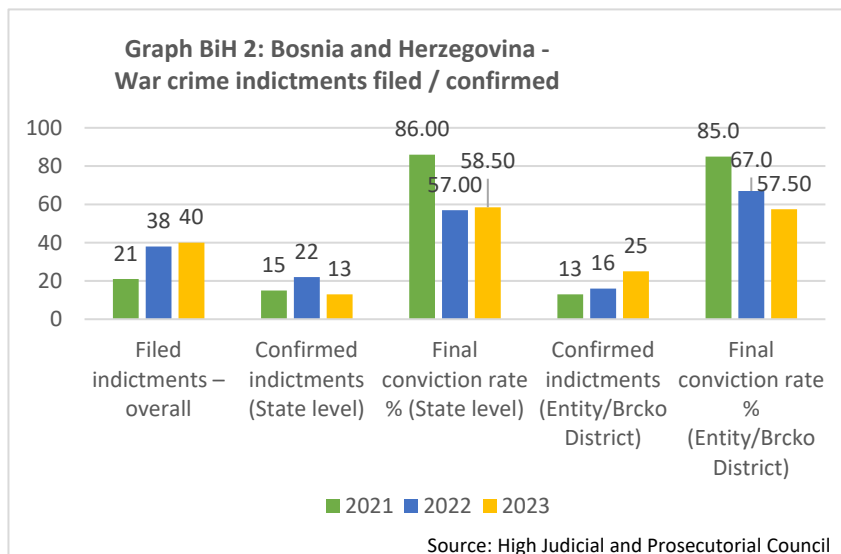


memorandum of understanding to provide information on **war crimes** convictions by the International Criminal Tribunal for the former Yugoslavia (ICTY) and its successors. The authorities must now ensure their swift introduction into domestic criminal records. The deadline for implementing the revised National War Crime Strategy must be extended beyond 2025 and efforts to fulfil its objectives need to intensify.

**Regional judicial cooperation in processing war crime cases** improved slightly through more systemic use of available tools, particularly the bilateral protocols on cooperation between prosecutors’ offices in the region. Institutional cooperation with Serbia and with Montenegro remains effective and productive, while cooperation with Croatia continues to face a number of

impediments. Improving the support system for victims and witnesses of war crimes by responding to their needs efficiently and in a timely manner would increase their support for judicial proceedings and increase their sense of having contributed to the delivery of justice.

By the end of 2023, 94 individuals were not available to courts in Bosnia and Herzegovina. Holding multiple citizenships, these individuals often reside in neighbouring countries. They escape justice by taking advantage of prohibitions in those countries against extradition of their own nationals for the criminal offences of genocide, crimes against humanity and war crimes. They also benefit from neighbouring

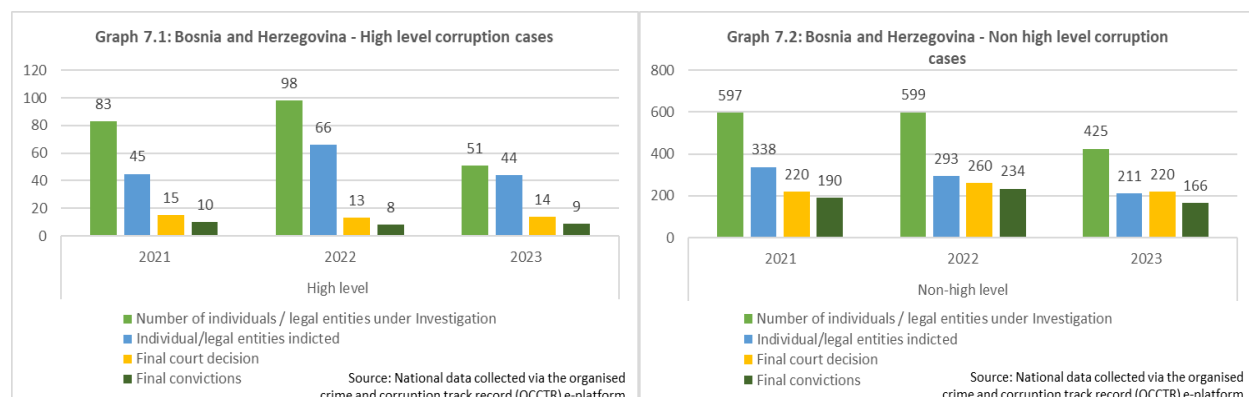


jurisdictions' lack of progress in addressing the crimes in question. Such individuals include Novak Djukić, Duško Kornjača and Tomislav Kovač in Serbia, and Sakib Mahmuljin in Türkiye.

## Fight against corruption

### Track record

There were no changes in the fight against corruption in the reporting period, and efforts remained insufficient to establish a track record of proactive investigations, prosecutions and final convictions. Progress in tackling high-level corruption needs to be seriously stepped up. The former Prime Minister of the Federation entity received a final conviction, and the former Minister of Security a first-instance conviction. Indictments were confirmed against the head of one Sarajevo municipality, against Sarajevo's former mayor, and against the former Minister of Human Rights and Refugees. Investigations are ongoing against other senior officials. It is essential that prosecution and judicial services ensure independent, effective and impartial judicial follow-up in these cases, which are of great public resonance and raise concern about the state of corruption in the country. It is imperative for law enforcement agencies and the judiciary in Bosnia and Herzegovina to take a more proactive stance in combating organised crime and corruption, free from outside interference.



The state-level Commission on **Conflict of Interest** established in March 2023 remained ineffective and pronounced no sanctions. Following the entry into force of the new Law on conflict of interest, Parliament failed to appoint the members of the related commission by the legal deadline of June 2024; new members were appointed by the House of Peoples in October 2024 and remain to be confirmed by the House of Representatives. Many more state-level officials complied with their obligation to submit financial reports for the verification of **asset declarations** (425 out of 550); however, those who did not submit a financial report faced no proceedings, reports nor sanctions. There are marked differences in compliance across the country. In the *Republika Srpska* entity the figure for submitting financial reports remains very low (136 out of 4 000), while in the Federation entity the rules on conflict of interest are not enforced. The positive trend continued with tangible results in the Brčko District and Sarajevo Canton, with a relatively high number of proceedings and sanctions initiated for conflict of interest. Tuzla Canton also demonstrated good results in verifying asset declarations.

### Institutional framework

The institutional framework on the fight against corruption is not fully in place, and needs to be improved regarding both preventive measures and law enforcement. Corruption prevention bodies continued to be ineffective and uncoordinated. The Agency for the Prevention of Corruption and the Coordination of the Fight against Corruption (APIK) should exercise its legal competence as the main coordinator and central point for anti-corruption activities in Bosnia and Herzegovina. The Agency should play a much more proactive role in implementing GRECO recommendations and aligning with international standards.

The independence of corruption prevention bodies at entity and cantonal level and their human and material resources need to be significantly strengthened. The anti-corruption offices of Sarajevo and Tuzla cantons continued tangible efforts and remain a good example.

The audit department of the Central Election Commission needs more capacity to monitor compliance with political party financing laws. The Permanent Committee for the Fight against Corruption established by the House of Representatives of Bosnia and Herzegovina in 2022 still needs to fulfil its mission as a key mechanism of parliamentary oversight.

The criminal justice policy and the institutional and legislative frameworks across the country are largely ineffective and inadequate for the fight against corruption. This is due in part to insufficient **law enforcement** capacity to investigate and also to penalties that do not sufficiently ensure deterrence. Crucial efforts to trace and freeze illegal gains from criminal activities and to require criminals to forfeit their gains remain inadequate. Financial investigations are infrequent, and the use of extended confiscation provisions is almost non-existent, hindering the effective disruption of criminal networks. Deep legal fragmentation and frequent conflicts of jurisdiction, leading to transfers of cases, have slowed down proceedings and reduced efficiency. The police is not proactive in launching investigations, which also proceed slowly. In 2023, as in 2022, no law enforcement agency, including the State Investigation and Protection Agency (SIPA), submitted any report on high-level corruption to the Prosecutor's Office of Bosnia and Herzegovina. The highly formalistic manner in which SIPA enforces actions to obtain evidence, including in high-level corruption cases, remains a cause of serious concern. Systemic shortcomings in operational cooperation between law enforcement agencies and the very limited exchange of intelligence are a persistent challenge. Plea agreements need to be used strategically to co-opt defendants in obtaining information and evidence, and should require, where relevant and viable, asset forfeiture or payment of damages to the injured party. In the few high-level corruption cases reported, selective judicial follow-up and legal mistakes,

negligence, abuse of procedures, political pressure, questionable court decisions and verbal attacks on the prosecution continued to take place, including at state level. Pressure, interference and verbal attacks on judicial office holders continued, without a systemic and efficient response by the HJPC, as illustrated in a number of high-level cases.

Investigations are seriously hampered by the lack of cooperation between law enforcement agencies and prosecutors' offices and by the lack of effective monitoring by prosecutors of the work of police. The selective unwillingness of the police, including at state level, to cooperate with prosecutors, particularly in high-level corruption cases, is a cause of serious concern.

Diverging views on the authority of state-level prosecution offices to issue instructions to entity prosecution offices hamper the efficiency of investigations and proceedings in high-level corruption cases. Such conflicting legal views must be remedied immediately.

The special anti-corruption departments within prosecution offices at state level and in the *Republika Srpska* entity must start to deal effectively with high-level corruption cases. Their independence must be significantly strengthened. Specialised departments have not yet been set up in the Federation entity Prosecutor's Office and Supreme Court.

A specialised team of prosecutors at the Prosecutor's Office of Bosnia and Herzegovina continued to investigate cases efficiently based on evidence from the SKY ECC communications tool. This led to tangible results in initiated investigations and confirmed indictments. Prosecutors are expected to demonstrate firm determination to prioritising and finalising investigations of mid- and high-level corruption cases arising out of the SKY ECC tool and to ensure efficient judicial follow-up in those cases. The deputy director of SIPA remains at large after illegally crossing the border to escape an arrest warrant for suspected abuse of position and corruption.

#### Strategic documents

Strategic documents are partly in place. In June 2024, Bosnia and Herzegovina adopted a state-level strategy and action plan on anti-corruption for 2024-2028, as the previous one had expired in 2019. As the adopted strategy relates mainly to the state level, entities and cantons need to update and align their own strategies with the principles of the state-level strategy, with sufficient funding and strong monitoring mechanisms to ensure their implementation.

#### Legal framework

The legal framework on the fight against corruption is not fully in place, and needs to be improved regarding both preventive measures and law enforcement. The lack of harmonisation of the legal framework across the country continued to hamper the fight against corruption. In March 2024, Bosnia and Herzegovina adopted a state-level Law on the prevention of conflict of interest. This is a substantial step forward compared with the legislation previously in place. However, the law still needs to be fully aligned with European standards, particularly in the areas of incompatibilities, sanctions, and the election and composition of the Commission on Conflict of Interest. All levels of government need to fully align their legislation on conflict of interest with European standards and to implement the law in good faith.

The legislative framework on the **protection of whistle-blowers** is still incomplete and not fully in line with the EU *acquis*. Notably, the Federation entity still lacks legislation on whistle-blower protection, although such protection is present in the Sarajevo Canton. Where applicable, very few or no requests for protection were received, with the exception of Sarajevo Canton, where 7 requests out of 8 were granted.

**Data protection** laws continued to be interpreted in a way that protects private rather than public interests, hindering the prevention and repression of corruption. There is no legislation to effectively prevent and address corruption in the private sector and no regulation of lobbying. Barely 1 out of 15 GRECO recommendations has been satisfactorily implemented in the fourth evaluation round. The authorities need to fulfil the outstanding recommendations, particularly on political party financing and conflict of interest.

A beneficial ownership register of legal persons needs to be established, ensuring a central access point to the competent authorities.

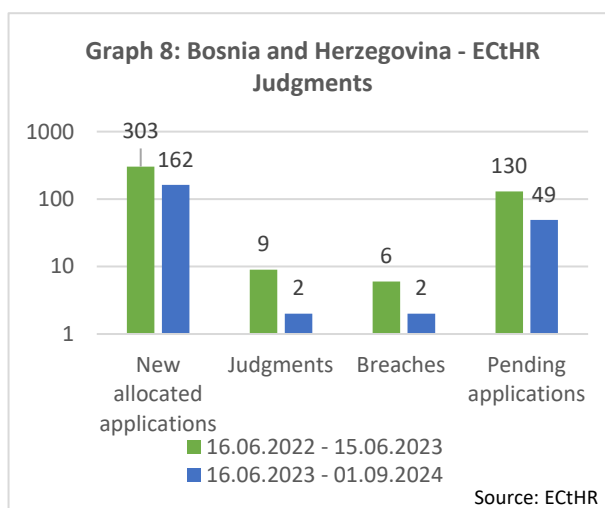
## Fundamental rights

### International human rights instruments

Bosnia and Herzegovina has ratified all major European and international human rights instruments. The country needs to advance in addressing the accepted recommendations from the November 2019 Universal Periodic Review ahead of the next cycle in January 2025. The country should replicate the data collection methodology of the EU Agency for Fundamental Rights and is encouraged to seek observer status in the agency.

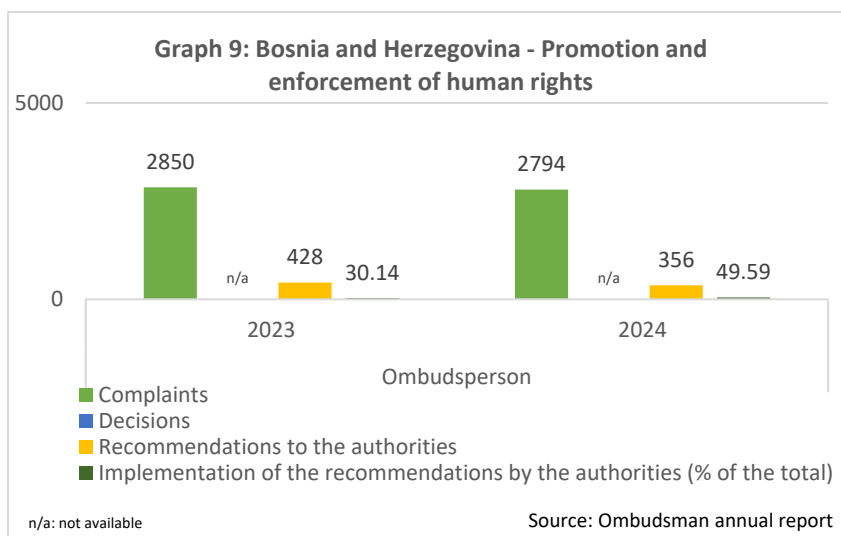
### European Court of Human Rights

During the reporting period, the **European Court of Human Rights** (ECtHR) found breaches of the European Convention on Human Rights in regard to the right to a fair trial, the protection of property, and the general prohibition of discrimination. There are four cases under enhanced supervision by the Committee of Ministers, all related to electoral rights. The *Sejdić and Finci*, *Zornić, Šlaku, Pilav* and *Pudarić* rulings (*Sejdić-Finci* case law) require constitutional amendments to ensure political equality among all citizens; a grand chamber decision is pending on the *Kovačević* case on active voting rights. The country has made progress on addressing other structural reforms raised by Court judgements; efforts need to continue.



### Promotion and enforcement of human rights

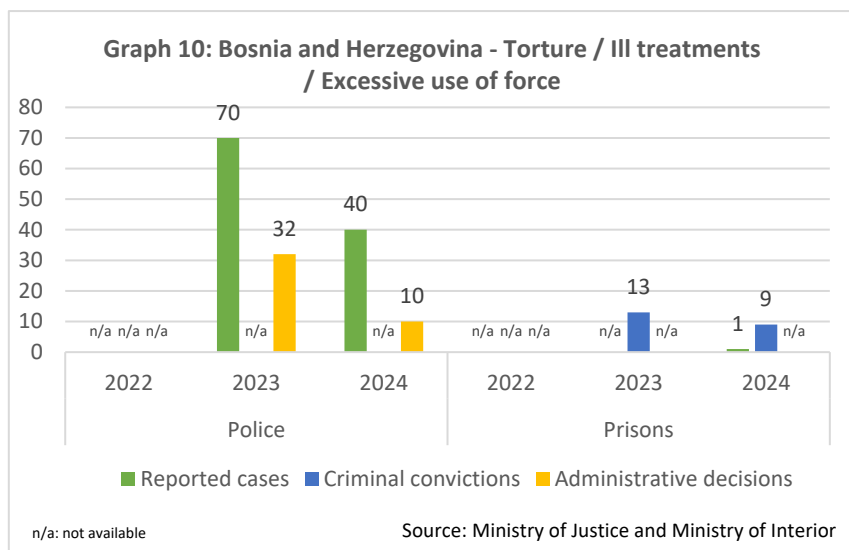
Bosnia and Herzegovina still lacks a comprehensive policy framework on the promotion and enforcement of human rights, including countrywide strategies on human rights, non-discrimination and the protection of minorities. Consequently, the protection of human rights remains uneven



across the country. The Human Rights Ombudsman is the equality body of Bosnia and Herzegovina. Its tripartite composition and consensual decision-making rules need revision to ensure effective functioning. The Ombudsman should act more proactively, and its independence needs to be strengthened. While only half of its recommendations have been complied with, the Ombudsman has not opened any minor offence proceedings for non-compliance in the past 9 years, despite having the power to do so, nor has it initiated or intervened in administrative or judicial proceedings.

### Prevention of torture and ill-treatment

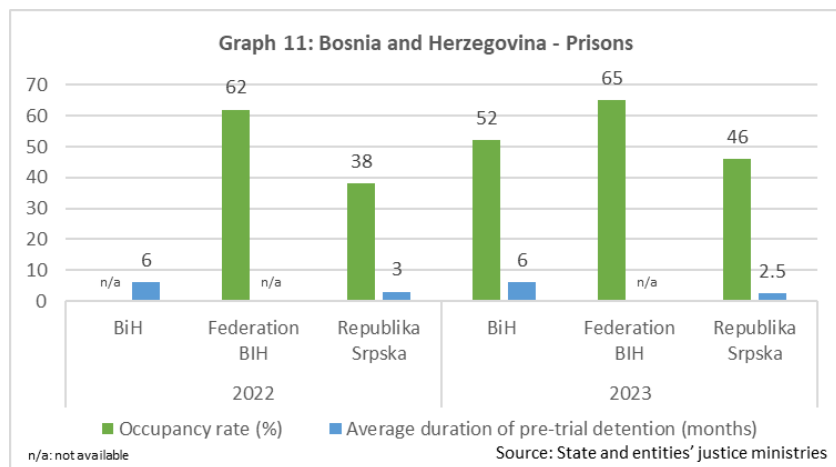
Bosnia and Herzegovina still needs to ensure compliance with Article 17 of the Optional Protocol to the Convention Against Torture. The August 2023 amendments to the Law on the Ombudsman, designating it as a national preventive mechanism against torture and ill-treatment, are yet to be implemented. The numerous reports of ill-treatment need to be handled effectively. There is



no law laying down countrywide criteria on the rights of civilian victims of wartime torture, a pending obligation under the Convention against Torture. Entity-level laws on victims of wartime torture need to be improved. A Council of Ministers decision is required to address the August 2019 decision of the UN Committee against Torture on providing redress to victims of wartime torture through an effective reparation scheme, including compensation and a formal apology. The *Republika Srpska* entity has not taken measures to waive court fees for victims of wartime torture. As a worrying consequence, victims continue to face repossession of property for defaulting on payments.

### Execution of criminal sanctions

There is no countrywide strategy on the execution of criminal sanctions and no reliable statistics, which is concerning. The relevant laws need to be harmonised across the country and brought in line with European and international standards. Prison directors need to be appointed based on merit. Detention facilities, prison regimes and reintegration



programmes need to be improved, and an effective probation system should be introduced.

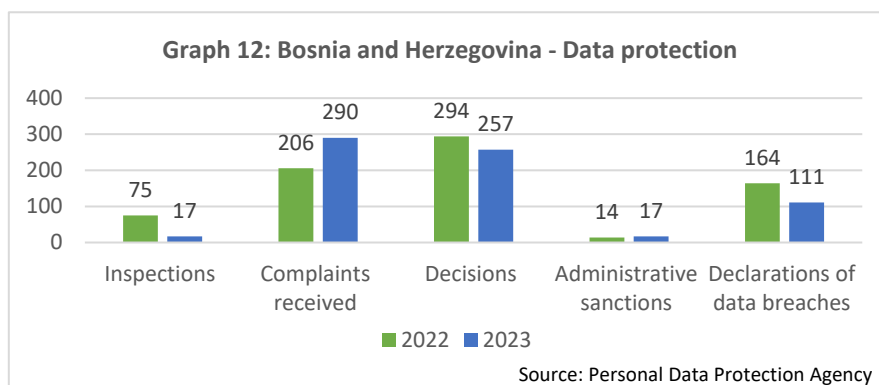
There is no policy framework on **transitional justice** and dealing with the past. Bosnia and Herzegovina is expected to act in a sovereign manner to promote an environment conducive to reconciliation in order to overcome the legacies of the war (Opinion key priority 5).

Political leaders continued to engage in historical revisionism, including genocide denial and glorification of war criminals, while contesting established facts and the independence or impartiality of international and domestic tribunals. The September 2024 changes to the history curriculum for primary schools in the *Republika Srpska* entity on the 1992-1995 war is yet another example of the unconstructive politicisation of education in Bosnia and Herzegovina, promoting biased accounts of the war, especially regarding heroes and victims.

The Criminal Code needs to be amended to regulate genocide denial and glorification of war criminals in line with the EU *acquis*. The first two court proceedings are under way under the 2021 Law imposed by former High Representative Inzko criminalising denial of genocide and glorification of war criminals. The March 2024 electoral amendments excluded those convicted of war crimes from running for public office. Wartime victims continue to face numerous challenges. A state-level law setting their minimum rights across the country is yet to be adopted. In August 2023, the Federation entity adopted a new law giving the status of civilian victims of war to children born of wartime-related sexual violence. Positive examples of trust building continue to be reported at local level. (For missing persons, see Section 3 – Good neighbourly relations and regional cooperation)

#### Protection of personal data

The legislation on data protection is not aligned with the EU *acquis* – the General Data Protection Regulation (GDPR) and the Law Enforcement Directive – with regard to the authorities’ processing of personal data to prevent, detect, investigate or prosecute criminal offences or to execute criminal penalties; alignment is also lacking on the free movement of



data. The independence and the human and financial resources of the Personal Data Protection Agency did not increase. The Agency needs to better balance the protection of privacy with the general public interest, notably media freedom, electoral integrity, and the fight against corruption. While the state-level Parliament must consult the Agency on legislative proposals, other legislative assemblies are still not required to do so.

#### Freedom of religion or belief

Freedom of thought, conscience and religion is still generally upheld, although there are cases of discrimination, hate speech and hate crimes on religious grounds. Cases of attacks continue to occur frequently in minority return areas.

## **Freedom of expression**

### Intimidation of journalists

Political pressure, intimidation and threats against journalists continued, including constant verbal attacks and nationalist rhetoric, creating a hostile environment for media freedom. High-level politicians continued their public attacks and disparaging remarks against journalists, analysts and media workers, particularly against women. The authorities continued to downplay the issue, with no public statements on these issues, and institutional follow-up is weak. No official countrywide data is collected on threats and attacks against journalists and media workers and their judicial follow-up. These statistics should also be disaggregated by sex.

In 2023, the *BH Novinari* journalists' association received 84 complaints, and the Ombudsman 7, concerning violations of journalists' rights. Authorities are expected to act swiftly and demonstrate zero tolerance for threats or attacks against the media, including by ensuring effective police investigation and judicial prosecution leading to final convictions.

### Legislative environment

Freedom of expression and media freedom are in principle guaranteed by the Constitution and laws, but implementation remains insufficient. Criminal penalties for defamation, reintroduced in the *Republika Srpska* entity in July 2023, continue to severely impact freedom of expression and of the media and to have a chilling effect. Defamation should be decriminalised across the country. To prevent an environment that forces journalists to self-censor, courts should ensure expedient processing of defamation cases and consistent case law on awarded damages. Sarajevo Canton is still considering a draft law which would introduce disproportionate sanctions for the online dissemination of undefined 'fake news'; if adopted, this provision could be abused to restrict online communications and to intimidate reporters. Any such norms must fully respect freedom of expression standards. (*For freedom of access to information see Section 2.1.1*).

### Implementation of legislation/institutions

The Communications Regulatory Agency (CRA) still lacks full political and financial independence. The procedure to appoint its management does not guarantee pluralistic representation of stakeholders and independence from the regulated sector and from political influence. Parliament is yet to confirm the newly appointed board of the agency. The high number of strategic lawsuits against public participation (SLAPP) further fuels self-censorship.

### Public service broadcaster

The state-level public service broadcaster *Radiotelevizija Bosne i Hercegovine* (BHRT) does not function adequately and is still in serious danger of shutting down, due to years-long deprivation of stable funding and lengthy litigation in entity courts over the debts of entity-level public broadcasters. State and entity-level public broadcasters remain exposed to political influence, in particular through politically controlled steering boards. The Federation entity assembly has not appointed a director or filled the steering board vacancies for the FTV public broadcaster since 2013. The *Republika Srpska* entity's public channel RTRS spreads Russian disinformation, including on Russia's aggression on Ukraine and on Bosnia and Herzegovina's EU path. Banja Luka-based provider M-tel continued to carry the signal of the RT channel, despite the country aligning with EU sanctions prohibiting the broadcasting of these Russian state-sponsored media. (*See also Chapter 10 – Digital transformation and media*).



### Economic factors

No steps were taken to adopt legislation on media ownership transparency (including on the prevention of hidden media concentration) or on advertising, or to adopt criteria for distributing subsidies. The advertising practices of publicly companies such as telecom and advertising agencies linked to political parties continue to harm media integrity. Local broadcasters that receive funding from local authorities remain subject to political pressure and influence.

### Internet

Online platforms are used to spread hate speech and disinformation, as self-regulation of online media has a limited effect. Criminal prosecution is limited to the incitement of religious and ethnic hatred online.

### Professional organisations and working conditions

Journalism remains a precarious profession, with low wages and little job security. Labour rights are barely respected, unionisation is low, and there are no branch collective agreements for media workers. Consequently, many journalists receive a salary significantly lower than average while also working overtime. The situation is even worse for women journalists. Compliance with the Press and Online Media Council's media code remains inconsistent.

Freedom of artistic expression is guaranteed by legislation and generally respected. While no formal restrictions exist, the environment for reconciliation-related themes is challenging.

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### Freedom of assembly and association

Laws on **freedom of assembly** are still not harmonised across the country and are not in line with European standards, in particular on grounds for restriction and responsibility of organisers. In the reporting period, three cantons (Zenica-Doboj, Una-Sana, Canton 10) adopted legislation aiming to align with European standards, following the example of the Brčko District.

**Freedom of association** continues to face challenges, despite being legally guaranteed. Human rights defenders continue to be subject to threats, harassment, verbal abuse and even physical attacks. The authorities fail to condemn and properly investigate such attacks. The draft law in the *Republika Srpska* entity targeting civil society as 'foreign agents' was withdrawn by the entity government in May 2024. Such a draft law should not be reintroduced, as it would adversely affect civil society and mark a step backwards. The authorities need to promote an enabling environment for civil society and ensure effective consultation on legislative proposals.

Labour and trade union rights are covered in Chapter 19 – *Social policy and employment*.

### Property rights

No steps were taken to update and interconnect the entity-level cadastral and land registry databases and no solution was found to pending repossession cases. The Commission for Real Property Claims of Displaced Persons and Refugees is inoperative. There is no legislative framework on restitution claims, which are handled case by case. The Federation entity needs to amend its legislation in line with several ECtHR cases on occupancy rights over military apartments which are still pending implementation (*Đokić, Mago, Alekšić* cases).

### Non-discrimination

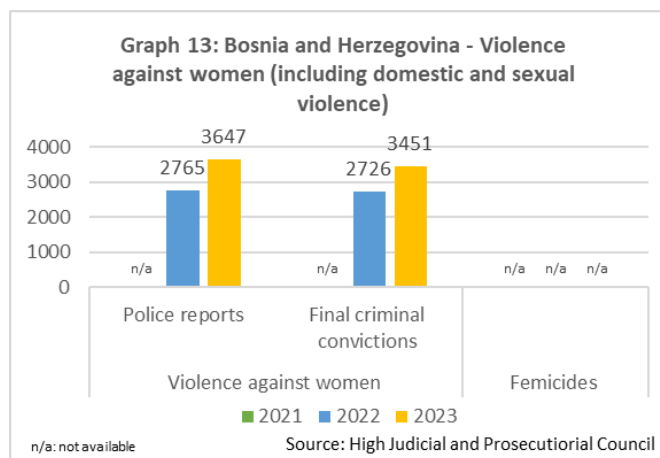
There is no countrywide non-discrimination strategy. The 2009 Law on the prohibition of

discrimination is still not applied effectively. In 2023, the courts received 2 560 discrimination cases (979 in 2022), with 1 890 completed (455 in 2022). Discrimination is still under-reported, particularly in the workplace. Judicial practice lacks uniformity on burden of proof, is excessively lengthy, and final decisions are not enforced. The Ombudsman registered 187 cases of discrimination in 2023, a stable figure compared with recent years, mostly for workplace and ethnic discrimination. Disputes over education continue, while systemic solutions are not in place to ensure inclusive and non-discriminatory education. The common core curriculum is not completed and is not applied throughout the country, and the availability of teaching of the national groups of subjects (language and literature, history, geography, religion, and nature and society) remains limited. No progress was made on eliminating the practice of ‘two schools under one roof’, which is in breach of the 2014 and 2021 rulings of the Federation entity Supreme Court. Despite Constitutional Court decisions, the name of the Bosnian language is still not recognised in schools in the *Republika Srpska* entity, leading to recurrent friction.

Legislation on hate crimes is harmonised across the country’s four criminal codes. Entity-level legislation criminalises hate speech only when causing national, racial and religious hatred and still needs to be aligned with the EU *acquis*. There are very few indictments and convictions, due to failure to identify acts as hate crimes and the high burden of proof to establish intent. In addition, case law is inconsistent. Hate speech remains present in official discourse, and there is no monitoring or enforcement of its prohibition in online media. The Council of Europe Convention on cybercrime and its additional protocol are only partially implemented.

### Gender equality

Legislation on gender equality is still not harmonised across the country or effectively enforced. The 2023-2027 gender action plan adopted in October 2023 lacks funding and monitoring, while a new action plan on women, peace and security has been pending adoption since 2023. Despite being required by law, gender impact assessments are still not carried out. While the country has developed a partial gender equality index, the institutional data collection, including on gender-based violence, needs to improve to identify and target systematically the relevant gender gaps. Cases of gender-based violence leading up to the murder of women (femicide) continued to garner public attention and spark protests, exposing systemic institutional shortcomings.



Women from ethnic minorities, particularly Roma<sup>12</sup> women, and women in rural areas, face additional obstacles in accessing services, evading violence, assuming visibility and leadership roles, and face additional discrimination. Improvements are particularly needed on issuing and enforcing protective measures, on continuous and comprehensive victim support, on legal aid and on safe accommodation in order to effectively align with the Victims’ Rights Directive and

<sup>12</sup> In line with the terminology of European institutions the umbrella term ‘Roma’ is used here to refer to a number of different groups, without denying the specificities of these groups.

the Directive on combating violence against women and domestic violence. All levels of government urgently need to transpose the remaining obligations from the Istanbul Convention, including by amending their criminal legislation. Bosnia and Herzegovina still needs to address the August 2020 decision of the UN Committee on the Elimination of Discrimination against Women on providing all forms of redress to victims of wartime sexual violence. The country also needs to accelerate the prosecution of crimes of sexual violence, secure witness protection and provide reparation to women victims of war crimes. Women's rights organisations experience resistance against their advocacy and their members receive threats. (See also Chapters 19 and 28; on women victims of trafficking, see Chapter 24)

### Rights of the child

The legal framework is largely in line with international standards, although implementation varies across different levels of government. No steps have yet been taken by Bosnia and Herzegovina to develop and adopt a new action plan on protecting the rights of the child to succeed the one for 2015-2018. In 2023, the Ombudsman received 231 complaints on children's rights, confirming a slow upward trend. The country needs to accelerate the transition towards community-based care and urgently develop and adopt a deinstitutionalisation strategy to this end. Measures are required to prevent family separation, provide foster care and alternative solutions, and support children leaving care institutions at the age of 18. No measures were taken to address child exploitation and child begging, despite urgency, or to collect precise and consistent data on violence against children, which is still under-reported. On child poverty in general, no measures were taken. Roma children are particularly vulnerable to the worst forms of child labour. Unaccompanied migrant children face specific challenges, such as accessing safe accommodation and asylum procedures. As of September 2024, there are 264 unaccompanied and separate children among the migrant population in Bosnia and Herzegovina. The country needs to ensure that all children have health insurance.

Bosnia and Herzegovina needs to strengthen the implementation of child-friendly justice, including for children belonging to minorities, migrant children and children with disabilities. Entity-level laws on juvenile justice have still not been fully implemented or harmonised with each other. There are no separate units for juveniles during pre-trial detention and in police stations: this is a serious breach of international law that urgently needs to be remedied. The use of alternative measures needs to be stepped up to ensure detention is used only as a last resort. Only limited reintegration measures are available to juveniles upon release. As of September 2024, there were 28 minors in prisons. In April 2024, the Ombudsman published a special report on underage marriages, concluding that impoverished children, especially in the Roma community, are at higher risk.

### Persons with disabilities

Persons with disabilities are among the most vulnerable members of society. While the legal and institutional framework is largely aligned with the UN Convention on the Rights of Persons with Disabilities (UNCRPD), the lack of dedicated funds prevents improvements. A significant number of recommendations and observations of the UN Committee on the Rights of Persons with Disabilities received in 2017 remain unaddressed. Persons with disabilities may still be deprived of their legal capacity through judicial process, in violation of international conventions; the country needs instead to develop models for 'supported decision making' which promotes the independence and autonomy of persons with disabilities, in line with the UNCRPD. The country needs to move from a status-based approach to one based on needs, with a uniform definition of disability in line with the UNCRPD and with harmonised eligibility

criteria, rights and standards of social protection across the country. Persons with disabilities continue to face hurdles in accessing education, healthcare, employment and social assistance. The Council for Persons with Disabilities needs to be further involved in all relevant processes. The authorities also need to improve data collection, including sex-disaggregated data. Children with disabilities remain one of the most marginalised and excluded groups, facing stigma and discrimination along with inadequate services, especially in health and education. Many continue to be placed in residential institutions, which is a severe violation of their rights under international conventions. Bosnia and Herzegovina needs to urgently develop, adopt and implement a deinstitutionalisation strategy to move towards independent living and inclusion in the community of persons with disabilities. Both entities and the Brčko District have endorsed roadmaps for deinstitutionalisation, developed in cooperation with UNICEF.

### LGBTIQ persons

Bosnia and Herzegovina needs to implement the action plan on the rights of lesbian, gay, bisexual, transgender, intersex and queer (LGBTIQ) persons. The fifth Sarajevo Pride took place peacefully in June 2024. Hate crimes and hate speech against LGBTIQ persons remain insufficiently prosecuted, despite the existing legal provisions. No steps were taken to recognise and ensure the enjoyment of same-sex couples' social and economic rights, including the right to a family life. Intersex and transgender persons continue to be particularly marginalised. There was insufficient institutional follow-up on the March 2023 physical attacks on LGBTIQ activists in Banja Luka. Harmful comments by high-level politicians and public figures against the LGBTIQ community contributed to these developments. In July 2024, the *Republika Srpska* entity government proposed to remove gender identity as a protected ground in its criminal code; if adopted, this proposal would reduce the existing rights and make the code no longer in line with the state-level legislation on anti-discrimination.

### Procedural rights and victims' rights

The procedural rights and victim's rights of suspects, accused persons, witnesses and victims are generally upheld, although access remains uneven across the country, particularly for witnesses and victims. The four criminal procedure codes have yet to be further harmonised, and their enforcement is inconsistent. Bosnia and Herzegovina needs to ensure the essential procedural right to immediate access to a lawyer in police detention. The Federation entity law protecting the right to be tried within a reasonable time is still pending adoption. Legislation is not in line with the EU *acquis* on victims' rights and compensation to victims of crime, although services intended to fulfil these rights are available. Without comprehensive coverage and minimum common standards, the right to legal aid is still upheld unevenly, to the detriment of the most vulnerable. The legislative framework needs to be completed in the Federation entity and Central Bosnia and Herzegovina-Neretva cantons. A needs assessment would help identify and address the main gaps and ensure effective access to justice irrespective of one's place of residence.

### Protection of minorities

No progress was made towards adopting a countrywide strategy on persons belonging to minorities, and their participation in political and public life remains low. The National Minorities Councils should proactively develop practical, political and legislative initiatives. Minority members still cannot run for the Presidency and House of Peoples, in breach of the ECtHR (*Sejdić-Finci* case law), pending adoption of constitutional reforms to ensure the political equality and non-discrimination of all citizens of Bosnia and Herzegovina.

## Roma

The Roma are the most vulnerable and disadvantaged minority. Anti-Roma stereotypes and prejudices, discrimination and anti-gypsyism still hinder their social inclusion. The country has not allocated sufficient funding to implement the action plan on Roma inclusion (EUR 700 000 for 2024, same as for 2023). There is limited progress in implementing the Poznań Declaration commitments. Discrimination in employment remains rampant, and unemployment among the Roma is very high. Roma women in particular face multiple forms of discrimination. Roma women's rights are also violated in cases of domestic violence, early marriages, trafficking in human beings and labour exploitation of children. Compulsory education enrolment rates have increased, but the number of drop-outs remains very high. While education is not segregated, there is no teaching in the Romani language, and the public awareness of Roma culture is very limited. In 2023, the Tuzla Canton was the first to introduce the Romani language as an elective subject in the school curriculum. Around two thirds of Roma have access to healthcare; children outside education and elderly Roma face the biggest hurdles.

## Refugees and internally displaced persons

Bosnia and Herzegovina hosts around 90 000 refugees and internally displaced persons following the conflict in the 1990s, with 990 families (3 351 people) still living in one of the 45 collective centres across the country and in alternative accommodation. The authorities need to address their housing needs with sustainable solutions. To complete the process of return and fulfil its obligations to allow closure of Annex VII of the Dayton Peace Agreements, Bosnia and Herzegovina should ensure that returnees are able to enjoy their rights and should harmonise their access to services and resources. Bosnia and Herzegovina also needs to provide adequate humanitarian assistance and protection (including shelter, food and medical assistance) and effective access to the asylum procedure for asylum seekers and migrants.

### **2.2.2. Chapter 24: Justice, freedom and security**

*The EU has common rules for border control, visas, external migration and asylum. Schengen cooperation entails the lifting of border controls inside the EU. There is also cooperation in the fight against organised crime and terrorism, and judicial, police and customs cooperation, all with the support of the EU Justice and Home Affairs agencies.*

#### **Fight against organised crime**

Bosnia and Herzegovina has continued to align its legal framework on organised crime with the EU *acquis*, notably with the adoption of legislation on anti-money laundering.

#### Institutional set-up and legal alignment

**Police legislation** needs to be further aligned with European standards, as a lack of harmonisation hampers police operational capacities, accountability and integrity at all levels. Police oversight mechanisms via independent parliamentary boards need to be further strengthened. Standardised selection criteria are needed to minimise political interference, particularly for top police positions. The professionalism, integrity and accountability of law enforcement agencies need to be significantly improved.

The legal framework on the **fight against organised crime** is partially aligned with the EU *acquis*. A strategy for 2023-2026 is being implemented through action plans, except in the *Republika Srpska* entity. Bosnia and Herzegovina should establish capacities for asset management at the state level and establish or designate an asset recovery office at state level, to improve capacity

and effectiveness and to facilitate operational cooperation with EU Member States. Extended and third-party confiscations are possible but rarely used. The law does not allow confiscation of assets in the absence of previous court conviction.

The legal framework on **trafficking** in human beings is yet to be aligned with the EU *acquis*. A strategy and action plan 2024-2027 is pending adoption. The detection and identification of victims of trafficking in human beings and their compensation need to improve. Noticeable improvements in coordination, thanks to a dedicated section in the Prosecutor's Office of Bosnia and Herzegovina, resulted in an increased number of investigations and indictments. Multi-agency training courses on working with victims have increased. In particular, in 2023, there were seven investigations against eight persons, one criminal charge raised against two persons, 17 convictions against 24 individuals for trafficking in human beings.

Bosnia and Herzegovina needs to further align its legislation on **cybercrime** with the EU *acquis*. Specifically, it should sign the second additional protocol to the Budapest Convention on Cybercrime. The country needs to complete the strategic framework on fighting cybercrime; a strategy is only in place in the *Republika Srpska* entity.

A new Law on **anti-money laundering and countering terrorism financing (AML/CFT)** was adopted in February 2024, improving provisions on risk assessment and providing for a permanent coordinating body, in line with the EU *acquis*. Bylaws still need to be adopted. In February 2024, the Council of Ministers adopted a risk assessment for AML/CFT on virtual assets and an action plan for 2024-2027. A beneficial ownership register of legal persons, with a central access point for the competent authorities, has yet to be established. There is no progress in establishing a central register of bank accounts in BiH.

The strategy for the control of **small arms and light weapons (SALW)** will expire by end-2024 and needs to be replaced. The country is implementing the objectives of the EU action plan on firearms trafficking, in line with the regional roadmap, and has improved firearms detection capacities and destruction. Bosnia and Herzegovina needs to further align its legislation on firearms with the EU *acquis*.

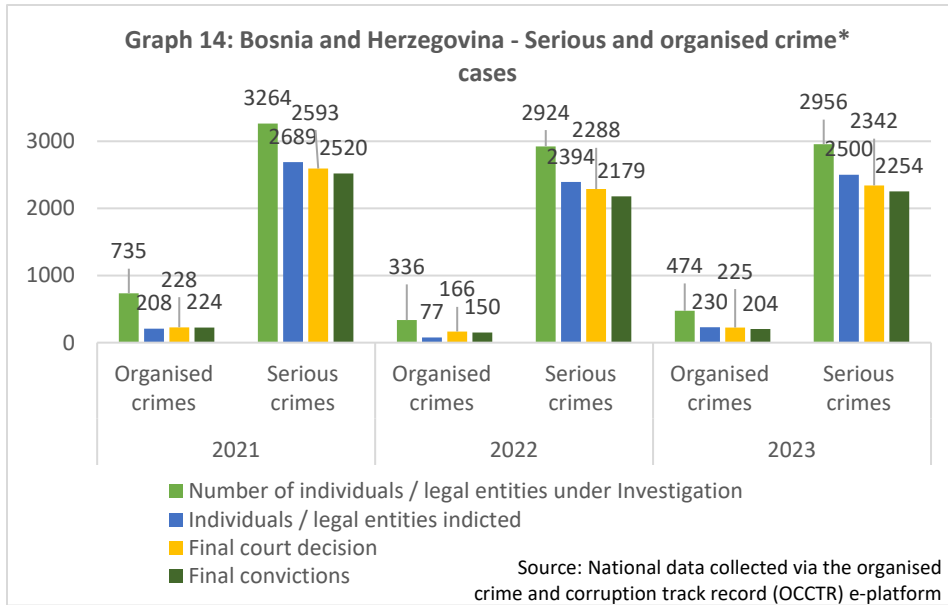
#### Implementation and enforcement capacity

The capacity to effectively dismantle criminal organisations is seriously hampered by the lack of harmonised criminal legislation, and exacerbated by the systemic lack of institutional coordination. There was some progress on joint operations tackling serious and organised crimes. However, there is still limited exchange of intelligence. Bosnia and Herzegovina increased its participation in EMPACT, the European multidisciplinary platform against criminal threats, with 8 operational actions in 2022 and 12 in 2023.

Bosnia and Herzegovina needs to prepare a new serious and organised crime threat assessment (SOCTA) in line with Europol methodology and step up the fight against transnational organised crime, in particular through increased involvement in EMPACT.

In seven organised crime cases, plea bargain agreements were concluded with 66 individuals.

There is no overall policy for timely and systematic **financial investigations**. While the number of such investigations increased compared with 2022, their use remains limited. The HJPC issued guidelines to chief prosecutors on mandatory financial investigations in corruption, organised crime and money laundering cases. These guidelines need to be implemented effectively.



\*Data on serious crime cases stem from the aggregation of cases of money laundering, cybercrime, production and trafficking of drugs, firearms related offenses, terrorism, trafficking in human beings and smuggling of persons. Corruption cases are showcased in Chapter 23.

For money laundering as a stand-alone crime, investigations and convictions declined slightly and remain insufficient.

The freezing, management and confiscation of criminal assets are not used effectively. The value of assets confiscated pursuant to court verdicts in 2023 amounted to over EUR 8 million (EUR 9 million in 2022).

Extended confiscation was proposed in 12 cases, two first-instance court decisions were made, and there were no second-instance court decisions in 2023. Confiscation of property from third parties was proposed in 13 cases, in four cases a first-instance court decision was made, and there were no second-instance court decisions in 2023.

**Intelligence-led policing** should be systematically used. While cooperation among law enforcement remains insufficient, there was some progress, including operations coordinated via Europol’s Secure Information Exchange Network Application (SIENA) system. Bosnia and Herzegovina’s use of Europol products and services increased after the contact point commenced operation in June 2023.

Tools for practical **cooperation between prosecutors’ offices and the police** are in place but require structural improvements to guarantee effective follow-up, prevent procedural delays and introduce good practices. Further upgrades are needed in the quality of reports, in the collection, analysis and sharing of data, and in the capacity of specialised joint investigation teams.

The electronic data exchange system for the records of police authorities and prosecution offices needs to be made fully functional. Forensic capacity remains fragmented. There is no operational countrywide DNA database, and DNA-profiling capacity is limited. There is limited swift exchange of forensic data with other countries. The creation of a new automated fingerprint information system (AFIS) is long overdue.

Law enforcement agencies still lack sufficient and trained staff to fight **trafficking and smuggling of human beings**, although the capacity of the Prosecutor’s Office increased. Evidentiary proceedings still require additional standardisation. The task force for fighting trafficking in human beings ensured solid coordination efforts between prosecution and law enforcement agencies, with a noticeable increase in convictions. International cooperation improved. Bosnia and Herzegovina takes part in the Global Alliance against Migrant Smuggling, launched in November 2023.

The authorities should strengthen their capacity to effectively tackle **cybercrime**, including online child sexual abuse. Through EMPACT, law enforcement authorities strengthened cooperation in the fight against sexual abuse of children. Convictions remain very few, with suspended sentences in over half the cases.

On **firearms control**, seizure of explosives and weapons increased, but the country still needs to establish a firearms focal point and align the criminal codes with the UN Firearms Protocol.

Pronounced convictions in 2023 included 41 prison sentences (35 in 2022, 23 in 2021), 37 fines (22 in 2022, 32 in 2021) and 124 suspended sentences (160 in 2022, 168 in 2021).

Since 2021, Bosnia and Herzegovina needs to revise the working arrangement for cooperation with the EU Agency for Law Enforcement Training (CEPOL).

### Cooperation in the field of drugs

#### Institutional set-up and legal alignment

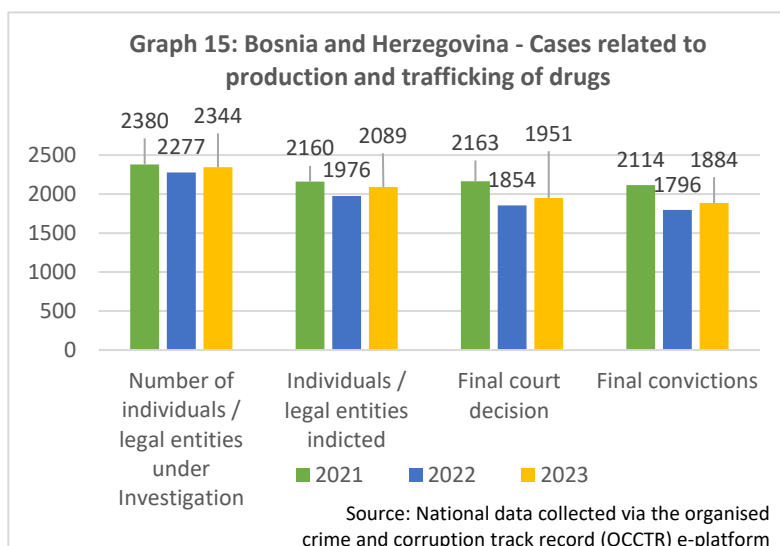
Cooperation in the field of drugs needs to be improved. The strategy on drugs expired in 2023 without being implemented and has not been replaced. In December 2023, Sarajevo Canton adopted a 2024-2028 strategy on drugs and an action plan. The legal framework is only partly aligned with the EU *acquis*, notably for minimum rules on drug-related criminal offences and sanctions. By law, the entire quantity of drugs seized must be presented as evidence in court proceedings, rather than just a sample, which creates risks.

Bosnia and Herzegovina cooperates with the European Union Drugs Agency (EUDA); it should designate a correspondent agent and put in place a working arrangement with EUDA.

Bosnia and Herzegovina should: (i) establish a national drug observatory; (ii) provide information in line with EUDA requirements; (iii) adopt legislation on new psychoactive substances and introduce an early warning system; and (iv) establish a focal point for drug issues for the entire country.

#### Implementation and enforcement capacity

Bosnia and Herzegovina remains both a transit country and final destination for drugs. The list of criminalised psychoactive substances has not been updated since 2011.



### Fight against terrorism

Bosnia and Herzegovina is progressing towards its objectives in the fight against terrorism.

#### Institutional set-up and legal alignment

Anti-terrorism legislation is not yet completely aligned with the EU *acquis* and international law. Criminal legislation needs to be amended to align the list of criminal offences and ensure stricter sanctions for terrorism offences. Laws on the protection of critical infrastructure (in



place so far in the *Republika Srpska* entity only) should be developed and adopted at all levels of government. Legislation on explosives precursors still needs to be aligned with EU *acquis*.

A strategy against terrorism and violent extremism is in place since November 2022, with action plans adopted at all levels in 2023 and a coordination body to monitor implementation. Implementation of the bilateral arrangement with the EU under the Joint Action Plan on counter terrorism for the Western Balkans advanced, but many actions are yet to be implemented.

#### Implementation and enforcement capacity

Coordination, cooperation and intelligence sharing among security agencies need to become more structured and efficient.

Around 160 citizens of Bosnia and Herzegovina, including women and children, are estimated to remain in Syria and Iraq. Three foreign terrorist fighters returned to Bosnia and Herzegovina between 2023 and 2024 and were arrested upon arrival.

In 2023, six investigations were initiated for terrorism against seven individuals. In March 2024, the state-level court sentenced one person to three years of imprisonment for organising a terrorist group. No final conviction was delivered. In the first semester of 2024 one person was indicted for planning a terrorist attack.

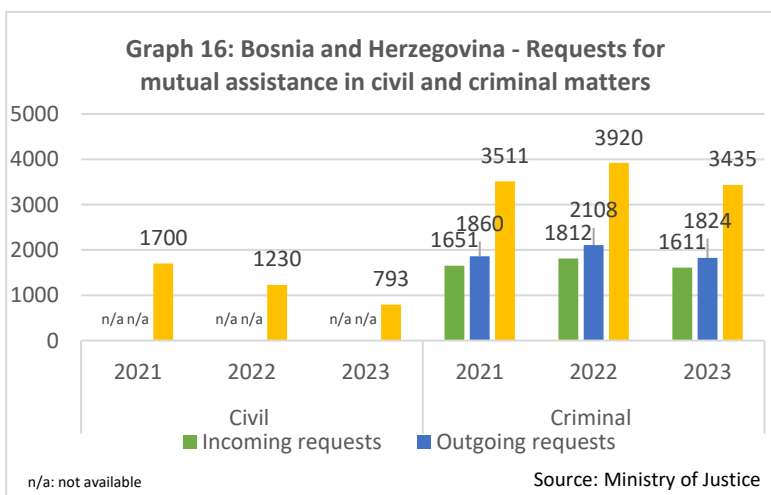
Security agencies and local authorities need to develop a coordinated approach to prepare the release from prison of terrorism offenders who have served their sentences. Very limited assistance is available to help them disengage from violent extremism.

Bosnia and Herzegovina needs to further develop the capacity to investigate and prosecute the financing of terrorism and to counter terrorist content online. The country should improve collaboration with the internet referral unit at Europol to deal with terrorist content online, and adopt a more proactive approach to exchange information via the Europol contact point.

Civil society and the institutions responsible for labour, social welfare, education, young people and health at all levels of government need to be more effectively included in preventive efforts.

#### **Judicial cooperation in civil and criminal matters**

Judicial cooperation in civil and criminal matters needs to be improved. The legislative framework for mutual legal assistance in civil and criminal matters is in place but not always applied effectively. Bosnia and Herzegovina still needs to accede to certain instruments under the Hague conference on private international law. The number of processed requests for mutual assistance in civil matters increased, while in criminal matters the numbers remained stable; the processing time is adequate.



In October 2024, the Presidency authorised signing the agreement on judicial cooperation with Eurojust. As a prerequisite for judicial cooperation with Eurojust, Bosnia and Herzegovina needs to align its legislation on data protection with the EU *acquis*. The country participates in a Eurojust-led project but was not part of any joint investigation teams under the project. The Prosecutor’s Office of Bosnia and Herzegovina signed a working arrangement with the European Public Prosecutor’s Office in November 2023.

### Legal and irregular migration

Improvements need to continue in the management of legal and irregular migration.

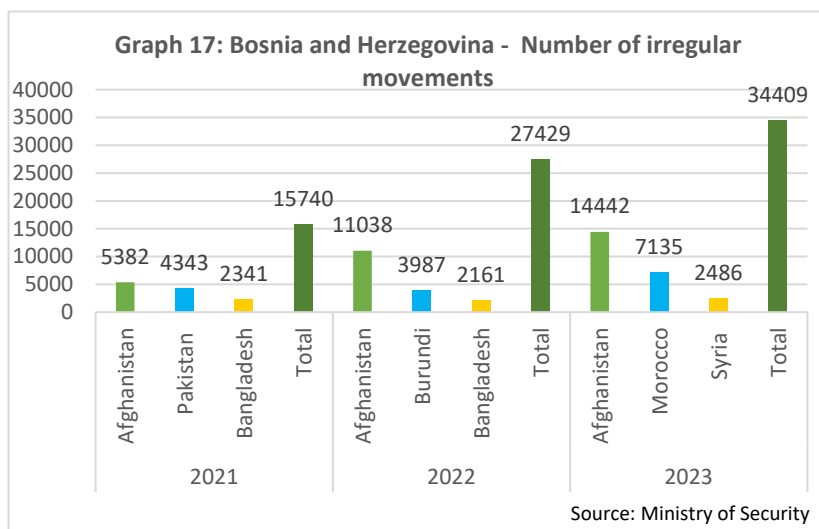
#### Institutional set-up and legal alignment

The legal framework, including the Law on foreigners, is broadly aligned with the EU *acquis*. There is no budget to implement the strategy and action plan on migration and asylum 2021-2025.

#### Implementation and enforcement capacity

Bosnia and Herzegovina did not advance in taking over responsibility for the management of temporary reception centres. The competent agencies remain significantly understaffed and only limited funding is available to manage migration, which impacts effectiveness.

Coordination and sharing of responsibility in hosting asylum seekers and migrants among all levels of government remain insufficient. In 2023, more people entered the country irregularly than in 2022; 27 915 people expressed the intention to seek asylum (25 705 in 2022). A total of 64 115 migrants were registered as staying in the four EU-funded temporary reception centres in



the Una-Sana and Sarajevo cantons throughout 2023, with an additional 13 000 estimated outside centres. The Service for Foreigners’ Affairs of the Ministry of Security does not register all migrants staying in the reception centres. In 2023, Bosnia and Herzegovina had capacity to host over 4 500 people at any time, which is sufficient; The highest daily occupancy rate was 3 043 people. The multi-purpose reception and identification centre in Lipa, near Bihać, is operational, but the detention unit within the centre is not, as the legal framework is not in place yet.

In 2023, a total of 2 013 Ukrainian refugees resided in Bosnia and Herzegovina. They are granted temporary residence on humanitarian grounds for 6 months, which can be extended.

Bosnia and Herzegovina needs to improve the legal framework and implementation procedures for voluntary and forced return, which remain mostly based on donors’ assistance. In 2023, Bosnia and Herzegovina carried out 123 voluntary returns and 43 forced returns. The absence of diplomatic representation of countries of origin, and of cooperation to ensure identity documents for non-voluntary returns, continue to pose a challenge.

Implementation of readmission agreements is overall satisfactory. Accelerated readmission procedures with neighbouring countries remain suspended, except with Croatia. In 2023, Bosnia and Herzegovina accepted 2 458 migrants returned from Croatia under the bilateral readmission agreement. Cooperation with neighbouring countries is necessary to ensure efficient management of the external borders, while respecting fundamental rights and international obligations.

## Asylum

Bosnia and Herzegovina needs to guarantee access to quality and effective asylum procedures.

### Institutional set-up and legal alignment

The Law on asylum is broadly aligned with the EU *acquis* and good practices. Cooperation with the European Union Asylum Agency (EUAA) is satisfactory, but a new roadmap needs to be signed. The Asylum Sector of the Ministry of Security remains understaffed.

### Implementation and enforcement capacity

The number of asylum applications in 2023 remained low, compared to the number of people who expressed the intention to apply for asylum.

Bosnia and Herzegovina should make its fingerprint systems compatible with EURODAC standards. No cases of *refoulement* were reported in the reporting period.

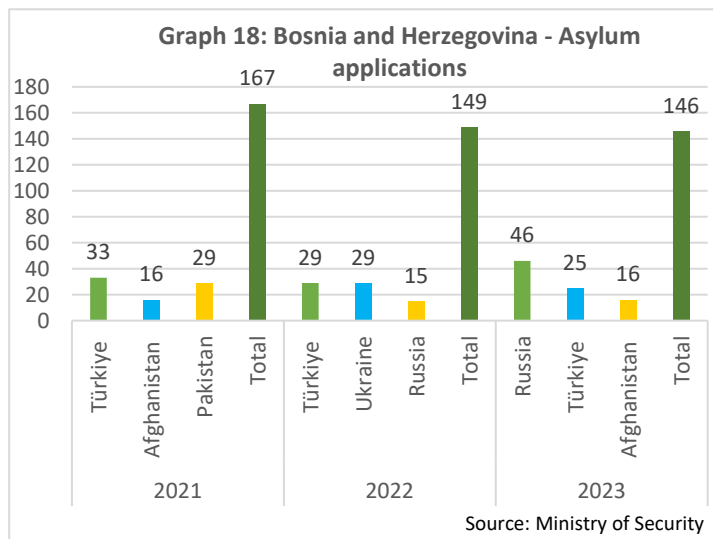
Further alignment is needed, particularly to ensure standardised examination of applications for international protection and systematic access to procedural guarantees.

Further alignment is also needed on strengthening the asylum and reception systems in line with the Common European Asylum System and European standards.

The processing time of asylum requests improved but remains long. Out of 146 applications lodged in 2023, 4 people received a refugee status. The budget for integration of refugees is sufficient. The Delijaš asylum centre has good reception conditions but is underutilised, with an average of 10 occupants for a capacity of 154 beds.

## Visa policy

Visa policy still needs to be aligned with the EU visa policy. Pending full alignment, Bosnia and Herzegovina should apply additional security measures, such as increasing the capacity of border guards and engaging in dialogue with third countries and other relevant parties (e.g. airlines) to increase situation awareness, information exchange and prevention, including the legal measures on exit, control of name change and criminalisation of assistance to irregular migration. Visa application and issuing procedures are harmonised with the EU *acquis*. The country should introduce biometric visa applications and allow commercial intermediaries. Bosnia and Herzegovina still does not have a fully functional central visa information system.



Bosnia and Herzegovina needs to fully align with EU visa policy by terminating visa-free regimes with Azerbaijan, Kuwait, Saudi Arabia (seasonal), Qatar, Türkiye, Russia and China. The country removed visa-free agreements with Bahrain in September 2023 and Oman in January 2024. Seasonal visa exemption measures are not in line with the EU *acquis*.

According to Eurostat, in 2023, 1 605 asylum applicants from Bosnia and Herzegovina were registered in the EU27 (-28% compared to 2 220 in 2022).

Travel documents policy still requires additional control mechanisms on procurement and manufacturing of biometric travel documents. There is full alignment with EU standards on security features and on procedures for applying for and issuing travel documents, notably biometric passports.

## **Schengen and external borders**

### Institutional set-up and legal alignment

The legislation on the management of external borders is not aligned with the EU *acquis*. Bosnia and Herzegovina needs to adopt a new law on border control, in line with the EU *acquis*, and a new strategy and action plan for integrated border management.

Negotiations for a status agreement, which would allow Frontex to deploy border management teams of the European Border and Coast Guard standing corps with executive powers to Bosnia and Herzegovina, started in May and were finalised in September 2024, while negotiations for an updated working arrangement with Frontex have not yet started.

Bosnia and Herzegovina still needs to establish an advanced passenger information / passenger name record (API/PNR) system. The Joint Risk Analysis Centre improved its business processes, establishing clearer structure, business rules and procedures in the Border Police at all operational levels. The centre continued its progress on police data exchange with neighbouring countries and EU Member States. Bosnia and Herzegovina needs to establish a national coordination centre in line with the Frontex Regulation.

### Implementation and enforcement capacity

The Border Police is understaffed, with a quarter of vacancies not filled. Inter-agency cooperation on fighting irregular migration continued, with support for border surveillance operations. Joint preventive operations were carried out against human trafficking and smuggling in temporary reception centres, with increased detection of smuggling cases. Police cooperation with neighbouring countries continued, with joint operations taking place.

Border infrastructure and equipment are yet to be improved. The new joint border crossings with Montenegro simplified border checks. Bosnia and Herzegovina needs to close illegal border crossings, particularly on the border with Montenegro. The Border Police has adequate access to international police databases at border crossings, including the INTERPOL database on stolen and lost travel documents. The central investigation office within the Border Police has increased investigations on human smuggling but lacks staff to support their investigative capacities. The Border Police has an anti-corruption plan and officers attend regular training.

## **Euro counterfeiting (criminal law aspect)**

The relevant legislation is not in line with the EU *acquis* on the suppression of counterfeit currency. The criminal codes need to be further aligned with the EU Directive on the protection of the euro and other currencies against counterfeiting. Law enforcement and judicial authorities are in place to deal with counterfeit money.

## 2.3. ECONOMIC CRITERIA

Table 2.1: Bosnia and Herzegovina - Key economic figures	2015-20 average	2021	2022	2023
GDP per capita (% of EU-27 in PPS) <sup>1)</sup>	32	34	35	35
real GDP growth <sup>2)</sup>	2.4	7.3	3.7	1.9
Activity rate of the population aged 15-64 (%), total	55.2	59.1	59.1	59.8
<i>female</i>	43.3	46.7	46.3	47.0
<i>male</i>	67.0	71.4	71.8	72.3
Unemployment rate of the population aged 15-64 (%), total	21.1	17.5	15.4	13.2
<i>female</i>	24.2	22.2	19.9	16.7
<i>male</i>	19.1	14.5	12.7	10.9
Employment of total population (annual growth %)*	2.5	0.9	1.4	2.9
Nominal wages (annual growth %)	2.3	4.4	11.7	13.0
Consumer price index (annual growth %)	0.0	2.0	14.0	6.1
Exchange rate against EUR	1.96	1.96	1.96	1.96
Current account balance (% of GDP)	-3.9	-1.8	-4.3	-2.7
Net foreign direct investment, FDI (% of GDP)	2.1	2.7	3.0	3.3
General government balance (% of GDP)	0.5	-0.3	-0.4	-1.2
General government debt (% of GDP)	36.6	33.9	29.3	26.9

Notes :

1) Eurostat

2) Expenditure side GDP

\* There is no comparable time series for the age group 15-64

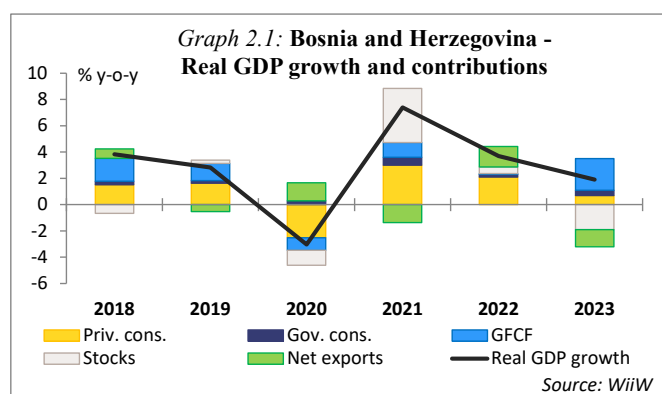
Source: Eurostat, national sources

### 2.3.1 The existence of a functioning market economy

#### Economic governance

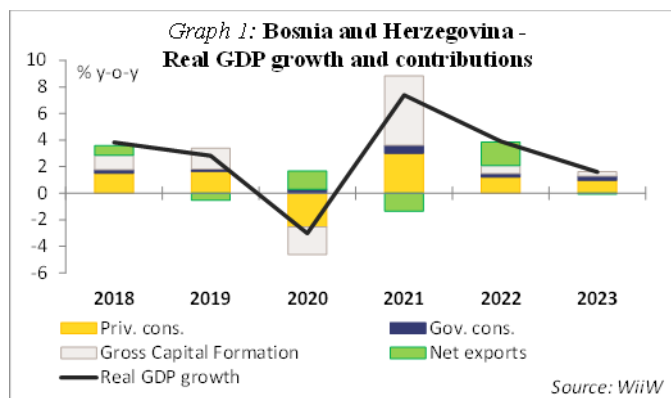
**Economic governance remained negatively affected by resurfacing political tensions.** Policy formulation and implementation are seriously hampered by highly politicised decision-making processes, institutional fragmentation and insufficient cooperation between key stakeholders, leading to lengthy delays in overdue structural reforms. For example, recurring delays in approving the state-level budget and in appointing the vacant judges to the Constitutional Court had a significant negative impact on the functioning of state-level institutions, such as the judiciary. The 2024-2026 Economic Reform Programme (ERP) was again submitted with a significant delay and its quality suffered from a lack of internal consistency and cooperation between the various stakeholders. Fiscal policy focused on short-term issues while neglecting longer-term challenges such as raising the country's growth potential through investment.

**Implementation of the policy guidance jointly adopted at the May 2023 Economic and Financial Dialogue has been partial.** Some effort has been made to cushion the impact of external shocks and increase



public investment. The analytical capacities of governmental institutions remained limited, including in the field of statistics. After a delay of two and a half years, a new central bank governing board has been appointed. Partial progress has been achieved on simplifying business registration, licencing and permitting procedures, but there was no progress on harmonising them countrywide, resulting in increasing economic fragmentation.

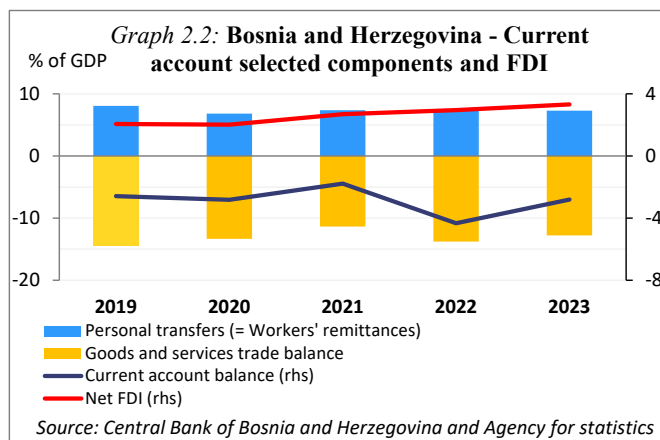
### Macroeconomic stability



**After a strong rebound from the pandemic-induced recession, economic activity slowed in 2023, reflecting a deteriorating international environment and the impact of high inflation.** Annual output growth slowed from 3.8% in 2022 to 1.9% in 2023. This mostly reflects weaker than expected external demand, while domestic demand performed better than expected, supported by relatively low interest rates and an expansionary fiscal policy. In 2023 and the first half of 2024, the main driver of output

growth was private consumption, increasing by 1.6% year on year and 2.2% respectively, contributing 1.4 and 1.1 percentage points to overall output growth. Government consumption increased by 1.4% and 2.1% respectively. In the first half of 2024 real GDP growth picked up slightly to 2.4% year on year, from 2.2% in the same period a year before, mainly driven by domestic demand.

**A slow pace of catch-up with EU living standards points to significant structural weaknesses.** GDP growth averaged 3% over the last decade. This is slow considering the country's relatively low GDP per capita, which stood at 35% of the EU-27 average in 2023, only 4 percentage points higher than in 2017 and significantly lower than most other Western Balkan countries. The main underlying reason is the slow speed of structural reforms to strengthen the functioning of labour and product markets and the country's institutional and legal framework.

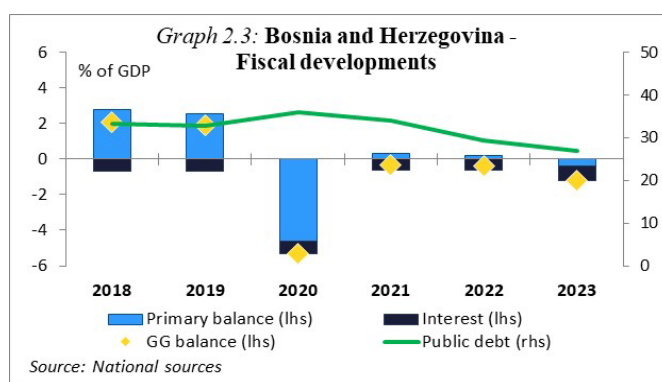


**The current account deficit shrunk to 2.7% of GDP in 2023, benefiting from weaker import growth and lower import prices.** Trade dynamics were weak in 2023, but lower export revenues were more than compensated by falling import values, higher income from service exports (especially tourism) and higher remittances. The main drivers were lower exports of base metals and mineral products amid lower foreign demand from Germany, Italy and Croatia, which together account for about 40% of total exports. Net inflows of foreign direct investments (FDI) stood at 3.3% of GDP in 2023, largely unchanged from previous years. The main FDI inflows were in the electricity, financial and petroleum and coal sectors (about 10% of total inflows each). In the first half of 2024, the 4-quarter moving-average current account deficit stood at

3.6% of GDP, compared to 3.8% a year before, reflecting muted export growth but resilient imports.

**Annual headline inflation continued to decelerate, from 14.0% in 2022 to 6.1% in 2023.** In the first seven months of 2024, annual inflation fell further to 1.9% on average. The main drivers were still relatively high price rises for food and non-alcoholic beverages and for household equipment. Transport prices, a key inflation driver during 2022, continued to decline. High nominal wage growth of 13% in 2023 and 9.8% in the first seven months of 2024 risk to keep upward domestic price pressures in the near future. The absence of a published indicator of core inflation impedes the analysis of inflation dynamics.

**The fiscal outcome in 2023 benefited from stronger than anticipated revenue growth, but current spending has been adjusted accordingly, weakening the fiscal position.** The main sources for the better than expected revenue performance were: (i) indirect taxes boosted by resilient household spending; (ii) social contributions from higher wages and increased employment; and (iii) profit taxes partly due to significant energy price-driven profits in the largely state-owned electricity production sector. On the spending side, social transfers and collective consumption rose strongly. Public investment remained at 3.5% of GDP. The general government debt ratio declined from 29.3% at end-2022 to 26.9% at end-2023, benefiting from strong nominal GDP growth. However, permanent increases in current spending have weakened the country's fiscal position. Debt rollover needs remain substantial in the light of tighter financing conditions.



**Overall, Bosnia and Herzegovina's macroeconomic policy mix does not adequately address the country's main challenges such as accelerating the economic convergence process.** As Bosnia and Herzegovina's currency board regime limits the room for monetary policy, fiscal policy is one of the country's key macroeconomic policy tools to manage aggregate demand. However, this policy tool is not used sufficiently. Instead, available fiscal space tends to be used for consumption purposes, and benefitting from temporary, post-COVID strong revenue growth the authorities approved significant permanent expenditure increases, impeding the country's fiscal liquidity position. Furthermore, the effectiveness of fiscal policy in strengthening the country's growth potential is severely limited by insufficient cooperation among the various fiscal policy stakeholders and by the absence of an independent and competent fiscal council. The lack of timely fiscal data consolidated at country level constrains the assessment of the country's underlying budgetary position.

### Functioning of product markets

#### *Business environment*

**The business environment continues to suffer from a weak rule of law, political uncertainty and the country's economic and institutional fragmentation.** Property rights are largely well established, although implementing them remains cumbersome in some areas, such as real estate registration. In other areas, ownership by foreign entities is limited. Enforcing contracts remains difficult, in particular to settle commercial disputes, and there is a substantial backlog

in court cases. Political disputes over the powers of the Constitutional Court of Bosnia and Herzegovina and delays in nominating court judges undermine confidence in the legal system. Doing business across the entire country is still impeded by technical and administrative obstacles, such as the need to obtain the same licences or permits in each entity or local government area and to pay a range of different local taxes and fees. This increases the costs of establishing a company, prevents competition and deters investors, hindering the functioning of a single economic space. As the pace of alignment with the EU *acquis* differs between the entities, the country's economic and legal fragmentation has actually further deteriorated. Economic and social dialogue between the authorities and social partners is underdeveloped, which has a negative impact on the quality of adopted legislation. Overall, only very limited progress has been achieved to improve the business environment.

**The informal economy continues to account for a significant share of economic activity.**

Although increased labour market inspections have helped encourage employment registration, the informal sector is estimated to still account for up to one third of GDP. Undeclared work provides substantial (unregistered) employment and income but distorts competition and erodes the tax base. This means that rates for taxes and social security contributions have to be higher than is otherwise necessary. It also results in lower pension benefits, increases the poverty risk for older people and adds to an already significant fiscal burden on registered labour. This in turn impedes formal employment and limits Bosnia and Herzegovina's international competitiveness. Corruption is still prevalent in many areas. In this respect, the adoption of a state-level law on preventing conflict of interest is a step in the right direction. However, the track record of convictions for high-level corruption remains limited and the legal and institutional anti-corruption framework has overall deteriorated during recent years.

*State influence on product markets*

**State influence in the economy is still significant and progress in reducing the State's role has remained limited.** Although most of the temporary measures related to the energy price shock have expired, the impact of the public sector on factor allocation remained high, in particular in the labour market, due to the State's significant role as an employer in public administration, health and education and in publicly owned enterprises. Overall, these areas account for about one third of total employment. Some publicly owned enterprises have a special legal status and different treatment when it comes to paying social contributions, accumulating payment arrears (accounting for some 4% of GDP according to IMF estimates) or paying wage premiums. This puts them at an advantage compared with private companies. However, support continues for poorly performing publicly owned enterprises and oversized public administration. The efficiency and quality of public services and access to them is limited by poor human resource management and accountability. Public procurement procedures continue to be complex and administrative capacity and competition remain low. This facilitates corruption and leads to a preference for domestic suppliers, which is incompatible with the EU *acquis* (see also Chapter 5 – *public procurement*). There is still a wide range of regulated prices. The official level of State aid is relatively low (at 1.1% of GDP in 2022. Data for 2023 is not available yet.), although significant indirect state support continues to undermine the level playing field. State aid control is still hindered by only partial legal alignment with EU standards and the lack of consistent enforcement of State aid rules throughout the country. The State Aid Council's powers and capacities remain limited, leaving room for distortions of competition.

*Privatisation and restructuring*

**Publicly owned companies still account for a significant proportion of the economy, but no**



**progress was achieved on their restructuring and privatisation.** There are over 550 publicly owned enterprises at entity and municipal level, employing around 10% of the total workforce, with assets worth an equivalent of 100% of GDP. The officially recorded total debts of these companies stand at 26% of GDP (IMF, 2019). Many public enterprises are in poor financial shape and require both explicit and implicit budgetary support, placing a heavy burden on public finances and thus on taxpayers. The monitoring and managing of fiscal risks is still insufficient. The economic governance of publicly owned companies suffers as a result of often highly politicised board appointments. Initial steps to address some of the payment arrears and – in the *Republika Srpska* entity – to improve the governance and oversight of publicly owned enterprises have been taken, but the impact of these steps remains very limited.

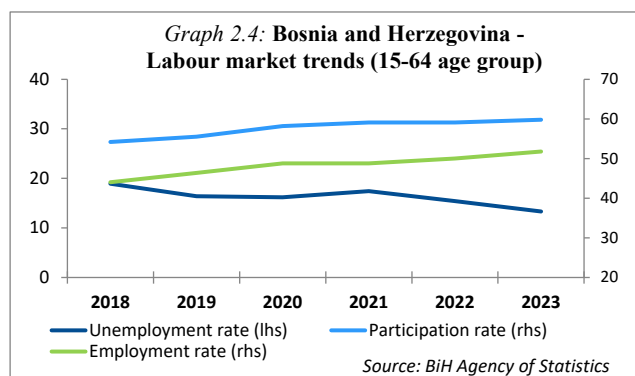
### Functioning of the financial market

**Financial sector stability has been maintained, but important challenges remain.** Despite some progress in addressing systemic risks, the financial sector’s safety net does not meet international standards, for example, missing a country-wide stability fund. The alignment with the EU’s Anti-Money Laundering Directive (AML/CFT) has remained partial. Furthermore, certain local banks risk to become subject to US sanctions or crypto-asset lawsuits, which could have a negative impact on the country’s financial sector as a whole. The complexity of the institutional set-up hinders adequate financial sector supervision. For example, the Standing Committee for Financial Stability, which plays a pivotal role in the sector’s supervision, has not met since March 2022. Economically, the sector’s profitability and liquidity has been high, benefiting from a strong increase in deposits (7.2% and 7.8% in 2023 and in the first seven months of 2024) and high interest rate differentials. Nominal credit growth accelerated, increasing by 5.0% and 8.5% in 2023 and the first seven months of 2024, respectively. However, the credit financing maturity structure has deteriorated. Non-performing loan ratios as an indicator for credit risks continued to decline, reaching 3.5% in Q2-2024. However, credit risks appear markedly higher in some smaller, domestically owned banks. The size of the non-bank financing sector and of the capital markets remained small, with a stock market capitalisation of about 23% of GDP in 2023. For many micro and small companies, gaining access to credit remained difficult.

### Functioning of the labour market

**The labour market remained resilient, but high unemployment rates, low labour participation and labour shortages point to persistent structural issues.** Registered annual employment

growth decelerated from 2.3% in 2022 to 1.4% in 2023 and 0.4% in the first half of 2024, while the unemployment rate (according to the Labour Force Survey) dropped from 15.4% in 2022 to 13.3% in Q2-2024. However, youth unemployment (age group 15-24) rose slightly from 29.1% in Q2-2023 to 30.4% in Q2-2024. A relatively high inactivity rate among women contributes to an overall rather low activity rate. The amount of informal employment remains high. Labour out-



migration remained significant, leading to labour supply shortages and a negative impact on the country’s medium-term growth potential. In response to those shortages, the authorities have further increased available quotas for foreign employment permits. The share of long-term

unemployment remained particularly high, at about 75% of unemployed people looking for a job for more than 1 year. Key driving factors are skills mismatches, insufficient job opportunities and a high tax wedge (i.e. high taxation of earnings from labour). Officially recorded wages rose by some 6% in real terms in 2023 and of 7.6% the first seven months of 2024, which is above productivity improvements. Strong minimum wage increases could increase inflation and have a negative impact on the country's external competitiveness. Overall, governmental policies to address the country's labour market challenges have been insufficient.

### 2.3.2 The capacity to cope with competitive pressure and market forces within the Union

#### Education and innovation

**Education outcomes are not well-matched with market needs.** Despite sizeable public spending on education (some 5% of GDP, when also including foreign donations), the education system continues to fail to provide the country's labour force with the skills and knowledge necessary for smooth integration into the labour market. These are important factors for a particularly high youth unemployment rate according to the Labour Force Survey (30.4% in Q2-2024), twice the overall unemployment rate and one of the highest in the region. Insufficient coordination among the numerous stakeholders leads to a lack of common standards for various levels of education and to differences in the quality of teachers' training and performance evaluation. Participation in early childhood education and care is significantly lower than in the EU and elsewhere in the region. The illiteracy rate remains around 3%, affecting women in particular. The country has stopped participating in the PISA (Programme for International Student Assessment) evaluation, abandoning an important source of information for improving education policy. Upskilling strategies to increase the workforce's skill levels are not sufficiently developed and lack sufficient providers. Investment in research and development has remained insufficient, while the lack of coordination among the various stakeholders results in overall poor spending efficiency. However, local administrations have taken some action to modernise education curricula and increase available funds. No progress has been achieved in improving the functioning of science and technology parks.

#### Physical capital and quality of infrastructure

**Bosnia and Herzegovina's capital endowment remains inadequate.** Continued political stalemates and uncertainties, as well as insufficient work on prioritising the most important projects, continued to have a negative impact on investment, impeding the country from achieving a higher growth trajectory. The growth of gross fixed capital formation slowed to 1.2% in 2023, with the investment's share in GDP dropping slightly to 26.6% in 2023. Net foreign direct investment stood at 3.3% of GDP in 2023, significantly lower than in other countries in the region. Due to Bosnia and Herzegovina's high energy intensity and heavy reliance on lignite coal, the level of CO<sub>2</sub> emissions is a major concern, in particular in the light of the EU's upcoming carbon border adjustment mechanism (CBAM), which is likely to have a significant impact on the country's exports. Despite some positive developments on entity level, a reliable and secure energy supply is still impeded by the lack of a single regulatory framework to attract investment in a low-carbon energy sector. The country has started to prepare a National Energy and Climate Plan (NECP), which however is not adopted yet. Environmental standards have remained low and are often neglected. This is detrimental to the health (and thus productivity) of the labour force and is an additional factor driving brain drain. There has been some (largely foreign-financed) progress in improving road infrastructure and some local initiatives to attract and promote investment.

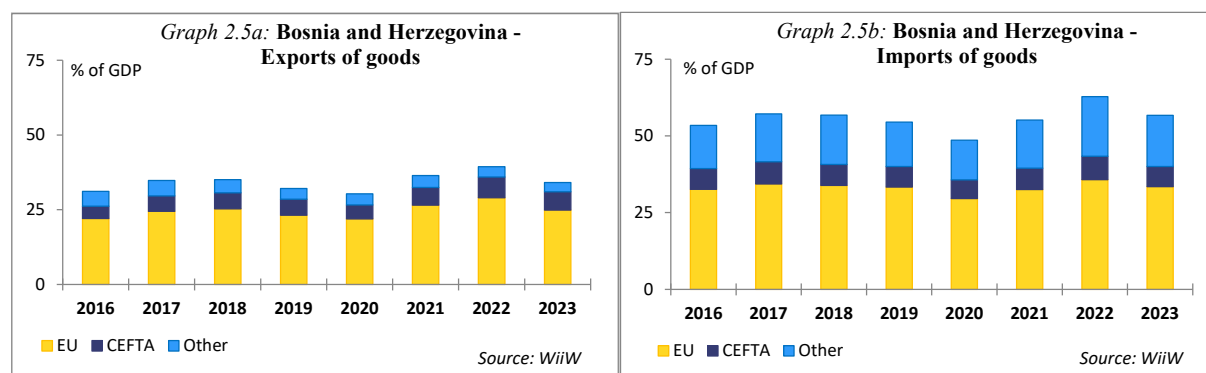
**Digitalisation of the economy is a key challenge but is hampered by fragmented decision-making and a lack of funding.** Issues include the continuing lack of countrywide harmonisation of e-signatures and the necessary coordination, cooperation and data exchange between different administrative authorities. A new law on electronic identification and trust services for electronic transactions with a single supervisory body for the whole country in line with the EU *acquis* is still lacking.

### Sectoral and enterprise structure

**Bosnia and Herzegovina’s production structure continued to shift gradually from agriculture, industry and public administration towards tourism, trade and IT services.** Between 2018 and 2023, the share of value added in trade, transport, tourism and IT rose from 23.7% to 26.7%, while the share of agriculture, industry and public administration dropped from 40.8% to 37.6%. The number of active companies increased in 2022<sup>13</sup>, mainly driven by micro companies (0-9 employees) in the service sector. Some 93% of all companies are small and micro businesses (i.e. with less than 50 employees). Overall, the speed of structural change has been limited.

### Economic integration with the EU and price competitiveness

**Trade and investment integration with the EU remained high.** Over the last 5 years, trade shifted towards neighbouring countries such as Serbia, although the country’s traditional export markets (Germany, Italy, Croatia, Austria) clearly remain the main destination. The share of the EU-27 in total merchandise exports rose from 72.2% in 2018 to 73.0% in 2023, while the share of Central European Free Trade Agreement (CEFTA) countries increased from 15.3% in 2018 to 18.0% in 2023. Bosnia and Herzegovina’s openness to trade (exports and imports as a percentage of GDP) increased from 98.4% in 2018 to 102.2% of GDP in 2023 but remains relatively low given the small size of its economy. The export structure is not very diversified and relies mainly on basic metals, machinery and chemical products. The EU integration of the country’s financial and capital markets is also still rather low, although a large part of the banking sector is owned by European banks. About two thirds of the foreign direct investment (FDI) stock originate from EU countries.



**Bosnia and Herzegovina’s overall price competitiveness has continued to deteriorate slightly.** This is reflected in an appreciation of the real effective exchange rate, resulting from the strengthening of the euro, to which the domestic currency, the Convertible Mark (KM), is pegged. Furthermore, the recent relatively high wage increases could have a negative effect on the country’s international price competitiveness.

<sup>13</sup> No data for 2023 available.

## 2.4. PUBLIC PROCUREMENT, STATISTICS AND FINANCIAL CONTROL

### Chapter 5: – Public procurement

*EU rules ensure that public procurement of goods, services and works in any Member State is transparent and open to all EU companies on the basis of non-discrimination and equal treatment.*

#### Institutional set-up and legal alignment

The **legal framework** is partially in line with the EU *acquis*. The Council of Ministers adopted the 2024-2028 public procurement strategy and action plan in March 2024 with the main purpose of drafting a new public procurement law. In July 2024, Parliament amended the Law on public procurement to improve efficiency of the legal protection mechanism in public procurement procedures. Eight bylaws on the implementation and improvement of the public procurement system were adopted. The legal framework on concessions and public-private partnerships remains highly fragmented and not aligned with the EU *acquis*.

The Public Procurement Agency has insufficient staff to implement, monitor and support public procurement policy. Better coordination is needed with the Competition Council and with the audit and judiciary institutions.

The procurement practice remains formalistic. The exchange of information and submission of tenders is not conducted electronically, as per EU standards. Some upgrading of the e-procurement portal enabled the opening of public procurement data with new functionalities. The portal needs to be further developed and used to increase transparency. The mandatory use of e-auctions needs to be revised to improve the integrity and efficiency of the procurement process. While the e-procurement system is robust, it lacks user-friendly features and full e-communication functionalities to achieve its full impact.

#### Implementation and enforcement capacity

In 2023, the **public procurement market** represented 10.31% of the country's GDP, a decrease of 0.34 percentage points compared with 2022. The average number of bids per tender remains low at 1.93 in 2023.

In **monitoring the award and implementation of contracts**, the administrative capacity of the Public Procurement Agency is insufficient to fulfil its tasks. Its role should be strengthened to identify potential weaknesses and irregularities in procurement procedures. Statistics show a slight decline in the use of the negotiated procedure without prior publication (6.05% in 2023 compared with 6.69% in 2022). Over half of tenders (55.62%) received only one bid, and 86.5% of public contracts used price as the only award criterion, which is high. No mechanism has been put in place to regularly coordinate the interpretation of public procurement legislation between the key institutions involved.

**The capacity to manage public procurement processes** is weak. Specialised procurement functions need to be established in each contracting authority. More efforts are needed to improve **integrity and avoid conflicts of interest** in the public procurement process, which remains prone to irregularities and vulnerable to corruption. The Public Procurement Agency organised specialised training for most contracting authorities and strengthened its cooperation with prosecutors and civil society to monitor violations of procurement rules. Cooperation with the courts and with civil society needs to further increase. The first high-level corruption case on public procurement ended with final convictions (*Novalic et al.*).

## Efficient remedy system

The legislation on the **right to appeal** is broadly in line with the EU *acquis*. The Procurement Review Body faces insufficient technical capacity) and a high volume of appeals), compounded by problems with case law accessibility, prolonged appeals and legal loopholes disrupting procurement processes. The Procurement Review Body needs to significantly improve the transparency of its decision-making.

## Chapter 18: Statistics

*European statistics are developed, produced and disseminated by EU Member States, guided by the principles and quality criteria elaborated in Regulation on European statistics, such as professional independence, impartiality, reliability, transparency and confidentiality. Common rules are provided for the methodology, production and dissemination of statistical information, which are further specified in sectoral legislation that constitute the EU acquis on statistics.*

As regards **statistical infrastructure**, the law on statistics still needs to be aligned with European standards and integrate the principles of the European statistics code of practice. The Agency for Statistics of Bosnia and Herzegovina (BHAS) needs to strengthen its coordination with other data producers of official statistics.

On **classifications and registers**, the statistical business register is in place, but data received from administrative sources remains insufficient. The main statistical classifications are in place. However, the equivalent to NUTS II regions has only been provisionally defined and is accepted by the European Commission until Bosnia and Herzegovina finalises the entire classification and includes in it the definition of the equivalent to NUTS III level as well.

On **macroeconomic statistics**, the production of national accounts continues to deviate from the EU *acquis*, and a master plan needs to be agreed among the three statistical institutes. Regarding the transition to the European system of national and regional accounts (ESA) 2010 methodology, Bosnia and Herzegovina needs to provide the Commission with its GDP per capita figures, harmonised at NUTS II level. The sector classification is complete except for the sub-sectors of the general government sector.

As regards government finance statistics and excessive deficit procedure (EDP) tables, Bosnia and Herzegovina should continue efforts to comply with ESA 2010, in particular to improve sector coverage, timeliness, and coverage of transactions. Government finance statistics and excessive deficit procedure tables are sent to Eurostat on a regular basis, although not fully in line with ESA 2010. The series of GDP data at state and entity level must be methodologically harmonised. The country does not transmit harmonised indices of consumer prices data to Eurostat.

On **business statistics**, short-term statistics for industry, construction and services need to be established in line with the EU *acquis*. Preliminary results of structural business statistics for 2022 were published in November 2023 and submitted to Eurostat for the first time. Foreign affiliates statistics still need to be aligned with the EU *acquis*.

On **social statistics**, a full-scale survey of income and living conditions is conducted annually. A labour force survey is conducted regularly and data are now being published more timely. Eurostat started to include quarterly data from the BiH labour force surveys 2021-2023 in its public datasets from 15 March 2024. On gender statistics, in February 2024 BHAS issued the

publication Women and Men in Bosnia and Herzegovina. For the first time, a survey on structure of earning was conducted in 2023 and the results were published and sent to Eurostat in June 2024. The national statistical office and the entities statistical institutes need to improve the collection of sex-disaggregated data and statistics, including data about persons with disabilities (and their labour market participation), as well as about occupational accidents and occupational diseases. The BHAS established cooperation with the HJPC for the production of divorce, marriage and crime offenders' indicators.

On **agricultural statistics**, the agricultural census was postponed to October 2025. A roadmap for the development of agricultural statistics was finalised in December 2023.

Regarding **environmental statistics**, the Agency for Statistics partially reported environmental protection expenditures to Eurostat for the time series 2017-2021.

As for **energy statistics**, further work is needed to improve the quality of data in line with EU requirements. Monthly reporting on crude oil imports is done. A statistical pilot survey of oil and oil derivatives was conducted to establish a register of data providers/reporting units. In line with the regulations on energy statistics, monthly oil data will be sent to Eurostat starting with the reference year 2024. A survey on household energy consumption was conducted in June 2024. The Agency for Identification of Documents, Registers and Data Exchange (IDDEEA) has continued to improve **transport statistics** and started cooperation with the Directorate of Civil Aviation.

## Chapter 32: Financial control

*The EU promotes the reform of national governance systems to improve managerial accountability, sound financial management of income and expenditure, and external audit of public funds. The financial control rules protect the EU's financial interests against fraud in the management of EU funds and protect the euro against counterfeiting.*

### Public internal financial control

All levels of government continued to implement the comprehensive **strategic framework** for public internal financial control (PIFC) alongside their respective 2020-2025 PIFC strategies. Annual PIFC reports for 2023 were adopted at state and entity level. The IT tool has been used across all levels to produce the monitoring reports.

**Managerial accountability** is embedded in the main policy framework on public administration and public finance management but is only narrowly defined to cover financial responsibilities. Delegation of authority remains limited to higher political echelons and not to the managerial level of civil servants. Fragmented and unaccountable administrative structures and the lack of a coordinated countrywide approach on policymaking undermine assessment of performance. (See Section 2.1.1 - Democracy)

The legal framework for the functioning of **internal control** is largely in place at all levels of government, but remains weakly implemented, and even more so over public companies and particularly at entities level. The PFM system and legal framework needs to integrate better the PIFC law and requirements. Lack of reporting on fiscal risks of such companies in the annual PIFC reports and ineffective fiscal oversight function over public companies undermine internal control. Legal provisions on internal control are still not well integrated in the general regulations on public finance management, business processes and management information systems at all levels of government and in the public companies.

**Internal audit practice** is in line with international standards. Although all central harmonisation units (CHUs) have made efforts to oversee the process, the best results in the implementation of their annual plans are visible at the state level. At the state level, steps were undertaken to establish quality assessment procedures; however, quality assurance remains not ensured in practice and managers weakly respond to recommendations. Problems persist with a fragmented system of internal audit. The Brčko District still has to establish an internal audit function. Although training improved, capacities in IT technologies and experienced staff remains weak. The capacities of CHUs need to be improved to support institutions in implementing PIFC recommendations.

#### External audit

The functional, operational and financial independence of state audit offices is set out in the legal framework and is yet to be anchored in the Constitution.

The **institutional capacity** of supreme audit institutions needs to be strengthened at all levels of government. All supreme audit institutions have a broad mandate, which covers financial, compliance and performance audit. They need to improve the **quality of audit work** in providing compliance assurance and increasing the number of performance audits, which remained stable, with a slight increase in the Federation entity.

The **impact of the audit work** of all supreme audit institutions varies. State-level institutions and the Federation entity implement 40% of recommendations and the *Republika Srpska* entity 60%. Supreme audit institutions need to establish closer partnerships with the parliaments to improve the implementation of recommendations by the governments. Some progress was noted at state level under the new 2022-2025 communications strategy, by publishing a citizens' audit guide and organising roundtables with public stakeholders to increase awareness of audit work; more needs to be done at entity level. While the Federation entity has adopted a communication strategy, the *Republika Srpska* entity still needs to adopt its own communication strategy and undertake efforts in this regard.

#### Protection of the EU's financial interests

The legal framework is yet to be aligned with the EU *acquis*. The Ministry of Finance and Treasury is the contact point for cooperation with the European Anti-Fraud Office (OLAF).

#### Protection of the euro against counterfeiting

Bosnia and Herzegovina has not ratified the 1929 Geneva Convention for the suppression of counterfeiting currency. The legal framework is yet to be assessed against the EU *acquis*.

### **3. GOOD NEIGHBOURLY RELATIONS AND REGIONAL COOPERATION**

Good neighbourly relations and regional cooperation form an essential part of Bosnia and Herzegovina's European integration process. They contribute to stability, reconciliation and a climate conducive to addressing open bilateral issues and the legacies of the past.

Bosnia and Herzegovina maintained its involvement in a number of **regional cooperation initiatives** such as the Central European Free Trade Agreement (CEFTA), the Energy Community, the Transport Community, the South-East European Cooperation Process (SEECP) and the

Regional Cooperation Council, of which it hosts the seat<sup>14</sup>. Bosnia and Herzegovina chaired the Western Balkans Fund (WBF) in 2024.

The fourth annual **EU-Western Balkans Summit** took place in Brussels in December 2023, reaffirming the EU membership perspective of the Western Balkans and exploring measures to further advance gradual integration.

Bosnia and Herzegovina has actively engaged in the regional dimension of the **Growth Plan for the Western Balkans**, participating in both ministerial and leaders' meetings.

On the **Common Regional Market (CRM)**, the Berlin Process summit took place in October 2023 in Tirana, for the first time in the Western Balkans. Bosnia and Herzegovina signed the fourth mobility agreement on the recognition of professional qualifications concerning nurses, veterinary surgeons, pharmacists and midwives, adopted at the summit and it was ratified in October 2024. In November 2023, Bosnia and Herzegovina ratified two out of three regional mobility agreements signed at the Berlin Process summit of November 2022. The country needs to swiftly ratify the third mobility agreement on freedom of movement with identity cards. The **roadmap for roaming** between the Western Balkans and the EU entered the first phase of implementation. Twelve major decisions were agreed by the CEFTA Joint Committee in October 2024.

Bosnia and Herzegovina continued to cooperate closely with Croatia, Montenegro and Serbia under the **Sarajevo Declaration Process** to find sustainable solutions for refugees and persons displaced by conflicts in the 1990s. In November 2023, Sarajevo hosted the closing conference of the Regional Housing Programme. Bosnia and Herzegovina should ensure co-financing, as it had committed to completing the remaining housing units and supporting up to 3 100 families. It should also take socio-economic integration measures to ensure sustainable returns.

Despite progress, 7 608 **people** are still **missing** as a result of the conflict in the 1990s. 52 missing persons were identified in 2023, and 4 in 2024. Regional efforts are needed through the missing persons group established in 2018 under the Berlin Process to strengthen cooperation.

Bosnia and Herzegovina generally maintains good **bilateral relations** with other enlargement countries and neighbouring EU Member States.

Relations with **Albania** were upgraded. Albania opened an embassy in Sarajevo in December 2023 and the two countries continued to exchange high-level visits. Trade flows remain low.

There are no official relations with **Kosovo\***, as Bosnia and Herzegovina does not recognise Kosovo's independence and the two maintain a strict visa regime. Bilateral meetings took place occasionally on the margins of regional and multilateral summits. An initiative to simplify the visa procedure for citizens of Kosovo is still pending.

Bilateral relations with **Montenegro** are good, with occasional high-level bilateral visits. The agreed border demarcation is yet to be physically marked.

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<sup>14</sup> Bosnia and Herzegovina also actively participates in initiatives such as the Brdo-Brijuni Process, the Central European Initiative, the Adriatic-Ionian Initiative, the EU Strategies for the Danube Region and for the Adriatic-Ionian Region, the Migration, Asylum, Refugees Regional Initiative (MARRI), the Regional School of Public Administration (ReSPA), the Regional Youth Cooperation Office in the Western Balkans (RYCO), the South East European Cooperation Process (SEEC) and the Western Balkans Fund.

\* This designation is without prejudice to positions on status and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.



Relations with **North Macedonia** are good, with occasional high-level bilateral visits. Several bilateral agreements are in place, including on cooperation on EU integration, and from November 2023 on economic cooperation.

Relations with **Serbia** are good and overall stable, even though the UN General Assembly resolution on the Srebrenica genocide led to political tensions. The two countries need to reach an agreement on state borders, including on two dams on the Drina river and a part of the Belgrade-Bar railway. Some 11 312 citizens of Serbia voted from Bosnia and Herzegovina in Serbia's parliamentary elections in December 2023. As a signatory to the Dayton/Paris Peace Agreement, Serbia respects Bosnia and Herzegovina's sovereignty and territorial integrity, while developing and publicly promoting special relations with the *Republika Srpska* entity. Senior Serbian officials attend the unconstitutional entity celebrations on 9 January. Serbia established a joint parliamentary forum with the entity and held an 'all-Serb assembly' in Belgrade in June 2024, whose declaration on 'the common future of the Serbian people' was endorsed by a joint government session and subsequently approved by both assemblies of Serbia and of the *Republika Srpska* entity.

**Türkiye** is a strong international supporter of Bosnia and Herzegovina and exchanges at high level are frequent. The two countries reaffirmed their commitment to building the Sarajevo-Belgrade highway, which Türkiye committed to finance.

Relations with **Georgia** are good and without open issues. The two countries enjoy visa-free regime. Trade flows remain low.

Relation with the **Republic of Moldova** are good, with sporadic bilateral contacts. A visa-free regime is in force since 2016. While both countries are part of CEFTA, trade flows remain low.

Bosnia and Herzegovina supports the territorial integrity and sovereignty of **Ukraine**, condemning Russia's war of aggression. Bilateral relations are generally good but have been affected by the neutral stance on Russia's war of aggression against Ukraine by officials from the *Republika Srpska* entity. This also resulted in significant hindrances to implementing restrictive measures against Russia. Bosnia and Herzegovina took part the Ukraine Peace Summit in June 2024. Trade flows with Ukraine remain low.

Relations with **Croatia** are good overall, although affected by outstanding bilateral issues. High-level bilateral visits took place. There are open issues concerning land and sea borders, as the 1999 border agreement has not been ratified by either side. Implementation of the 2001 succession agreement has been affected by issues on private property and acquired rights. Bosnia and Herzegovina continued to object to Croatia's plan to build a facility for radioactive waste at Trgovska Gora near the border. Some 35 000 citizens of Croatia voted from Bosnia and Herzegovina in Croatia's parliamentary elections in April 2024.

#### **4. ABILITY TO ASSUME THE OBLIGATIONS OF MEMBERSHIP**

##### **CLUSTER 2: INTERNAL MARKET**

This cluster covers: the free movement of goods (Chapter 1); freedom of movement for workers (Chapter 2); right of establishment and freedom to provide services (Chapter 3); free movement of capital (Chapter 4); company law (Chapter 6); intellectual property law (Chapter 7); competition policy (Chapter 8); financial services (Chapter 9), and consumer and health protection (Chapter 28).

## Chapter 1: Free movement of goods

*The free movement of goods ensures that many products can be traded freely across the EU based on common rules and procedures. Where products are governed by national rules, the principle of the free movement of goods prevents these rules from creating unjustified barriers to trade.*

### General principles

Bosnia and Herzegovina does not have a legislative and institutional framework for the **production, distribution and marketing of industrial products** in place. No consistent countrywide approach or strategy exists for alignment in this area and the conflicting regulations have not been repealed.

### Non-harmonised area

No steps were taken to align with the obligations of **Articles 34-36** of the Treaty on the Functioning of the European Union. No specific body is empowered to provide notifications of technical regulations.

### Harmonised area: quality infrastructure

The legal bases and administrative structures to ensure technical regulations, standards, conformity assessment, accreditation, metrology and market surveillance are not aligned with the EU *acquis* and are fragmented. There is still no countrywide strategy for the quality infrastructure in place and coordination among competent institutions remains weak. The standardisation, accreditation, and market surveillance bodies are understaffed.

In 2023, the Institute for **Standardisation** adopted 1 207 European standards as national standards. However, conflicting mandatory ex-Yugoslav standards have still not been systematically withdrawn.

On **accreditation**, the designation of conformity assessment bodies and conformity assessment procedures are not applied consistently throughout the country. There are 183 conformity assessment bodies in Bosnia and Herzegovina, comprising 94 testing laboratories, 5 medical and 9 calibration laboratories, 6 product certification bodies and 69 inspection bodies.

The Institute of **Metrology** needs to cooperate and coordinate its activities with the entities' metrology institutions. Rules on metrology are not applied evenly across the country, undermining legal certainty and the single economic space.

**Market surveillance** is still largely based on mandatory standards and pre-market inspections. In 2023, 232 market surveillance inspections were done on 197 products, leading to 3 790 products being withdrawn from the market (of which 3 004 were destroyed).

### Harmonised area: sectoral legislation

On the EU '**new and global approach**' **product acquis**, no alignment with the EU *acquis* has taken place over the past 12 years in Bosnia and Herzegovina. Legislation designed to align with the EU *acquis* is not applied across the country as its legislative framework is fragmented. The *Republika Srpska* entity implements its legislation separately, contrary to a Constitutional Court ruling.

There was no progress on alignment with the EU '**old approach**' **product acquis**, including on registration, evaluation, authorisation and restriction of chemicals (REACH) and on

strengthening administrative capacity in this area, or on classification, labelling and packaging (CLP), or with **procedural measures**.

There are no anti-corruption measures in place to monitor risks in product safety and no transparency of public bodies when inspecting products in the areas of market surveillance and conformity assessment.

## Chapter 2: Freedom of movements for workers

*Citizens of one Member State have the right to work in another Member State and must be given the same working and social conditions as other workers.*

Regarding access to the labour market, to work in Bosnia and Herzegovina an EU citizen must obtain a work permit and meet certain conditions (with several exceptions) as provided by the Law on foreigners. Legislation in the entities and the Brčko District is not yet fully harmonised with the state-level law. Employment in the public administration is reserved for citizens of Bosnia and Herzegovina. Bosnia and Herzegovina still lacks a countrywide database of vacancies which will be needed to join the European Employment Services (EURES) network.

The **coordination of social security schemes** remains fragmented, with limited administrative capacity and lack of cooperation among authorities. Bosnia and Herzegovina has agreements on social security in place with 18 EU Member States. No new agreements were finalised in the reporting period; contacts are ongoing with Germany, Italy and Poland.

There was no progress on the European Health Insurance Card (EHIC).

## Chapter 3: Right of establishment and freedom to provide services

*EU natural and legal persons have the right to establish themselves in any Member State and to provide cross-border services. For certain regulated professions, there are rules on mutual recognition of qualifications. EU rules on postal services focus on improving the quality of universal service, gradual market opening to competition, and the establishment of an independent regulator.*

The legislation on the **right of establishment** and on the **freedom to provide cross-border services** is not aligned with the EU *acquis*. No progress was made to develop a countrywide law on services that covers its principles, and no screening of sector-specific legislation took place to prepare it. No point of single contact was established. A register of service-related legislation was created identifying 717 laws, bylaws and regulations to be amended and aligned with the EU Services Directive. Still lacking is a countrywide inventory of administrative and technical steps that businesses need to operate, with the aim to abolish those requirements that hamper a single economic space. Strong coordination among all levels of government is a prerequisite to managing legislative alignment in this area.

The legal framework for **postal services** is partly aligned with the EU *acquis*. A state-level strategy needs to be prepared to develop the postal market for full opening to competition. A new postal law at the state level needs to be developed and adopted to ensure consistent countrywide alignment and implementation of the EU postal *acquis*, including the Postal Services Directive and the Regulation on cross-border parcel delivery services. The institutional and administrative capacity of the Agency for Postal Traffic needs strengthening to monitor and enforce the new postal market rules.

The legislation does not provide for the **mutual recognition of qualifications for regulated professions** as required by the EU *acquis*. The planned general roadmap for alignment with the EU *acquis* has not been implemented. Citizens who request the recognition of their professional qualifications cannot refer to any contact point or e-governance facility for assistance. Bosnia and Herzegovina needs to draw up a detailed list of regulated professions.

#### Chapter 4: Free movement of capital

*In the EU, capital and investments must be able to move without restrictions, with common rules for cross-border payments. Banks and other economic operators apply certain rules to support the fight against money laundering and terrorist financing.*

As regards **capital movements and payments**, Bosnia and Herzegovina continues to apply full current account convertibility. Long-term capital transactions are mostly liberalised, but restrictions remain for short-term ones. Institutional investors are subject to limitations on investment in foreign securities.

The state-level law on **foreign direct investments** does not provide for equal treatment of foreign and domestic natural persons for the acquisition of real estate, which depends on reciprocity. This should have been remedied by 2021, in line with SAA commitments. Foreigners also cannot own agricultural land.

The Central Bank of Bosnia and Herzegovina (CBBH) has operated a modern **payment system** since 2019. Bosnia and Herzegovina still needs to adopt legislation to align with the EU *acquis* on payments (Payment Services Directive 2, the Electronic Money Directive 2 and the SEPA Regulation). Payment services need to be further liberalised and modernised. The system should be open to operators other than banks, including electronic money institutions, of which none have been licensed so far. The *Republika Srpska* entity adopted a Law on electronic money in January 2024, regulating issuers and requiring a license by the entity's banking agency. A law on the same topic should be adopted in the Federation entity.

A new law on **anti-money laundering and countering terrorism financing** (AML/CFT) was adopted in February 2024, with a view to aligning with the EU *acquis*. Implementing legislation is yet to be adopted. In February 2024 the Council of ministers adopted a risk assessment for the AML/CFT on virtual assets accompanied with an action plan for 2024-2027. A beneficial ownership register of legal persons in line with the EU *acquis* has yet to be established, and a central access point to the competent authorities is yet to be ensured.

#### Chapter 6: Company law

*The EU has common rules on the formation, registration and disclosure requirements of a company, with complementary rules for accounting and financial reporting and statutory audit.*

On **company law and corporate governance**, Bosnia and Herzegovina's legislation is aligned to a limited extent with the EU *acquis*. The existing legislation needs to be reviewed and amended to harmonise company law across the country. The different business registers in the entities and the Brčko District are neither interconnected nor coordinated, making it difficult for companies to operate throughout the country, and are not in line with the EU *acquis*. Bosnia and Herzegovina needs to simplify and harmonise the requirements for businesses and companies to register and operate across the country in a single economic space. Further harmonisation is needed on the use of digital tools, cross-border operations (mergers, divisions, conversions), and shareholder rights, including the encouragement of long-term shareholder engagement.

On **company reporting**, Bosnia and Herzegovina's legislation is aligned to a limited extent with the EU *acquis*. Further alignment with the EU *acquis* is needed across the board, especially on corporate sustainability reporting, country-by-country reporting and transparency requirements for listed companies, whereas there is partial alignment as regards financial reporting as the legislation in both entities and the Brčko District prescribes the use of international financial reporting standards (IFRS) for annual and consolidated accounts of all legal persons. Bosnia and Herzegovina still needs to designate, in line with EU *acquis* requirements, one single supervisory body to take ultimate responsibility for the oversight of statutory auditors across the country.

## Chapter 7: Intellectual property law

*The EU has to a large extent harmonised rules for the legal protection and enforcement of intellectual property rights (IPR), covering notably patents, trade mark and designs, biotechnological inventions and pharmaceuticals, trade secrets, (craft and industrial) geographical indications, supplementary protection certificates, copyright and related rights.*

The intellectual property strategy has expired and has not yet been replaced.

The legal framework on **copyright and related rights** is moderately aligned with the EU *acquis*. Some preparations started to further align with the EU *acquis* on copyright and related rights on digital single market, orphan works, and collective rights management.

On **industrial property rights**, the legislative framework is partly aligned with the EU *acquis*. Although preparations started, further alignment is needed on patents, trademarks and trade secrets, as well as on topographies of semiconductor products and industrial designs. The country has still not acceded to the European Patent Convention as required by the SAA.

Regarding **enforcement**, a platform for electronic data exchange for the enforcement of intellectual property rights was made operational in April 2024.

In the reporting period, the Indirect Taxation Authority (ITA) received 78 requests for customs measures based on protected trademarks, one on design, one on patent and one on copyrights or related rights protection. It issued 96 decisions on the temporary detention and seizure of goods. The State Investigation and Protection Agency (SIPA) investigated 31 cases, of which 17 were closed. One operational action was carried out and one report was submitted to the State-level Prosecutor's Office.

The administrative and judicial capacity of enforcement institutions on intellectual property rights is insufficient and their coordination needs to improve. Training and awareness-raising on intellectual property rights should continue, in particular for court officers.

Bilateral collaboration with the European Union Intellectual Property Office is ongoing in the framework of *inter alia* an MoU, focusing mainly on convergency of common practices, technical and operational support with harmonisation of *acquis* and examination guidelines, as well as integration into EUIPO data bases and networks.

## Chapter 8: Competition policy

*EU rules protect free competition. They include antitrust rules against restrictive agreements between companies and abuse of dominant position, and also include rules on concentrations between companies which would significantly impede effective competition. EU rules also set out a system of State aid control. Governments are only allowed to grant State aid if restrictive*

conditions are met, with a view to preventing distortion of competition.

### Antitrust and mergers

The **legislative framework** on antitrust and mergers is broadly aligned with the EU *acquis*. The Law on competition of Bosnia and Herzegovina largely mirrors the rules in the EU treaties on restrictive agreements and abuse of dominant position. It still needs to be brought in line with the most recent EU *acquis*, including implementing legislation.

As for the **institutional framework**, the functioning of the Competition Council is significantly impeded by ethnic-based decision-making procedures, which require decisions to be supported by at least one representative of each constituent people to have legal effect. The Law on competition needs to be amended, notably to revise the voting procedures in line with the EU *acquis*.

Regarding **enforcement capacity**, the staff of the Competition Council needs to increase its expertise through training.

On **implementation**, in 2023 the Competition Council took 11 decisions on concentrations: five were approved and six cases were rejected as not following reporting conditions. It issued 13 expert opinions and conducted 27 investigations into potential violations of the Law on competition, and 8 based on reports on public procurement. The Competition Council should improve its enforcement record, in particular on cartels, by conducting more on-site inspections and by raising awareness on its leniency programme, and on mergers by imposing remedies where necessary. The judiciary's capacity to handle complex competition cases is improving but needs to be further strengthened. To tackle unfair competition in the market, cooperation with other regulatory bodies needs to increase.

### State aid

The **legislative framework** on State aid, including the Law on the State aid system, is partially aligned with the EU *acquis* and SAA provisions. The implementing legislation is not developed evenly across the country. The EU *acquis* on *de minimis* aid, on services of general economic interest and on the purpose and conditions for granting State aid needs to be adopted at state level and by the Brčko District. A regional aid map has not yet been drawn up and the existing aid schemes have not been aligned with the EU *acquis* and the SAA provisions.

As for the **institutional framework**, the functioning of the State Aid Council is significantly impeded by ethnic-based decision-making procedures, which require decisions to be supported by at least one representative of each constituent people to have legal effect. The Law on State aid needs to be amended, particularly to revise the voting procedure in line with the EU *acquis*. While the *Republika Srpska* entity has appointed new members of the State Aid Council, the Federation entity is yet to do so, and the present members continue to provisionally perform their tasks. Their expiration of mandate does not affect the legality of adopted decisions, however, it still impacts the effective functioning of the State Aid Council.

The **enforcement capacity** of the State Aid Council is insufficient. Sessions are held once a month and only remotely. With only seven staff members, its secretariat is not able to fulfil its tasks. Its capacity needs to be increased and developed through training. In its current form, the State Aid Council is unable to fulfil its mandate.

On **implementation**, the State Aid Council issued four decisions during the reporting period. Most State aid measures are put in place by granting authorities without notification or prior approval. Transparency of State aid measures is not ensured in Bosnia and Herzegovina.

## Liberalisation

Concerning **liberalisation**, the Law on competition and the Law on State aid apply to public undertakings and undertakings with special or exclusive rights. Bosnia and Herzegovina needs to ensure that these rules are being enforced. The rules on financing services of general economic interest are not fully aligned with the EU *acquis*.

## Chapter 9: Financial services

*EU rules aim to ensure fair competition among, and the stability of, financial institutions, namely banking, insurance, supplementary pensions, investment services and securities markets. They include rules on authorisation, operation and supervision of these institutions.*

In the area of **banking and financial conglomerates**, the institutional and legal framework is in place, with a good level of alignment with the previous versions of Capital Requirements Regulation and the Capital Requirements Directive (CRR/CRD IV) although work is needed to ensure alignment with the latest version of the Regulation and of the Directive.

To ensure financial stability, Bosnia and Herzegovina needs to improve cooperation among the banking agencies, central bank, deposit insurance agency and relevant ministries (a memorandum of understanding to that end is yet to be signed), and to adopt a common methodology to determine systematically important banks.

The country continued implementing the methodology for the supervisory review and evaluation process (SREP), identifying risks and corrective measures for individual banks. To be complete, the legal framework must strengthen supervisors' corrective and enforcement powers and introduce consolidated supervision of banking groups across the entities.

Regarding bank resolution, institutional and legal obstacles to swift and effective resolution of banks need to be reduced. Bosnia and Herzegovina should establish a resolution fund in line with the Bank Resolution and Recovery Directive (BRRD) to ensure adequate resources are available to efficiently handle potential crises.

Regarding **insurance and occupational pensions**, entities' legislation on compulsory vehicle insurance were further aligned with a view to achieving a countrywide harmonised approach to the liberalisation of the insurance market. Some incremental preparatory steps were made for the transition to a Solvency II-based regulatory framework. The Insurance Agency of Bosnia and Herzegovina prepared a conformity analysis of the entity laws with the Solvency II Directive. No progress was made on voluntary pensions. Alignment with the EU *acquis* governing financial supervision of institutions for occupational retirement provision has yet to be addressed.

In terms of **financial market infrastructure**, the country developed a 2024-2026 roadmap for the alignment of legislation governing securities market with the EU *acquis*. Nevertheless, the legislation is still not in line with the EU *acquis*.

The entity-level legislation and regulatory bodies on **securities markets and investment services** remains neither harmonised across the country nor aligned with the EU *acquis*. Coordination between the entities needs to improve to ensure consistent alignment with key areas of the EU securities market *acquis*. Bosnia and Herzegovina has not reported progress on investment funds in the past year, and would need to undertake further steps to ensure full alignment with the most recent EU *acquis*, including on alternative investment fund managers and undertakings for collective investment in transferable securities.

On **digital finance**, the presence of fintech start-ups is marginal compared with traditional banks, which are perceived as the main financial institutions. Without a legal and regulatory framework for digital identity, banks can only offer hybrid solutions. Further development will require a comprehensive reform.

On **sustainable finance**, the strategic priorities for 2023-2025 envisage measures for risk assessment, supervision and international cooperation, as well as the establishment of rules for managing climate-related and environmental risks in the banking sector. Preparatory activities were held. The Central Bank of Bosnia and Herzegovina joined the Sustainable Banking and Finance Network in 2024.

## Chapter 28: Consumer and health protection

*EU rules protect consumers' economic interests and also ensure product safety, prevent dangerous imitations and establish liability for defective products. The EU also guarantees a high level of protection of public health and in particular also ensures high common standards for tobacco control, blood, tissues, cells and organs, and medicines for human and veterinary use. The EU also has rules for upholding patients' rights in cross-border healthcare and in preparing for and responding to cross-border health threats, including communicable diseases.*

### Consumer protection

On **horizontal aspects**, the state-level Law on **consumer protection** dates from 2006 and is not aligned with the latest EU *acquis*. Country-wide alignment with the latest EU *acquis* is needed to address rapidly changing developments in this area, including on digital markets and to address the risk of unequal protection of consumers across the country. Administrative capacities, notably of the Ombudsman institution need to be further improved. The legal framework for consumer credit and distance marketing of financial services is also not aligned with the EU *acquis*. The Ombudsman's office for consumer protection issued decisions and provided legal advice in 1 384 consumer complaints in 2023.

No proposal on an annual state consumer protection programme was prepared by the Consumer Protection Council, and the legal framework for **product safety** is still not aligned with the EU *acquis*. However, the state-level Market Surveillance Agency has initiated a reactive market surveillance mechanism based on the information on unsafe products and has started publishing notifications on unsafe products on its website. The weekly reports of the EU Safety Gate Rapid Alert System are further displayed on the website of the Agency.

### Public health

On **public health**, no progress was made in drafting a health strategy at state level or in the Brčko District. There is no state-level health information strategy, and no progress was made on **e-health**. On **tobacco control** policies, legislation in the entities and the Brčko District is not aligned with the relevant EU *acquis*. The Federation entity Law on tobacco control entered into force in May 2023, but its implementation is lagging behind. Bosnia and Herzegovina does not fully implement the World Health Organization (WHO) Framework Convention on tobacco control due to the lack of systematic monitoring and has still not ratified the protocol to eliminate illicit trade in tobacco products.

There was no progress on alignment with the EU *acquis* on **medicinal products for human use**, on **medicines for veterinary use**, or on **medical devices**. Patients have only limited access to certain medicines, due to long registration and control procedures. Overlapping legislation is in



place at state level and in the *Republika Srpska* entity, despite Constitutional Court rulings. The legal framework on **blood, tissues, cells and organs** is not aligned with the EU *acquis*, and the necessary administrative capacity to apply it is absent. There is only very limited cooperation between the entities' transfusion institutes, and no countrywide oversight system to ensure efficient coordination.

Legislation on **serious cross-border health threats**, including **communicable diseases**, is not aligned with the EU *acquis*. Coordination between the entities and the state level on communicable disease surveillance and response needs to be strengthened. Bosnia and Herzegovina's participation in the technical activities of the European Centre for Disease Control and Prevention (ECDC) remains limited. The legislation is not aligned with the EU *acquis* on patient's rights in cross border health care.

Measures to promote healthy lifestyles and prevent **non-communicable diseases** are partially implemented by the competent institutions of the entities and the Brčko District.

On **preventive measures**, on **cancer screening**, both entities have cancer registers but there is no countrywide cancer control plan or early detection programme. The *Republika Srpska* entity has an early detection programme. There was no progress on **mental health**, on **drug abuse prevention and harm-reduction**, or on **nutrition and physical activity**. Civil society groups take part in activities to reduce **alcoholism** and prevent alcohol-induced disorders.

On **health inequalities**, access to healthcare is still a key challenge, especially for marginalised groups including Roma people, women from rural areas and women with disabilities. Women and girls face problems with access to healthcare due to lack of health insurance and poorly organised services, especially on sexual and reproductive health. Conditions in hospitals and maternity hospitals need to be improved and obstetric violence eliminated. Specialised support for victims of sexual violence is not available across the country, with only three crisis centres, all located in the Federation entity. Despite improvements in addressing gender-based violence, a multi-sectoral response mechanism for victims still needs to be developed. (See also *Chapter 19 – Social policy and employment*)

Corruption in the health sector is a persistent issue significantly affecting the delivery of healthcare services. The COVID-19 pandemic exposed irregularities in the procurement of medical supplies and equipment. Corruption in the patient-doctor relationship in the healthcare sector presents significant challenges to the delivery of fair and effective medical services. Addressing this issue requires comprehensive reforms, including strengthening the legal framework, boosting transparency and accountability mechanisms, and encouraging a culture of integrity within the healthcare profession.

### CLUSTER 3: COMPETITIVENESS AND INCLUSIVE GROWTH

This cluster covers: Digital transformation and media (Chapter 10); Taxation (Chapter 16); Economic and monetary policy (Chapter 17); Social policy and employment (Chapter 19); Industrial policy (Chapter 20), Science and research (Chapter 25); Education and culture (Chapter 26); and Customs union (Chapter 29).

#### Chapter 10: Digital transformation and media

*The EU supports the smooth functioning of the internal market for electronic communications, electronic commerce and audiovisual services. The rules protect consumers and support the*

*universal availability of modern services.*

On **electronic communications**, Bosnia and Herzegovina made no progress in aligning the legislation with the EU *acquis*, including on broadband cost reduction. Bosnia and Herzegovina has not developed a broadband strategy, even though it introduced the 4G network in 2019. The granting of radio spectrum licenses for 5G mobile communications is not likely to take place before 2026. The Communications Regulatory Agency (CRA) still lacks financial and political independence. The mandate of its board expired at the end of 2017 and Parliament has still not appointed new board members.

On **digital services**, Bosnia and Herzegovina made no progress in adopting a countrywide strategy and action plan for the development of an information society. Bosnia and Herzegovina has no open data policy in place. Alignment is needed with the Digital Services Act and Digital Markets Act to ensure predictability. Bosnia and Herzegovina should also align with the European interoperability framework and the Interoperable Europe Act. There is no coordinated and jointly planned approach for the digital transformation of public services throughout the country, with very limited data exchange between the services.

On **digital trust and cybersecurity**, Bosnia and Herzegovina does not have a comprehensive legislative framework on the security of networks and information systems. Bosnia and Herzegovina remains the only country in the region without a countrywide strategy on cybersecurity. The Ministry of Security failed to set up a working body for drafting a strategy and needs to urgently prioritise this. No countrywide single point of contact has been designated. Bosnia and Herzegovina needs to establish a network of computer security incident response teams (CSIRTs) to facilitate strategic cooperation and the exchange of information. The lack of a comprehensive legislative or strategic framework for cybersecurity poses a potential threat to Bosnia and Herzegovina, which needs to be urgently addressed. The country needs to continue the implementation of the 5G Cybersecurity Toolbox measures, including assessing the risk profile of suppliers and putting in place appropriate restrictions and/or exclusions for high-risk suppliers. No progress was made in adopting a Law on electronic identity and trust services for electronic transactions with a single supervisory body for the whole country, in line with the EU *acquis*. Nor was there any progress on ensuring the interoperability of electronic signature throughout the country.

As regards **media**, the Communications Regulatory Agency adopted bylaws to improve the alignment with the EU *acquis*. Bosnia and Herzegovina met the requirements for continuing its participation in the MEDIA and cross-sectoral strands of the Creative Europe programme. TV stations in Bosnia and Herzegovina suspended analogue terrestrial broadcasting, prompting public broadcasting services to acquire equipment for the switch to digital terrestrial broadcasting. Bosnia and Herzegovina failed to introduce a suitable model to collect broadcasting fees that would ensure the public broadcasting system's financial sustainability and political independence. The country should establish the Public Services Broadcasting Corporation as prescribed by law to ensure compliance. Additionally, it should revise the financing model for local public broadcasters in order to reduce opportunities for political pressure and influence. (See also Chapter 23 – Freedom of expression)

## **Chapter 16: Taxation**

*EU rules on taxation cover value added tax, excise duties and aspects of corporate taxation. They also cover cooperation between tax administrations, including the exchange of information to prevent tax evasion.*

The legislative framework for **indirect taxation** is partially aligned with the EU *acquis*. In November 2023, the Law on the value added tax (VAT) was amended in line with the Directive on the common system of value added tax, increasing the threshold for mandatory VAT registration to some EUR 50 000. Since January 2024, all VAT taxpayers are submitting tax declarations electronically, using qualified digital signature.

As regards **excise duties** on tobacco, alcohol and energy, and general rules for the production, keeping, storage, movement and controls on products that are subject to excise duties, full alignment of the legislation with the EU *acquis* is needed.

On **direct taxation**, the tax and social contribution regimes in the two entities have continued to diverge, hindering progress towards a single economic space. There was no progress in the field of direct taxation in the Federation entity, as new legislation is yet to be adopted.

On **administrative cooperation and mutual assistance**, Bosnia and Herzegovina has ratified the OECD/Council of Europe Convention on mutual administrative assistance in tax matters. The country has not yet committed to automatically exchanging financial account information based on the OECD single global standard. Bosnia and Herzegovina has signed and implemented 38 double taxation agreements, of which 19 with EU Member States.

Concerning **operational capacity and digitalisation**, further improvement of coordination, cooperation and data exchange is needed among Bosnia and Herzegovina's various tax administrations. The administrative capacity and staffing levels of the Indirect Taxation Agency (ITA) should be strengthened. The country needs to increase alignment and improve cooperation between the Indirect Taxation Authority and the tax administrations, including through joint audits. The ability of ITA to fulfil its vital countrywide role must be ensured. The Tax Administration of the Federation entity took initial steps towards interoperability and recognition of e-signature by adjusting the IT system to enable the use of e-signatures issued by accredited bodies in BiH.

## Chapter 17: Economic and monetary policy

*EU rules require the independence of central banks and prohibit them from directly financing the public sector. Member States coordinate their economic policies and are subject to fiscal, economic and financial surveillance.*

As regards **monetary policy**, the currency board anchors the convertible mark (BAM) to the euro. The Central Bank's objective of currency stability remains in contrast with the primary objective of monetary policy in the EU, which is price stability.

The Law on the Central Bank does not ensure the bank's unconditional independence and is not fully aligned with the EU *acquis* as regards the prohibition of monetary financing. In December 2023, the Presidency appointed a new governor and governing board for the Central Bank for a 6-year mandate, with 2.5 years of delay. Preserving the integrity of the currency board arrangement and the independence of the central bank remains crucial.

Regarding **economic policy**, fiscal rules remain at entity level and there is no independent fiscal institution to monitor and enforce compliance countrywide.

The alignment of the underlying statistical framework with the requirements and definitions of the European system of national and regional accounts (ESA 2010) is limited. The medium-term budgetary framework is supposed to form the base of the country's annual budgets. However, it remains insufficiently developed and due to its delayed adoption this planning tool does not

fulfil its purpose. The country should regularly adopt the global fiscal framework in time, to provide guidance and ensure the timely adoption of the annual budget by all levels of government. The country's Fiscal Council does not comply with the EU *acquis* requirements, notably lacking institutional independence. The Central Bank has committed to preparing the excessive deficit procedure (EDP) notification for 2023 by October 2024.

Bosnia and Herzegovina's **Economic Reform Programme** (ERP) improved only marginally in quality and was again submitted with a substantial delay. The policy guidance, jointly agreed at the July 2023 Economic and Financial Dialogue between the EU and the Western Balkans and Türkiye, was implemented to a partial extent. The capacity to design, implement and monitor structural reforms remains very limited, while insufficient political support contributes to delays in formulating the countrywide reform programme. The coordination institution (the Directorate for economic planning of the Council of Ministers) still lacks sufficient resources, powers and political support to efficiently handle the process.

### Chapter 19: Social policy and employment

*EU rules in the social field include minimum standards for labour law, equality, health and safety at work and non-discrimination. They also promote social inclusion and social protection, and social dialogue at EU level.*

The **labour laws**, in place at the level of the entities and the Brčko District, guarantee a minimum level of protection to all employees. To fully meet EU standards, the legal framework requires further improvement in several areas, notably as regards the protection of workers from discrimination. Implementation remains inadequate, especially on social dialogue, protection of workers and the enforcement of labour inspections.

Laws on **health and safety at work** are in place in the entities and the Brčko District. The bylaws regulating specific aspects of occupational safety and health need to be adopted and harmonised with the EU *acquis* throughout the country. Enforcement and implementation of legislation remain partial, especially when it comes to inspection capacity, prevention of injuries, investment in safety and training, and risk assessment. Data collection and dissemination on work-related injuries and diseases needs to be improved. No countrywide data is collected on accidents and fatalities, and the entities did not yet present official data for 2023 on the issue.

**Social dialogue** is weak at all levels, with no significant improvements. Social partners are not sufficiently involved in the implementation of policies and have only limited capacities. Capacity building of social partners will need to be addressed. There are no general collective agreements, but only few concluded branch and sectoral collective agreements, mainly in the public sector. Entity-level Economic and Social Councils operate unevenly, and there is no such body at state level. Significant gaps remain in ensuring freedom of association for trade unions and the right to collective bargaining which should be addressed as a matter of priority.

The Federation entity adopted its 2023-2030 employment strategy in late 2023. There is still no countrywide strategy for **employment policy**, while both entities now have strategies that embed the Youth Guarantee.

Long-term, structural unemployment prevails, marking a mismatch between the education system and labour market needs. Labour emigration to the EU continued.

There has been no progress in preparations for using the **European Social Fund**. (See Chapter 22 - Regional policy and coordination of structural instruments)

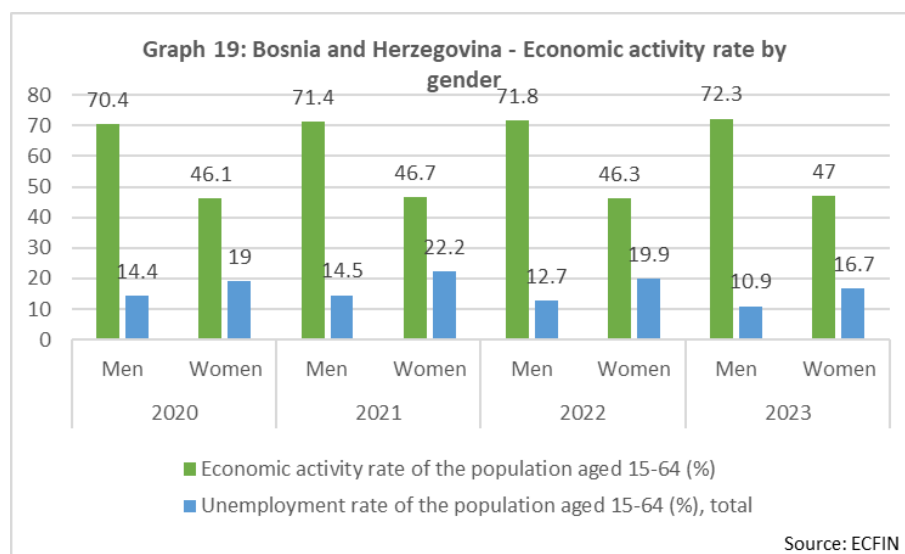
**Public employment services (PES)** continue improving their services to jobseekers, but their capacities remain weak. Public employment services are responsible for the administration of social benefits, which further limits their ability to fulfil their core task of assisting active jobseekers. Registration with a public employment service gives access to several social benefits, including basic health insurance. Therefore, even workers in the informal sector and those not actively searching for a job have high incentives to register as unemployed. Bosnia and Herzegovina needs to swiftly complete and adopt the Youth Guarantee implementation plan. The level of informal employment remains high.

On **social inclusion and protection**, there are no countrywide strategies on poverty reduction, social inclusion and protection, nor is there a state-level monitoring system. For persons with disabilities, institutional care is still prevalent, accessibility remains a challenge including to public buildings, and there are only few community services to support independent living. The social protection system remains underdeveloped and ineffective. Without proper data collection, social assistance is neither well targeted nor needs-based. A large number of people is not covered by public health insurance and as such is not entitled to basic healthcare, while eligibility conditions and coverage differ among entities, districts and cantons. Cooperation between social service centres and employment services is not well established. The transformation of institutions for social protection is still ongoing.

**Deinstitutionalisation** requires comprehensive reform of financing of new services for both capacity building and support for social service centres across the country. Both entities and the Brčko District have endorsed a roadmap for deinstitutionalisation, developed in cooperation with UNICEF and the Ministry of Civil Affairs, focusing on improving the position and status of institutionalised children. (See Chapter 23 – section on fundamental rights)

The scope and duration of maternity, paternity and parental leave remains uneven throughout the country, and wage compensation remains an issue. Bosnia and Herzegovina should adopt countrywide measures to improve the living conditions of older people, as well as a new action plan for children. A Council for persons with disabilities was set up in July 2023. The EU statistics on income and living conditions (EU-SILC), stemming from surveys conducted in 2022-2023, are still not available in Bosnia and Herzegovina.

There are no comprehensive strategies or action plans on **non-discrimination in employment and social policy**, which is hampered by the fragmentation of the social system and weak coordination and cooperation among administrative bodies. Although labour laws within the country address the issue of non-discrimination at work, alignment with EU legislation must be ensured. Most public bodies do not have mechanisms for dealing



with complaints of mobbing and discrimination in line with non-discrimination law.

The principle of **equal opportunities and equal treatment of men and women in matters of employment and social policy** is regulated by the laws on gender equality and anti-discrimination, and by the entity-level labour laws, but enforcement remains low. Rights prescribed by the EU Directive on work-life balance for parents and carers are only partially recognised through legislation regulating labour and social security at various levels of government. However, this has not been done in a harmonised manner or fully aligned with the Directive. Bosnia and Herzegovina needs to focus more on care policies, specifically, maternity and paternal leave, care services, care related social transfers, family-friendly work arrangements and infrastructure. The country needs to establish uniform minimum maternity leave benefits across the country and harmonise the definition of maternity, paternity and parental leave to eliminate discrimination and harmonise relevant benefits in public and private sectors. Women are estimated to earn on average 78% to 85% of a man's salary for the same position. A new countrywide Gender Action Plan was adopted in October 2023 for the period 2023-2027.

## Chapter 20: Enterprise and industrial policy

*EU industrial policy strengthens competitiveness, facilitates structural change and encourages a business-friendly environment that stimulates small and medium-sized enterprises (SMEs).*

During the reporting period, the entities and Brčko District continued to provide subsidies, tax relief and guarantees to alleviate the impact of negative economic trends caused by the shortages of raw materials, increased energy prices and disruption of supply chains.

In November 2023 the Federation entity adopted legislation on entrepreneurial infrastructure and on encouraging the development of small businesses, while in December 2023 the Brčko District adopted a law on entrepreneurial infrastructure. In January 2024, the *Republika Srpska* entity adopted a 2024-2027 action plan for SMEs innovation, and appointed a new SME development council. Bosnia and Herzegovina has not adopted countrywide guidelines for harmonisation of SME support in line with the Small Business Act, therefore the level of harmonisation of the legislation with the EU *acquis* remains to be assessed.

On **enterprise and industrial policy principles**, there is no countrywide development strategy and no state-level body promoting the consistency of policy with industrial strategies.

Limited steps were taken to improve the business environment and to attract investments. High barriers to starting a business, rules on taxes and para-fiscal (i.e. non-tax) charges and regulatory differences across various levels of government continue to be addressed. The Federation entity adopted the bylaws to introduce the electronic registration of businesses, which has started in Travnik. However, the systems of electronic registration of businesses are not yet fully functional and interoperable across the country, including all preconditions related to e-signature/e-stamp. (See chapter 10 - Digital transformation and media)

Bankruptcy proceedings are not resolved in a timely manner, with insufficient emphasis on companies' rehabilitation and reorganisation.

The **investment environment** and the level of competitiveness remain unsatisfactory. The resolution of commercial disputes remains weak and arbitration weakly developed. Improving the patent application might contribute to raise the extremely low business investment in innovation activities. **Oversight and governance of public enterprises** still need to be

strengthened to put public companies on an equal footing with other enterprises, contributing to improve the investment environment. The *Republika Srpska* entity still lacks a single register of public companies, and the Federation entity has not yet established oversight and management units. There is room to align alternative dispute resolution mechanisms with EU standards and best practices.

Preparations for the **green and digital transitions, resilience, and global competitiveness of industry** are at a very early stage. Energy diversification is slowly progressing but a greater focus on green investments is required, notably in manufacturing. The financial support for introducing innovations in green and digital sectors needs to be improved, in particular for SMEs, including start-ups. The forthcoming Sustainable Development Strategy for the period 2024-30 should ensure that the focus is increasingly on attracting high-quality investment conditioned on co-operation with domestic enterprises.

The severe drop in public support to business R&D needs to be reversed, as business expenditure on R&D is already very low. Higher value exports also declined as a result of reduced innovations in trademark applications and knowledge-intensive services exports. Government support needs to improve accountability for the use of public funds. The capacity and funding to perform **monitoring and evaluations** of enterprise and industrial policy measures are still limited, and the statistical data remain insufficient.

As for **enterprise and industrial policy instruments**, no progress was made in aligning with the EU *acquis* the legislation against late payments in commercial transactions.

Bosnia and Herzegovina participates in the SME pillar of the EU Single Market programme and signed an Association Agreement in July 2023.

As regards **sectoral policies**, the Federation entity adopted in October 2023 its tourism strategy valid until 2027. In January 2024 the *Republika Srpska* entity amended its Law on hospitality and the action plans to implement the industrial and SME development strategies. The level of harmonisation with the EU *acquis* and standards remains to be assessed for all adopted legislation in the sector.

## Chapter 25: Science and research

*The EU provides significant support for research and innovation. All Member States can participate in the EU's research and innovation programmes and benefit from them, especially where there is scientific excellence and a solid investment in research and innovation.*

The legislative framework on **research and innovation policy** remains fragmented and needs to be improved. Bosnia and Herzegovina needs to develop and adopt a new strategy and action plan for scientific development. The estimated total allocations for research and innovation remain below 0.3% of GDP, which is far below the new priorities of the European research area. A smart specialisation strategy still needs to be developed and adopted. Bosnia and Herzegovina is included in the European Innovation Scoreboard with a score of 33.1% in 2024. The Country's performance is below the average of 'emerging innovators' (48%) and the performance gap with the EU is increasing. Further progress should be made to ensure reliable and comprehensive statistics on research and innovation, useful for instance for the European Innovation Scoreboard and the European Research Area.

As regards **international cooperation and framework programmes**, Bosnia and Herzegovina takes part in Horizon Europe as an associated country. It received EUR 3.2 million in 2023, more

than doubling the amount received in 2022.

## Chapter 26: Education and culture

*The EU supports cooperation in education and culture through funding programmes and the coordination of Member State policies through the 'open method of coordination'. The EU and the Member States must also prevent discrimination and ensure quality education for children of migrant workers, including those from disadvantaged backgrounds.*

On **education and training**, Bosnia and Herzegovina needs to move from a content-oriented towards a competency-based approach to education. Transformation and harmonisation of curricula is needed to ensure systemic regulation of learning and teaching process.

Bosnia and Herzegovina is partially participating in the 2023 ICILS and 2023 TIMSS assessments, as the *Republika Srpska* entity and the West Herzegovina Canton did not join them. The country dropped out of the 2021 PIRLS. After failing to participate in two PISA rounds (2022 and 2025), preparations to join the 2029 PISA need to intensify. No systemic measures have been taken to address the findings of the 2018 PISA and 2019 TIMSS. In the absence of a countrywide approach, some cantons have started reforming their curriculum based on student learning outcomes to improve quality in line with recommendations.

Although the legal framework is in place, there is still no mechanism to systematically measure or monitor the quality of education inputs, outputs or outcomes, and data does not feed into the policymaking process. Due to demographic changes, the number of students enrolled at almost all levels of education is gradually declining.

Regarding **inclusiveness**, the education of children with special needs remains a challenge, particularly in terms of ensuring the necessary infrastructure, provisions, transportation and school assistants to support both children and teachers. While some positive steps were undertaken through the roadmap for improving inclusive education, all education authorities should step up the implementation of the roadmap to ensure all recommendations are met.

There continued to be limited effort in supporting the digital transformation of education and training, including on digital skills without a countrywide coordinated approach. Authorities need to enhance their efforts towards effective, coherent and inclusive digital transformation of the education and training systems, including the capacity of the systems to develop digital skills, in line with the EU digital education action plan 2021- 2027.

A countrywide policy document on **vocational education and training** (VET) has been in place since 2021, based on the Riga conclusions. However, no noticeable progress followed. Preparations for joining the European Alliance for Apprenticeships (EAfA) should be accelerated. Measures to promote life-long learning of adults also need to be stepped up.

Bosnia and Herzegovina's national qualifications framework (NQF) is not yet referenced to the European qualifications framework (EQF), nor is there a mechanism for the validation of prior learning. With the appointment of representatives from the *Republika Srpska* entity in October 2023, the inter-sector commission for the NQF was finally established. Cooperation further improved between the two accreditation agencies, one at state level and one in the *Republika Srpska* entity. However, accreditation of study programmes remains challenging. Bosnia and Herzegovina needs to further improve quality assurance in higher education.

Bosnia and Herzegovina benefits from the international dimension of the 2021-2027 Erasmus+ programme. The country is participating in all the working groups 2021-2025 of the European



Education Area (Bologna Process). As part of the enhanced partnership with the region, Bosnia and Herzegovina can apply for the calls of the European Universities Initiative, and four Bosnian universities have been selected as partners in funded alliances.

On **sports**, Bosnia and Herzegovina continued to participate in the European week of sport.

In the area of **culture**, Bosnia and Herzegovina continues to implement measures under the UNESCO Convention on the protection and promotion of the diversity of cultural expression. The country still has to ensure a permanent solution to the legal status and financing for the seven cultural institutions of significance for Bosnia and Herzegovina. Bosnia and Herzegovina continues to participate fully in the Creative Europe programme.

The budget allocation for culture at all levels of government may be increased with longer-term, multiannual funding decisions to provide financial stability for cultural creation and operation. Bosnia and Herzegovina may benefit from establishing formal partnership structures enabling transparent and organised participation in cultural policy-making.

## Chapter 29: Customs union

*All Member States are part of the EU customs union and follow the same customs rules and procedures. This requires legislative alignment as well as adequate implementing and enforcement capacity and access to and interoperability with the EU electronic customs environment.*

The Indirect Taxation Authority is in charge of implementing the **customs legislation** and policies, which should be further aligned with the EU *acquis* on customs including the Union Customs Code. Two companies have been recognised as authorised economic operators (AEOs). The customs tariff and classification of goods are aligned with the EU's combined nomenclature. The country continues to apply the Pan-Euro Mediterranean Convention and has begun adopting the transitional rules of origin in trade with the EU.

Bosnia and Herzegovina is an observer in the Common Transit Convention and intends to join it once it has met all legal and technical requirements, including upgrading its new computerised transit system (NCTS), which has been operational since August 2022. The next step is connecting NCTS to the common EU infrastructure. Bosnia and Herzegovina should continue aligning with the EU *acquis* its provisions concerning customs enforcement of intellectual property rights. The country should implement the CEFTA additional protocol 5 concerning the mutual recognition of AEO programs and improve cooperation and use of anti-fraud tools to combat cross-border smuggling of tobacco products and other illicit activities. Accession to the World Health Organization's Protocol to eliminate illicit trade in tobacco products is recommended. (See also Chapter 28 – Consumer and health protection)

The **administrative and operational capacity** of the Indirect Taxation Authority should be substantially strengthened, especially in operational posts. Due to an inadequate risk management system, customs authorities still perform 60% of checks physically. Bosnia and Herzegovina needs to align its customs IT systems with EU requirements to achieve interoperability with the common customs IT systems.

## CLUSTER 4: THE GREEN AGENDA AND SUSTAINABLE CONNECTIVITY

This cluster covers Transport (Chapter 14); Energy (Chapter 15); Trans-European networks (Chapter 21); and Environment and climate change (Chapter 27).

## Chapter 14: Transport policy

*The EU has common rules on technical and safety standards, security, social standards, State aid and market liberalisation in road transport, railways, inland waterways, multimodal transport, aviation and maritime transport.*

Regarding the **general EU transport acquis**, Bosnia and Herzegovina implements its transport strategy valid until 2030; an updated strategy with more realistic actions and deadlines is pending adoption. The reforms in the transport sector have been insufficient for several years. The country should speed up proper implementation in all modes of transport. Activities mostly relate to infrastructure projects while little or no attention is given to delivering on the commitments contained in the Transport Community Treaty (TCT), its five actions plans and elements arising from the smart and sustainable mobility strategy for the Western Balkans. For larger transport agglomerations, sustainable urban mobility plans should be developed following EU practice, respecting environmental and social standards.

An overall strategy for an intelligent transport system (ITS) covering all modes of transport is yet to be adopted and appropriate resources should be allocated for its implementation.

On **road transport**, the implementation of road safety legislation remains a concern, as the number of accidents and fatalities remains very high. Discrepancies persist between domestic and WHO data. The Ministry of Communications and Transport still needs to establish a lead agency for road safety and a countrywide system to collect data on road crashes. No progress was made on transport of dangerous goods. The legislation on road infrastructure safety management is yet to be aligned with the EU *acquis*, including on inspections and audits. Alignment on social and market rules in road transport is also needed; the transition towards smart tachograph technology has been a first step.

On **rail transport**, half of the railway infrastructure remains unsafe, outdated and unreliable, and cannot enable suitable international transit. Bosnia and Herzegovina still needs to fully align the law on railways with the fourth EU railway package, notably to open the railway market, separate infrastructure management and transport operations, and reinforce the independence and administrative capacity of the regulatory body, the safety authority and the investigation body. The country still needs to adopt a multiannual maintenance plan for the entire network. Bosnia and Herzegovina should use modern ITS to build or rebuild railway sections. At entity level, the railway legislation aiming to provide non-discriminatory access to the network needs to be brought in line with the EU *acquis*. No progress was made on negotiating protocols on railway border crossing procedures with Croatia.

On **maritime transport**, Bosnia and Herzegovina remains at an early stage of preparation. It needs to prepare and adopt legislation on maritime transport in line with the EU *acquis* enabling the country to become a maritime shipping flag holder.

On **inland waterway transport**, Bosnia and Herzegovina should adopt its state-level legislation in line with the EU *acquis*, to ensure the safety of navigation on inland waterways and its maintenance.

No progress was made on **civil aviation**. The 2009 Law on civil aviation still needs to be aligned with the requirements of the European Common Aviation Area Agreement (ECAA). Bosnia and Herzegovina urgently needs to address the chronic lack of adequately trained and qualified staff and the institutional set-up within the Bosnia and Herzegovina Directorate of Civil Aviation (BHDCA), which increases the risks of safety oversight.

Bosnia and Herzegovina has not started to develop its policy, institutions, legal and regulatory framework on **combined / intermodal transport**.

No progress was made regarding EU **passenger rights** in all modes of transport.

## Chapter 15: Energy

*EU energy policy covers energy supply, infrastructure, the internal energy market, consumers, renewable energy, energy efficiency, nuclear energy and nuclear safety, radiation protection and nuclear safeguards.*

Bosnia and Herzegovina needs to strengthen countrywide cooperation and coordination, increase administrative capacity and financial resources, and improve the fragmented and inconsistent legislative and regulatory framework to align with and implement the EU *acquis*. Bosnia and Herzegovina needs to finalise and adopt the national energy and climate plan (NECP) 2021-2030 without further delays.

No progress was made in establishing a compliant legal framework governing the **security of supply** in electricity which needs to be redirected from coal to renewables. No progress was made in the gas and oil sectors., including on drafting legislation on emergency oil stocks.

Bosnia and Herzegovina needs to rectify all identified violations of the EU *acquis* and of the Energy Community Treaty *acquis* that are subjects of infringement procedures.

To ensure the opening of **internal energy market**, Bosnia and Herzegovina still needs to adopt outstanding gas and electricity legislation. Bosnia and Herzegovina is delayed in aligning with and implementing the electricity integration package, which is a precondition for market integration. This, among others, includes unbundling and certification of the transmission system operator, appointing the nominated electricity market operator (NEMO) and establishing the power exchange and day-ahead and intra-day markets. The entity-level laws need to be fully harmonised with this legal framework and be implemented.

Regarding security of supply for natural gas, although only 3% of the energy supply comes from gas, the country remains fully dependent on one single source from Russia. Full implementation of the Regulation on the security of gas supply is pending, including development of risk assessment, preventive action plan and emergency plan, as per Energy Community *acquis*.

The country still needs to adopt and enforce a new law for the restructuring, certification, and operation of the gas transmission system operator in line with the third energy package.

On retail market, the gas market remains closed without adequate regulatory oversight and lacks transparency, particularly on setting prices for end consumers. For electricity, the independence of regulatory authorities at all levels is still hampered by political interference.

On **hydrocarbons**, in December 2023 the Council of Ministers adopted a decision on the quality of liquid petroleum fuels regulating the market of petroleum products, addressing Energy Community requirements.

A state-level legal framework is still lacking on **renewable energy**, although both entities are preparing secondary legislation. Both entities and the Brčko District need to launch renewable energy support scheme auctions. An electronic register on issuance, cancellation and trade of guarantees of origin is in place in the *Republika Srpska* entity; the Federation entity is conducting procurement procedures to introduce the same.

Despite large capacity, there are only three wind parks in place and an increasing number of solar plants. Hydropower planning is still being carried out without complying with the Espoo Convention. Despite existing legal obligations, environmental impact assessments are still not consistently prepared, which lead to protests and court challenges (see *Chapter 27 – Environment and climate change*).

On **energy efficiency**, no progress was made in aligning legislation with EU requirements. Incentives for energy efficiency measures must be gender- and class-balanced.

Bosnia and Herzegovina made no progress on **nuclear energy, nuclear safety and radiation protection**. Bosnia and Herzegovina joined the European radiological data exchange platform (EURDEP) while it is yet to join the European Community urgent radiological information exchange (ECURIE). On **nuclear safeguards**, upon EU accession, the existing systems of accountancy and control of nuclear materials would need to be adapted to accommodate for the safeguard provisions (Chapter 7) of the Euratom Treaty.

## Chapter 21: Trans-European Networks

*The EU promotes trans-European networks (TENs) in the areas of transport, telecommunications and energy to strengthen the internal market and contribute to growth and employment.*

On **transport networks**, Bosnia and Herzegovina should accelerate the implementation of connectivity reform measures and continue adopting multiannual maintenance plans for the entire road and rail core networks. More efforts are required to strengthen mutual relations and cross-border cooperation with neighbouring countries on border crossing agreements.

The revised Trans-European transport network (TEN-T) 2004 Regulation establishes a new Western Balkans-Eastern Mediterranean European transport corridor which includes Bosnia and Herzegovina. Bosnia and Herzegovina should continue with the development of the planned extension of the TEN-T and Trans-European networks for energy (TEN-E) core networks in line with the priorities identified in the economic and investment plan for the Western Balkans, the Green Agenda and the Transport Community's 5-year rolling work plan.

Priority connectivity projects on the indicative maps of the TEN-T core network have been planned through the single project pipeline which has not been updated since 2019, putting into question its continued relevance. In relation to the Corridor Vc motorway, while the subsection Pocitelj– Zvirovici was opened in September 2024, the Federation entity still needs to close the financing gap to complete the construction of the motorway. As regards the two infrastructural investments located in the *Republika Srpska* entity (Corridor Vc road and rail), the Commission has taken no decision on the issue yet and will assess when the time is ripe to proceed with the signature of the contribution agreements. An agreement is still pending with Croatia on the category of the Svilaj border crossing. The border crossing at Gradiška is awaiting completion of the access expressway on Croatian territory.

On rail infrastructure, the main design for railway route 9a Tuzla–Zvornik has been finalised, as well as technical documentation and the tender file for the Visoko–Konjic section of Corridor Vc. Design studies for the Doboj–Rasputnica–Miljacka railway section are under preparation. Effort is needed to accelerate progress in the rail core network where investments continue to be limited. On the navigability of the Sava river, rehabilitation activities are ongoing, including in the Brčko Port, and demining activities just started.

On **energy networks**, Bosnia and Herzegovina needs to align with the revised TEN-E Regulation by the end of 2024, as per the Energy Community requirements. Bosnia and Herzegovina should

finalise its single project pipeline to also include the energy sector. Bosnia and Herzegovina still needs to develop its regional electricity connections in line with the Green Agenda for the Western Balkans and the Central and South-Eastern Europe Energy Connectivity (CESEC) action plan on electricity and renewable energy.

## Chapter 27: Environment and climate change

*The EU promotes strong climate action, sustainable development and protection of the environment. EU rules contain provisions addressing climate change, water and air quality, waste management, nature protection, industrial pollution, chemicals, noise and civil protection.*

### Environment

**Horizontal legislation** is aligned with the EU *acquis* to a limited extent. No progress was made to advance in this sector, including with implementing countrywide environmental approximation and environmental protection strategies, aligning with horizontal directives (on environmental impact assessment – EIA, strategic environmental assessment – SEA, environmental liability, infrastructure for spatial information – INSPIRE, and environmental crime), and strengthening access to information and public participation in decision-making in line with obligations under the Espoo Convention. Bosnia and Herzegovina should ensure the quality of the preparation and implementation of environmental investments – including the transparency of procedures, compliance with EIA/SEA and other elements of the horizontal *acquis* – notably to ensure that there is an institutional structure in place to deliver coordinated, strategic planning for environmental investments.

On **air quality**, in December 2023 the Council of Ministers adopted a decision on quality of liquid petroleum fuels to align with the Sulphur Directive and comply with Energy Community obligations. Bosnia and Herzegovina still needs to develop a countrywide strategy to combat air pollution systematically and efficiently.

Bosnia and Herzegovina still needs to adopt a countrywide strategy for **waste management**, focusing on circular economy, the EU plastic strategy and the Directive on single-use plastics. Bosnia and Herzegovina still needs to align with the Landfill Directive as well as with the *acquis* on sewage sludge, batteries, packaging, polychlorinated biphenyls / polychlorinated terphenyls and end-of-life vehicles.

On **water quality**, a consistent and harmonised countrywide strategy and sustainable investment plan on water management and urban wastewater management are still missing. Specific plans for implementing EU legislation on drinking water, urban wastewater and flood risk management still need to be adopted. Bosnia and Herzegovina still needs to adopt a roof report on river basin management plans, on flood hazards and risks plans, as well as a revised action plan for flood protection and river management.

On **nature protection**, the country still needs to adopt the list of potential Natura 2000 sites and implementing legislation and set up a biodiversity monitoring system. The Convention on international trade in endangered species of wild fauna and flora (CITES) needs to be fully implemented. Bosnia and Herzegovina should prepare legislation to ratify and become a party to the Nagoya Protocol to the 1992 Convention on biological diversity.

Regarding **industrial pollution control and risk management**, the pollutants release and transfer register (PRTR) protocol to the Aarhus Convention still needs to be ratified. Bosnia and Herzegovina needs to ensure the implementation of its national emissions reduction plan (NERP). The country still needs to align with the directives on industrial emissions, eco-labelling

and eco-management and audit schemes, as well as with the Seveso III Directive on the control of major-accident hazards involving dangerous substances.

On **chemicals**, the country needs to ensure full alignment with EU Regulations (on registration, evaluation, authorisation and restriction of chemicals – REACH, on classification, labelling and packaging of substances and mixtures – CLP, and on biocidal products – BPR), and appoint the responsible bodies. Bosnia and Herzegovina still needs to implement the Rotterdam Convention on trade of hazardous chemicals, to which it is a party. There has been no progress in acceding to the Minamata Convention on mercury.

Significant further efforts are still needed to align with the EU *acquis* on environmental **noise**.

Bosnia and Herzegovina actively participates in the Union Civil Protection Mechanism (UCPM). The country should establish trans-European services for telematics between administrations (TESTA) as a precondition for connecting to the common emergency communication and information system (CECIS). The European single emergency number 112 still needs to be introduced countrywide. In April 2024, the Federation entity introduced the 112 number and designated the Federal Police Administration as the institution in which the number will be maintained; the *Republika Srpska* entity and the Brčko District also need to establish the single emergency number.

#### Climate change

Bosnia and Herzegovina still needs to adopt a state-level climate law and a countrywide climate strategy along with a 2050 climate neutrality target to align with the EU **climate acquis**. The country should implement commitments under the Energy Community's decarbonisation roadmap, starting with full implementation of the monitoring, reporting, verification and accreditation (MRVA) package by December 2025 with a view to introduce carbon pricing and to align with the EU ETS. Bosnia and Herzegovina needs to finalise and adopt its 2021-2030 national energy and climate plan without further delays.

Bosnia and Herzegovina needs to step up the implementation of its revised nationally determined contribution for 2020-2030 (NDC) submitted in 2021 to the United Nations Framework Convention on Climate Change (UNFCCC), and submit an updated NDC. No progress has been made in aligning with the directives on fuel quality, ozone depleting substances, fluorinated gases, carbon capture and storage or on other relevant legislation. Following ratification of the Kigali amendment to the Montreal Protocol on substances that deplete the ozone layer in 2021, Bosnia and Herzegovina is urgently required to freeze hydrofluorocarbon production and use, to achieve the aim of an 80% reduction by 2045.

Consideration also ought to be given to aligning with major upgrades of the EU climate policy as a result of the Fit for 55 package. The country still needs to significantly reinforce its administrative and inspection capacities in the sector and structural reforms need to be implemented to ensure meaningful implementation of the required measures.

The country should include a gender perspective and gender-sensitive assessments of the impact of climate change in all green policies and laws at all levels of government.

### **CLUSTER 5: RESOURCES, AGRICULTURE AND COHESION**

This cluster covers: agriculture and rural development (Chapter 11); food safety, veterinary and phytosanitary policy (Chapter 12); fisheries and aquaculture (Chapter 13); regional policy &

coordination of structural instruments (Chapter 22); and financial & budgetary provisions (Chapter 33).

## Chapter 11: Agriculture and rural development

*The EU's common agricultural policy supports farmers and ensures Europe's food security. It helps tackle climate change and the sustainable management of national resources; maintains rural areas and landscapes across the EU; and keeps the rural economy alive by promoting jobs in farming, agri-food industries and associated sectors. This requires strong management and control systems. There are also common EU rules for marketing standards, quality policy and organic farming.*

On **horizontal issues**, there was no progress in setting up the administrative structures required for the common agricultural policy (CAP), including a paying agency, and in developing elements of an integrated administration and control system (IACS) or a farm sustainability data network (FASDN). The country needs to substantially improve the data collection and processing system for planning agricultural and rural development policies, and ensure its implementation, monitoring and reporting. In October 2024 Bosnia and Herzegovina endorsed the 'Strategic plan for rural development for Bosnia and Herzegovina 2023-2027 - framework document'. The country still needs to develop a fully-fledged multiannual country-wide strategy on agriculture and rural development. Bosnia and Herzegovina still needs to improve sector coordination and strengthen administrative capacity at all levels of government. The country still needs to set up the necessary institutional structures to benefit from the Instrument for Pre-accession Assistance for Rural Development (IPARD). Bosnia and Herzegovina still needs to put in place the institutional and administrative structure to proceed with payments in line with the EU *acquis* and develop farm advisory services.

As regards the **common market organisation** (CMO), there was no progress in preparing and setting up the regulatory framework in line with the EU *acquis*. Bosnia and Herzegovina still needs to adopt bylaws to implement the state-level Law on the organisation of the market of wine and set up a register of grapes and wine producers and a vineyard register.

Bosnia and Herzegovina made no progress in harmonising **rural development** programmes and support measures.

No progress was noted **on quality policy**. The country still needs to improve and align the legal framework with the EU *acquis* and ensure clarity in the distribution of competences.

There was no progress on **organic farming**. The country still needs to adopt a state-level law on organic production, in line with the EU *acquis*, and a regulatory framework harmonised across all levels of government.

## Chapter 12: Food safety, veterinary and phytosanitary policy

*EU hygiene rules for foodstuff production ensure a high level of food safety. Animal health and welfare and the safety of food of animal origin are safeguarded together with the quality of seeds, plant protection material, the protection against harmful organisms and animal nutrition.*

On **general food safety**, food safety rules and specific rules for feed, Bosnia and Herzegovina has yet to ensure compliance with public and animal health requirements, in particular related to **official controls for the export** of beef, sheep and goat meat to the EU, and to ensure reliable certified animal health statements of the export certificates. A reliable central database for animals and official controls is not yet in place, and the surveillance of notifiable diseases is not

regularly implemented. A system of reference laboratories is still not in place, and existing laboratories are still not accredited to detect notifiable diseases.

Improving the **official controls system** remains crucial, particularly for animal identification and the registration of holdings to ensure data reliability. Alignment has yet to be ensured for the surveillance of notifiable diseases, particularly for early detection system and raising awareness among farmers. The inter-laboratory comparative test system is still not set up, nor is the system of reference laboratories for food and feed analysis, official controls for hygiene, and animal and plant health. Bosnia and Herzegovina has yet to fulfil the criteria for the export of table eggs to the EU, or fully implement its updated *Salmonella* control plan.

The alignment with the EU *acquis* of the state-level laws on food (2004) and veterinary medicine (2002) remains low. Further work is still necessary to prepare and adopt state-level laws on official controls, on animal health and on animal welfare. Moreover, additional efforts are needed to implement the hygiene package.

On **veterinary policy**, the country has yet to substantially strengthen the control, prevention and eradication of transmissible animal diseases, as well as to improve the monitoring and surveillance of brucellosis and rabies, which are not yet eradicated. Further efforts are needed to improve coordination for the management of the outbreak of African swine fever. The management of animal disease notification and outbreak information, and the central animal identification and registration systems for sheep, goats, pigs and horses are yet to be aligned with the EU *acquis*.

Regarding the **placing on the market of food, feed and animal by-products**, Bosnia and Herzegovina has yet to align its food and feed control system with the EU *acquis*. Further reforms are still necessary at all levels of the government, particularly concerning inspection services and laboratories. The country has not yet prepared a national strategy and set up an effective system for managing animal by-products.

Concerning **phytosanitary policy**, the country has yet to adopt key state-level laws, notably the new plant health law and a state-level law on official controls. The adoption of programmes for surveillance of quarantine pests for all agriculture crops remains important, not only for potatoes which are exported to the EU. The country must align its state legislation with the EU *acquis* concerning the rules for the authorisation of plant protection products in commercial form and for their placing on the market, use and control. Reforms are still needed for Bosnia and Herzegovina to issue plant passports, to adopt OECD seed schemes and to set up national reference laboratories providing phyto-sanitary checks. Surveys, early detection and eradication of pests must be strengthened.

On **genetically modified organisms (GMOs)**, the level of alignment with the EU *acquis* remains low. Inspection services at all levels of the government need to be strengthened and country's reference laboratory for testing, controlling and monitoring the presence of GMOs in food and feed is yet to be set up.

### **Chapter 13: Fisheries and aquaculture**

*The common fisheries policy lays down rules on fisheries management, protects living resources of the sea and limits the environmental impact of fisheries. This includes setting catch quotas, managing fleet capacity, rules on control and inspection, rules on markets and aquaculture and support for fisheries and coastal communities. Further, it promotes a sustainable aquaculture.*

Bosnia and Herzegovina needs to develop a countrywide policy framework (strategy) and a



state-level legislation on inland and marine fisheries, and on aquaculture to prepare for the EU's common fisheries policy (CFP).

Bosnia and Herzegovina needs to substantially strengthen its institutional capacity and administrative structures to support small-scale and/or inland fisheries and aquaculture.

No progress was made on **resource and fleet management**. Bosnia and Herzegovina still needs to set up a fleet register and a system for management and control of fishing activities in line with the CFP. On **inspection and control**, the country still needs to improve and harmonise the data on catches and landings per type of fishery and improve methodologies and planning for data collection. Bosnia and Herzegovina has yet to align **structural** and **State aid** measures with the EU *acquis*.

Concerning **market policy**, Bosnia and Herzegovina still needs to establish most of the provisions of the EU *acquis* on the common market organisation in fishery and aquaculture products, among others setting up a framework to recognise producers' organisations.

Regarding **international agreements**, Bosnia and Herzegovina continues to cooperate with the General Fisheries Commission for the Mediterranean (GFCM) as part of the Food and Agriculture Organization (FAO), to which it is a cooperating non-contracting party.

On **aquaculture** there was no progress in the reporting period.

## **Chapter 22: Regional policy and coordination of structural instruments**

*Regional policy is the EU's main tool for reducing regional disparities and investing in sustainable and inclusive socio-economic growth. It operates through 'shared management' between the Commission and EU Member States. The implementation of cohesion policy programmes requires appropriate administrative capacity on programme and project level, the establishment of systems of sound financial management and control and also the fulfilment of other EU *acquis* elements such as environmental or public procurement legislation.*

On the **legislative framework**, in the areas underpinning regional development (See chapters 5, 8, 15, 19, 27, 32), Bosnia and Herzegovina needs to increase alignment with the EU *acquis* and standards, and to commit to regional development reforms across the country, including definition of the planning regions (e.g. NUTS) and their powers, statistical profile and financing. The country needs to adopt a strategic framework to guide the process.

The **institutional framework** for the management of EU funds is not yet in place. The country has not appointed a national IPA coordinator (NIPAC) for IPA III to steer the programming and the use of the EU funds, and to drive reforms under this chapter. There is no countrywide system for regional development. The coordination mechanism is underperforming due to institutional and administrative fragmentation and lack of quality statistical and administrative data to support a common strategic vision.

The **administrative capacity** for programming and managing EU pre-accession funds remains weak due to delays in the public administration reform, limited understanding of the EU regional and cohesion policy, and lack of permanent training capacity on EU matters.

On **programming**, Bosnia and Herzegovina prepared an IPA 2024 package which was adopted by the Commission, and developed a Reform Agenda under the Reforms and Growth Facility, which it has not submitted yet. Under the mechanism for financing projects of local authorities set up in 2023, in February 2024 the Federation entity established the legal framework to prepare and select capital investments. The *Republika Srpska* entity needs to finalise the same

process. Bosnia and Herzegovina needs to improve the planning of capital investments across the country and ensure that up-to-date single project pipeline guides EU's and domestic investments in a coherent way. Bosnia and Herzegovina continues to gain experience in programming and implementation of regional policy through participation in 4 EU cooperation programmes (INTERREG) – the cross-border, transnational and interregional programmes covering the Adriatic and Ionian region and the Danube region.

Regarding **monitoring and evaluation**, Bosnia and Herzegovina needs to significantly improve the quality of the monitoring and reporting on the use of the EU funds, and to ensure a higher rate of implementation of recommendations from the SAA process (now at 25%) and the IPA Monitoring Committee.

On the **financial management, control and audit system**, Bosnia and Herzegovina needs to put in place a roadmap for establishing the management and control systems for the structural and cohesion instruments and ensure its implementation.

### Chapter 33: Financial and budgetary provisions

*This chapter covers the rules governing the funding of the EU budget ('own resources'). These resources mainly consist of: (i) contributions based on the gross national income of each Member State; (ii) customs duties; (iii) the non-recycled plastic resource and (iv) a resource based on value-added tax. Member States must have the appropriate administrative capacity to adequately coordinate and ensure the correct calculation, collection, payment and control of own resources.*

There was no progress in improving the capacity of the Indirect Tax Authority (ITA) and in implementing an accounting system for customs duties to distinguish between recovered debts and outstanding debts, in line with the EU's **traditional own resources** accounting. The VAT law is yet to be aligned with the EU *acquis*, notably on special schemes and exceptions.

On the **gross national income (GNI) resource**, Bosnia and Herzegovina makes use of the definitions and accounting rules of ESA 2010 to compile its GNI. Setting up a countrywide accounts system is a longstanding priority that should be tackled with urgency, notably by adopting a master plan to that aim, in line with ESA 2010.

In terms of **administrative infrastructure**, there was no progress in providing sufficient human and administrative resources to ensure the full and correct application of EU rules concerning payments into the EU budget. Better coordination among administrative structures and implementing rules are needed to ensure correct forecasting, calculation, accounting, collection, payment and monitoring of own resources.

## CLUSTER 6: EXTERNAL RELATIONS

This cluster covers: external relations (Chapter 30); foreign, security and defence policy (Chapter 31).

### Chapter 30: External relations

*The EU has a common commercial policy towards third countries, based on multilateral and bilateral agreements and autonomous measures. There are also EU rules on humanitarian aid and development policy.*

On the **common commercial policy**, the adoption of a decision on the quality of liquid petroleum

fuels in February 2024 should be conducive to the conclusion of negotiations with Russia and to Bosnia and Herzegovina's accession to the WTO.

Bosnia and Herzegovina needs to urgently implement CEFTA additional protocol 5 on trade facilitation and CEFTA additional protocol 6 on trade in services. Bosnia and Herzegovina should negotiate and adopt the additional protocol 7 on dispute settlement, thus contributing to implement the 2021-2024 Common Regional Market action plan.

Bosnia and Herzegovina should cease discriminating against EU medicines manufactures and adopt rules on defining the lists of essential medicines to ensure transparency and legal clarity regarding procedures across the whole country.

Bosnia and Herzegovina applies export controls on **dual-use goods** in accordance with its legislation, which needs to be aligned with the latest EU *acquis*, namely the 2021 Regulation on export controls and its annual updates as regards the list of dual-use items.

As regards **bilateral agreements with third countries**, Bosnia and Herzegovina needs to further strengthen its administrative capacity and improve cooperation and coordination among all levels of government to ensure consistency of implementation and enforcement. The country has 37 bilateral investment treaties in force, including with 18 Member States.

There was no progress in the areas of **development policy** and **humanitarian aid**. The country is a recipient of aid programmes and has so far provided humanitarian aid only *ad hoc*. Bosnia and Herzegovina is encouraged to establish a legal framework covering international cooperation and development policy as well as humanitarian aid, in accordance with EU policies and principles, and to build dedicated administrative structures.

### Chapter 31: Foreign, security and defence policy

*Member States must be able to conduct political dialogue under the EU foreign, security and defence policy, align with EU statements, take part in EU actions, and apply agreed sanctions and restrictive measures.*

The **political dialogue** between the EU and Bosnia and Herzegovina on foreign and security policy issues continued, including at high level. In February 2024, Bosnia and Herzegovina hosted the 10th EU-Western Balkans meeting of political directors on common foreign and security policy (CFSP). In June 2024, the country participated in a working lunch with members of the Foreign Affairs Council.

The implementation of the now-expired 2018-2023 foreign policy strategy was affected by frequent divergent positions within the Presidency, also in relation to Russia's war of aggression against Ukraine, the Middle East or the UN General Assembly resolutions. The action plan on women, peace and security needs to be finalised and adopted.

Bosnia and Herzegovina still needs to appoint a political director and a European correspondent within the Ministry of Foreign Affairs. Rules and practices based on ethnic quotas in appointing the diplomatic and consular staff have a negative impact on the capacity of the ministry, adversely affecting the country's foreign policy objectives.

Bosnia and Herzegovina has reached and maintained full alignment with the EU **common foreign and security policy**, signalling its clear commitment to the EU path.

Bosnia and Herzegovina aligned with the EU positions at the United Nations General Assembly (UNGA), the OSCE and the Council of Europe on Russia's war of aggression against Ukraine,

including co-sponsoring a joint statement condemning Russia's war of aggression against Ukraine at the UN in January 2024. However, in May 2024, Russia opened a political office of its embassy in Banja Luka, reinforcing contacts with the *Republika Srpska* entity. Since the expulsion of Russian diplomats from several countries after the invasion of Ukraine, the number of Russian diplomatic personnel in Bosnia and Herzegovina has increased. In June 2024, Bosnia and Herzegovina participated in the Summit on Peace in Ukraine hosted by Switzerland.

Alignment with EU **restrictive measures** following Russia's war of aggression against Ukraine remains a matter of political contestation as one member of the Presidency advocates for a neutral stance. This resulted in significant political hindrances to their implementation by the competent ministries, including not banning flights from Russia or the broadcast of Russian state-sponsored media. Bosnia and Herzegovina should continue to strengthen its capacity to implement and enforce international restrictive measures, including EU sanctions it has aligned to, also by setting up a functioning interdepartmental working group.

Bosnia and Herzegovina supports all EU measures and instruments for **conflict prevention**.

On **non-proliferation**, Bosnia and Herzegovina is not yet a participating state of multilateral export control regimes. In February 2024, the Council of Ministers adopted a decision on implementation of targeted financial sanctions of the United Nations Security Council related to the financing of terrorism and the financing of the proliferation of weapons of mass destruction. Alignment with the EU Common Position 2008/944 on arms export control is largely complete, with further work required on end user certificates. Bosnia and Herzegovina is a party to the Arms Trade Treaty, but is still to establish effective measures to prevent diversion of arms and ammunition.

Regarding **cooperation with international organisations**, Bosnia and Herzegovina is an active member of the major international organisations, including the United Nations, the Council of Europe and the OSCE. Bosnia and Herzegovina has been participating in NATO's membership action plan since 2019.

Bosnia and Herzegovina maintains a bilateral immunity agreement with the United States, granting US citizens exemptions from the jurisdiction of the **International Criminal Court**, which does not comply with the EU common positions on the integrity of the Rome Statute or related EU guiding principles on bilateral immunity agreements. Alignment with the EU position is therefore needed.

As regards the control of **small arms and light weapons** (SALW), Bosnia and Herzegovina continued to implement the 2018 regional roadmap. The country needs to adopt a new SALW strategy and action plan by the end of the year. While some progress was achieved by the Brčko District Police, Bosnia and Herzegovina still needs to mark and register all weapons of the various security forces into a single registry to ensure adequate traceability.

In terms of **security measures**, the country continued to implement the agreement with the EU on security procedures for exchanging and protecting classified information.

Bosnia and Herzegovina does not have an overall assessment or a policy framework for addressing **hybrid threats** and remains vulnerable to serious cyber-attacks that targeted its public institutions in 2023 and 2024. Banja Luka-based provider M-tel continued to carry the signal of the RT channel, despite Bosnia and Herzegovina's alignment with relevant EU sanctions on Russia. Bosnia and Herzegovina needs to make further efforts on closing space for foreign information manipulation and interference (FIMI), including disinformation, taking actions towards building societal resilience against all forms of hybrid threats.

On the **common security and defence policy** (CSDP), Bosnia and Herzegovina continued to contribute to the EU Training Mission (EUTM) in the Central African Republic. Bosnia and Herzegovina is invited to further step up participation in CSDP military missions and operations. Bosnia and Herzegovina contributes to regional cooperation in military medicine through the Balkan Medical Task Force (BMTF).

## ANNEX I – RELATIONS BETWEEN THE EU AND BOSNIA AND HERZEGOVINA

The **Stabilisation and Association Agreement (SAA)** entered into force in June 2015. Policy dialogue in the joint bodies under the agreement continued. The SA Committee was held in September 2024, closing the seventh cycle, although the subcommittee on trade, industry, customs and taxations had to be cancelled as Bosnia and Herzegovina could not submit a discussion paper. The country also participates in the economic and financial dialogue between the EU and the Western Balkans and Türkiye; joint recommendations were adopted at ministerial level in May 2024.

Under the SAA and its Interim Agreement (which commenced application in 2008) there has been progressive **trade** liberalisation and mutual duty-free access for most goods. Since 2000, Bosnia and Herzegovina has also been benefiting from autonomous trade measures. The country joined the Central European Free Trade Agreement (CEFTA) in 2007. The EU is Bosnia and Herzegovina's main trading partner, accounting for 64% of its trade in goods (73% of exports and 59% of imports), for a total trade volume of EUR 14.6 billion in 2023.

Bosnia and Herzegovina applied for EU membership in February 2016, and in May 2019 the Commission adopted its **Opinion** setting out 14 key priorities in the areas of democracy/functionality, rule of law, fundamental rights and public administration reform. In December 2022, the European Council granted Bosnia and Herzegovina **candidate country** status on the understanding that a number of **steps** are taken, as outlined in the October 2022 Commission recommendation. In line with the Commission's recommendation, in December 2023 the European Council decided that it will open accession negotiations with Bosnia and Herzegovina, once the necessary degree of compliance with the membership criteria is achieved. Following the Commission's report on progress in Bosnia and Herzegovina, the European Council decided on 21 March 2024 to open accession negotiations with Bosnia and Herzegovina. The European Council invited the Commission to prepare the negotiating framework with a view to its adoption by the Council the moment all relevant steps set out in the Commission's recommendation of October 2022 are taken.

**Visa liberalisation** for citizens of Bosnia and Herzegovina travelling to the Schengen area has been in force since December 2010, and a readmission agreement has been in force since 2008. The Commission's sixth report under the visa suspension mechanism in October 2023 concluded that Bosnia and Herzegovina continues to meet the visa liberalisation benchmarks.

Bosnia and Herzegovina has achieved full alignment with EU **common foreign and security policy (CFSP)** positions and declarations. The country continued to participate in EU crisis management missions and operations under the common security and defence policy (CSDP). The EU continued to deploy considerable resources in Bosnia and Herzegovina. The combined EU Delegation in Bosnia and Herzegovina and office of the EU Special Representative continued to be instrumental in communicating EU priorities to citizens and in pursuing EU objectives. The **EUFOR Althea** military operation remained deployed in the country, retaining deterrence capacity to support a safe and secure environment. The UN Security Council extended EUFOR Althea's executive mandate until November 2024.

The Armed Forces of Bosnia and Herzegovina benefit from EUR 20 million in assistance from the **European Peace Facility (EPF)**, which increases their capacity to participate in CSDP military missions and operations. Their demining battalion, which is essential for achieving a mine-free Bosnia and Herzegovina, received EPF support to purchase vehicles and metal detectors. The Armed Forces of Bosnia and Herzegovina also received EPF support in chemical, biological,

radiological and nuclear (CBRN) protection, and take part in the EUR 6 million EPF Balkan Medical Task Force assistance measure.

The EU is the main donor of **financial assistance** to Bosnia and Herzegovina, with EUR 539.6 million under the Instrument for Pre-accession (IPA) II (2014-2020) and EUR 309.8 million under IPA III 2021-2024. The fundamentals of EU accession – good governance, rule of law and human rights – receive 43.97% of the IPA III assistance, while 56.03% target sustainable and inclusive growth. EU assistance also includes funding for civil society and co-financing for participation in Union programmes.

Since 2009, Bosnia and Herzegovina also received EU assistance of EUR 1.104 billion through the Western Balkans Investment Framework (WBIF), leveraging total investments of EUR 6.7 billion. Overall, under the Economic and Investment Plan (EIP), Bosnia and Herzegovina benefits from EUR 1 billion of IPA funds, mobilising additional funding of EUR 2.9 billion for priority high-impact projects.

Under the new Reform and Growth Facility, Bosnia and Herzegovina may benefit from up to EUR 1.085 billion in loans and grants. Disbursements will follow delivery on reforms as set out in the Reform Agenda that the country is expected to agree with the European Commission.

The EU provides support to strengthen Bosnia and Herzegovina's resilience to hybrid threats, including cyber threats and foreign information manipulation and interference (FIMI).

Bosnia and Herzegovina participates in three cross-border cooperation programmes, as well as in transnational cooperation for the Adriatic-Ionian region and the Danube region.

Bosnia and Herzegovina participates in eight **EU programmes**: Fiscalis 2020, Customs 2020, Competitiveness of Enterprises and Small and Medium-Sized Enterprises Programme (COSME), Erasmus+, Creative Europe, Europe for Citizens, Horizon 2020 and the Health Programme 2014-2020. To enhance access to EU initiatives and funds, Bosnia and Herzegovina is participating as an observer in a pilot project under the Technical Support Instrument.

## ANNEX 2 – STATISTICAL DATA

### STATISTICAL DATA (as of 5/09/2024)

#### Bosnia and Herzegovina

<b>Basic data</b>	Note	2011	2018	2019	2020	2021	2022
Population (thousand)		3 843 i	3 500 i	3 492 pi	:	:	3 464 pi
Total area of the country (km <sup>2</sup> )		51 209 w	51 209 w	51 209 w	51 209 w	51 209 w	51 209 w

<b>National accounts</b>	Note	2011	2018	2019	2020	2021	2022
Gross domestic product (GDP) (million national currency)		26 231	33 942	35 785	34 728	39 145	45 618
Gross domestic product (GDP) (million euro)		13 412	17 354	18 297	17 756	20 015	23 324
GDP (euro per capita)		3 490 i	4 958 i	5 240 i	:	:	6 733 i
GDP per capita (in purchasing power standards (PPS))		7 800	10 000	10 500	10 100	:	:
GDP per capita (in PPS), relative to the EU average (EU-27 = 100)		30.0 i	32.4 i	32.7 i	32.8 i	:	:
Real GDP growth rate: change on previous year of GDP volume (%)		1.0	3.8	2.9	- 3.0	7.4	4.2
Employment growth (national accounts data), relative to the previous year (%)		:	:	:	:	:	:
Labour productivity growth: growth in GDP (in volume) per person employed, relative to the previous year (%)		:	:	:	:	:	:
Unit labour cost growth, relative to the previous year (%)		:	:	:	:	:	:
**3 year change (T/T-3) in the nominal unit labour cost growth index (2015 = 100)		:	:	:	:	:	:
Labour productivity per person employed: GDP (in PPS) per person employed relative to EU average (EU-27 = 100)		:	:	:	:	:	:
Gross value added by main sectors							
Agriculture, forestry and fisheries (%)		8.0	6.9	6.5	7.0	6.0	5.7
Industry (%)		21.3	23.8	22.9	22.8	24.6	24.2
Construction (%)		4.8	4.8	5.0	5.4	5.1	5.2
Services (%)		65.8 i	64.6 i	65.6 i	64.7 i	64.3 i	64.9 i
Final consumption expenditure, as a share of GDP (%)		106.3	93.0	91.7	92.7	87.5	86.1
Gross fixed capital formation, as a share of GDP (%)		22.0	22.4	22.7	22.1	21.5	22.1
Exports of goods and services, relative to GDP (%)		32.0	42.0	40.0	34.6	42.6	48.1
Imports of goods and services, relative to GDP (%)		55.8	56.4	54.5	47.9	53.9	61.9
Gross fixed capital formation by the general government sector, as a percentage of GDP (%)		:	:	:	:	:	:

<b>Business</b>	Note	2011	2018	2019	2020	2021	2022
Industrial production volume index (2015 = 100)		95.8 w	109.4 w	103.5 w	96.8 w	106.2 w	107.9 w
Number of active enterprises (number)		:	68 085	67 981	66 873	70 794 pw	:
Birth rate: number of enterprise births in the reference period (t) divided by the number of enterprises active in t (%)		:	11.1 p	10.4 p	:	:	:



Death rate: number of enterprise deaths in the reference period (t) divided by the number of enterprises active in t (%)		:	10.3 p	3.8 p	:	:	:
People employed in SMEs as a share of all persons employed (within the non-financial business economy) (%)		:	69.1 iw	69.1 iw	69.6 iw	69.1 iw	:
Value added by SMEs (in the non-financial business economy) (EUR million)		:	5 269 iw	5 780 iw	5 677 iw	6 775 iw	:
Total value added (in the non-financial business economy) (EUR million)		:	8 393	9 040	8 829	10 689 pw	:

<b>Inflation rate</b>	Note	2011	2018	2019	2020	2021	2022
Consumer price index (CPI), change relative to the previous year (%)	1)	3.7 w	1.4 w	0.6 w	- 1.1 w	2.0 w	14.0 w

<b>Balance of payments</b>	Note	2011	2018	2019	2020	2021	2022
Balance of payments: current account total (million euro)		- 1 269.8	- 559.3	- 474.1	- 501.3	- 355.2	- 1 011.2
Balance of payments current account: trade balance (million euro)		- 4 001.9	- 3 845.5	- 4 071.4	- 3 204.5	- 3 666.0	- 5 206.6
Balance of payments current account: net services (million euro)		814.6	1 335.6	1 430.2	836.3	1 396.5	1 997.7
Balance of payments current account: net balance for primary income (million euro)		107.6	- 99.6	- 30.8	- 98.4	- 254.5	- 269.8
Balance of payments current account: net balance for secondary income (million euro)		1 809.8	2 050.2	2 198.0	1 965.3	2 168.9	2 467.5
Net balance for primary and secondary income: of which government transfers (million euro)		45.1	15.1	49.1	66.7	32.4	30.6
**3 year backward moving average of the current account balance relative to GDP (%)		:	- 4.2	- 3.5	- 2.9	- 2.4	- 3.0
**Five year change in share of world exports of goods and services (%)		:	30.5	25.0	15.2	21.4	16.5
Net balance (inward - outward) of foreign direct investment (FDI) (million euro)	2)	344.6 w	491.0 w	377.8 w	357.4 w	539.0 w	688.7 w
Foreign direct investment (FDI) abroad (million euro)	2) 3)	- 4.1 w	16.4 w	19.7 w	70.5 w	71.3 w	65.6 w
of which FDI of the reporting economy in the EU-27 countries (million euro)	4)	:	- 14.4 w	- 26.1 w	32.1 w	32.2 w	16.0 w
Foreign direct investment (FDI) in the reporting economy (million euro)	2) 3)	340.4 w	507.4 w	397.4 w	427.9 w	610.3 w	754.3 w
of which FDI of the EU-27 countries in the reporting economy (million euro)	4)	193.6 w	290.8 w	207.7 w	267.7 w	238.0 w	371.5 w
**Net international investment position, relative to GDP (%)	3)	- 56.2 w	- 41.5 w	- 36.8 w	- 33.5 w	- 28.9 w	- 25.8 w
Year on year rate of change in gross inflow of remittances (in national currency) from migrant workers (%)	3)	7.7 iw	8.4 i	8.4 i	7.3 i	7.8 i	7.9 i

<b>Public finance</b>	Note	2011	2018	2019	2020	2021	2022
General government deficit / surplus, relative to GDP (%)		:	:	:	:	:	:
General government gross debt relative to GDP (%)		:	:	:	:	:	:
Total government revenues, as a percentage of GDP (%)		:	:	:	:	:	:
Total government expenditure, as a percentage of GDP (%)		:	:	:	:	:	:

<b>Financial indicators</b>	Note	2011	2018	2019	2020	2021	2022
Gross external debt of the whole economy, relative to GDP (%)	3)	71.2 iw	64.6 iw	62.5 iw	63.3 iw	57.2 iw	51.4 iw
Gross external debt of the whole economy, relative to total exports (%)	3)	222.3 w	153.9 w	156.2 w	182.9 w	134.4 w	106.7 w
Money supply: M1 (banknotes, coins, overnight deposits, million euro)	5) 6)	3 162.6 w	6 209.7 w	6 775.2 w	7 697.6 w	9 166.2 w	10 163.8 w
Total credit by monetary financial institutions to residents (consolidated) (million euro)	7) 8)	7 619.2 w	9 962.9 w	10 620.9 w	10 403.5 w	10 776.7 w	11 283.2 w

**Annual change in financial sector liabilities (%)	9) 10)	1.3 w	9.1 w	8.0 w	3.7 w	9.9 w	2.5 w
**Private debt, consolidated, relative to GDP (%)	9)	60 w	58 w	59 w	59 w	:	:
Interest rates: day-to-day money rate, per annum (%)	11)	w	w	w	w	w	w
Euro exchange rates: average of period (1 euro = ... national currency)		1.956	1.956	1.956	1.956	1.956	1.956
Trade-weighted effective exchange rate index, 42 countries (2015 = 100)	5)	98.3 w	103.4 w	104.1 w	106.2 w	107.6 w	109.2 w
**3 year change (T/T-3) in the trade-weighted effective exchange rate index, 42 countries (2015 = 100)	5)	0.0 iw	0.0 iw	0.0 iw	0.0 iw	0.0 iw	0.0 iw
Value of reserve assets (including gold) (million euro)		- 16.9	569.4	478.0	637.1	1 377.8	72.8

<b>External trade in goods</b>	Note	2011	2018	2019	2020	2021	2022
Value of imports: all goods, all partners (million euro)		7 938	9 855	9 969	8 634	11 042	14 641
Value of exports: all goods, all partners (million euro)		4 204	6 085	5 876	5 379	7 298	9 190
Trade balance: all goods, all partners (million euro)		- 3 735	- 3 770	- 4 093	- 3 254	- 3 744	- 5 451
Terms of trade (export price index / import price index * 100) (number)	12)	92.1 iw	102.7 iw	102.3 iw	105.6 iw	104.4 iw	98.5 iw
Share of exports to EU-27 countries in value of total exports (%)		70.0 iw	72.2 iw	72.3 iw	72.4 iw	72.8 iw	73.6 iw
Share of imports from EU-27 countries in value of total imports (%)		59.1 iw	59.7 iw	61.1 iw	60.8 iw	58.9 iw	56.9 iw

<b>Demography</b>	Note	2011	2018	2019	2020	2021	2022
Crude rate of natural change of population (natural growth rate): number of births minus deaths (per thousand inhabitants)		- 0.9	- 2.4 p	:	:	:	- 4.2 p
Infant mortality rate deaths of children under one year of age (per thousand live births)		:	:	:	:	:	:
Life expectancy at birth: male (years)		:	:	:	:	:	:
Life expectancy at birth: female (years)		:	:	:	:	:	:

<b>Labour market</b>	Note	2011	2018	2019	2020	2021	2022
Economic activity rate for persons aged 20–64: proportion of the population aged 20–64 that is economically active (%)	13)	58.3 w	58.4 w	59.0 w	62.3 bw	63.4 b	63.6
*Employment rate for persons aged 20–64: proportion of the population aged 20–64 that are in employment (%)	13)	42.5 w	47.7 w	49.7 w	52.5 bw	52.6 b	53.9
Male employment rate for persons aged 20–64 (%)	13)	53.7 w	59.5 w	61.6 w	64.9 bw	66.0 b	67.7
Female employment rate for persons aged 20–64 (%)	13)	31.4 w	35.8 w	38.0 w	40.0 bw	39.1 b	40.0
Employment rate for persons aged 55–64: proportion of the population aged 55–64 that are in employment (%)	13)	27.0 w	32.6 w	36.2 w	35.4 bw	35.6 b	36.3
Employment by main sectors							
Agriculture, forestry and fisheries (%)	13)	:	15.7 w	18.0 w	12.0 bw	9.4 bi	7.3 i
Industry (%)	13)	:	23.5 w	23.8 w	23.9 bw	24.4 bi	25.4 i
Construction (%)	13)	:	8.7 w	7.9 w	9.5 bw	9.1 bi	9.2 i
Services (%)	13)	:	52.1 w	50.3 w	54.7 bw	57.0 bi	58.2 i

People employed in the public sector as a share of total employment, persons aged 20–64 (%)	13) 14) 15)	19.6 w	18.4 w	17.2 w	19.1 bw	19.8 bw	19.0 w
People employed in the private sector as a share of total employment, persons aged 20–64 (%)	13) 14) 15)	80.4 w	81.6 w	82.8 w	80.9 bw	80.2 bw	81.0 w
Unemployment rate: proportion of the labour force that is unemployed (%)	13)	27.6 w	18.5 w	15.9 w	15.9 bw	17.4 b	15.4
Male unemployment rate (%)	13)	26.1 w	17.3 w	13.8 w	14.2 bw	14.4 b	12.6
Female unemployment rate (%)	13)	30.0 w	20.5 w	19.0 w	18.6 bw	22.0 b	19.8
Youth unemployment rate: proportion of the labour force aged 15–24 that is unemployed (%)	13)	57.9 w	38.8 w	33.8 w	36.6 bw	38.3 b	35.1
Long-term unemployment rate: proportion of the labour force that has been unemployed for 12 months or more (%)	13)	22.3 w	15.2 w	12.1 w	11.9 bw	13.4	11.4
Unemployment rate for persons (aged 25–64) having completed at most lower secondary education (ISCED levels 0-2) (%)	13)	29.1 w	19.1 w	:	19.5 bw	24.7 b	25.1
Unemployment rate for persons (aged 25–64) having completed tertiary education (ISCED levels 5-8) (%)	13)	13.5 w	13.9 w	10.9 w	10.9 bw	11.3 b	10.7

<b>Social cohesion</b>	Note	2011	2018	2019	2020	2021	2022
Average nominal monthly wages and salaries (national currency)	16)	816 w	879 w	921 w	956 w	998 w	1 122 w
Index of real wages and salaries (index of nominal wages and salaries divided by the inflation index) (2016 = 100)		:	:	:	:	:	:
GINI coefficient	17)	33 w	:	:	:	:	:
Poverty gap		:	:	:	:	:	:
*Early leavers from education and training: proportion of the population aged 18–24 with at most lower secondary education who are not in further education or training (%)	13)	8.0 w	5.4 w	3.8 w	4.7 w	4.7	3.6

<b>Standard of living</b>	Note	2011	2018	2019	2020	2021	2022
Number of passenger cars relative to population size (number per thousand population)		192.0	263.0 p	269.0 pi	268.0 pi	284.0 p	292.0 p
Number of mobile phone subscriptions relative to population size (number per thousand population)		825.8 ew	989.9 w	1 075.5 w	1 010.0 w	1 095.5 ew	1 110.1 w
Mobile broadband penetration (per 100 inhabitants)		:	52.7 w	44.7 w	46.7 w	52.6 ew	60.6 w
Fixed broadband penetration (per 100 inhabitants)		:	20 w	21 w	22 w	23 ew	26 w

<b>Infrastructure</b>	Note	2011	2018	2019	2020	2021	2022
Density of railway network (lines in operation per thousand km <sup>2</sup> )		20.1 iw	19.9 iw	19.9 iw	19.9 iw	19.9 iw	19.9 iw
Length of motorways (kilometres)		35 w	198	198	218	218	231

<b>Education, innovation and research</b>	Note	2011	2018	2019	2020	2021	2022
Public expenditure on education relative to GDP (%)		:	3.9 iw	4.0 iw	4.3 iw	4.2 iw	:
*Gross domestic expenditure on R&D relative to GDP (%)		:	0.19 iw	0.19	0.20	0.19	:

Government budget appropriations or outlays on R&D (GBAORD), as a percentage of GDP (%)		:	0.06	0.09	0.09	0.18 p	:
Percentage of households who have internet access at home (%)		:	69.2	72.0	72.8	75.5	:

<b>Environment</b>	Note	2011	2018	2019	2020	2021	2022
*Index of greenhouse gas emissions, CO <sub>2</sub> equivalent (1990 = 100)		82.5 w	82.9 w	82.8 w	74.7 w	76.3 w	:
Energy intensity of the economy (kg of oil equivalent per 1 000 euro GDP at 2015 constant prices)		:	456.8	429.3	435.2	420.4	399.8
Electricity generated from renewable sources relative to gross electricity consumption (%)		31.8 w	41.5	45.5	49.3	46.3	:
Road share of inland freight transport (based on tonne-km) (%)	18)	64.0 w	78.7 w	77.4 w	78.8 w	78.8 w	78.4 w

<b>Energy</b>	Note	2011	2018	2019	2020	2021	2022
Primary production of all energy products (thousand TOE)		:	5 672	5 405	5 237	5 223	5 313
Primary production of crude oil (thousand TOE)		:	0	0	0	0	0
Primary production of solid fuels (thousand TOE)		:	3 659	3 403	3 329	3 121	3 348
Primary production of gas (thousand TOE)		:	0	0	0	0	0
Net imports of all energy products (thousand TOE)		:	1 814 i	1 979 i	1 805 i	2 002 i	1 921 i
Gross inland energy consumption (thousand TOE)		:	7 478	7 230	7 108	7 374	7 310
Gross electricity generation (GWh)		:	19 160	17 493	16 874	18 536	16 381

<b>Agriculture</b>	Note	2011	2018	2019	2020	2021	2022
Agricultural production volume index of goods and services (at producer prices) (2015 = 100)		:	:	:	:	:	:
Utilised agricultural area (thousand hectares)		1 731.9 e	1 779.6 e	1 806.3 e	1 845.6 e	1 865.8 e	1 116.7 b
Livestock numbers: live bovine animals (thousand heads, end of period)		455.0 e	438.0	430.0 e	427.0 e	339.5	339.2
Livestock numbers: live swine (thousand heads, end of period)		577.0	542.0 e	543.0 e	547.0 e	569.6	471.6
Livestock numbers: live sheep and live goats (thousand heads, end of period)		1 086.0 i	1 085.0 i	1 085.0 i	1 085.0 i	1 083.2 i	1 041.6 i
Raw milk available on farms (thousand tonnes)		:	:	:	:	:	:
Harvested crop production: cereals (including rice) (thousand tonnes)		1 131.3 e	1 764.1 e	1 685.6 e	1 966.8 e	1 425.1 e	1 173.7 b
Harvested crop production: sugar beet (thousand tonnes)		0.0	0.0	0.0	0.0	0.0	0.0
Harvested crop production: vegetables (thousand tonnes)		276.2 e	298.7 e	298.8 e	323.7 e	292.7 e	238.2 b

Source: Eurostat and/or the statistical authorities in Bosnia and Herzegovina

: = not available  
b = break in series  
e = estimated value  
n = not significant value  
p = provisional  
i = Eurostat estimate

w= data supplied by and under the responsibility of the national statistical authority and published on an "as is" basis and without any assurance as regards their quality and adherence to EU statistical methodology

\* = Europe 2020 indicator

\*\* = Macroeconomic Imbalance Procedure (MIP) indicator

Footnotes:

- 1) Consumer price inflation
- 2) Based on IMF balance of payments manual, Asset - Liability Approach
- 3) Based on IMF balance of payments manual, sixth edition.
- 4) Based on IMF balance of payments manual, sixth edition and OECD Benchmark Definition of Foreign Direct Investment - 4th edition
- 5) Revision: NEER base period 2015=100
- 6) M1 money supply comprises cash outside banks and transferable deposit in domestic currency of all domestic sectors (except central government deposits).
- 7) Based on IMF monetary and financial statistics manual, 2000.
- 8) In accordance with the Decision on Credit Risk Management and Determination of Expected Credit Losses, from supervisory body, since January 1, 2020, commercial banks have re-recorded some of the bank's balance sheet receivables on of balance sheet records, which caused a decrease in loan of approximately 400 millions KM in private enterprises and household sectors.
- 9) Data for monetary financial institutions.
- 10) Includes data for the central bank and other banks for the end of December 2022, while data for other financial institutions are given for the end of September 2022.
- 11) Money market is not yet established in Bosnia and Herzegovina.
- 12) Paasche export and import unit value indices
- 13) Up to (and including) year 2020, the public sector comprises NACE Rev. 1.1 Sections L, M and N; from year 2022 onwards, the public sector includes NACE Rev. 2 Sections O, P and Q. The private sector comprises the other NACE Sections, respectively.
- 14) The public sector includes NACE Rev. 2 Sections O, P and Q while the private sector includes other NACE Sections.
- 15) From January 2021, the Agency for Statistics of Bosnia and Herzegovina began to apply the new, redesigned methodology of the Labour Force Survey. The redesign of the survey took place on the basis of and in accordance with the new Regulation of the European Parliament and the Council, which entered into force on 1 January 2021. With the introduction of the new, redesigned methodology of the Labour Force Survey from January 2021, the series of data published in the previous year was interrupted.
- 16) Net earnings.
- 17) Total household consumption expenditure (rather than income) is used for the calculation.
- 18) Data not collected on inland waterways. Road share of inland freight transport based on road and rail transport.

